











JS Bank is one of the fastest-growing Banks in Pakistan, with both a domestic and international presence. The Bank is a leader in the digital financial services, SME & consumer loans space. JS Bank has been recognized on multiple international and national forums including the prestigious AsiaMoney, Asian Banking and Finance, DIGI and Pakistan Banking Awards. The Bank is part of JS Group, one of Pakistan's most diversified and progressive financial services groups.



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# Vision

To be the most innovative, customer centric and responsible bank in Pakistan.

# Mission

Our mission is to be a world class bank providing innovative financial services to our customers through a motivated team of professionals, supported by the latest technology, whilst maintaining high ethical standards, creating value for all our stakeholders, and contributing to the society through responsible and sustainable development.







# Corporate Values

 <p><b>INTEGRITY</b> Integrity is at the core of everything we do. We believe in achieving success by building a culture of trust and accountability by adhering to high moral values. We empower our people to say NO.</p>	 <p><b>CUSTOMER CENTRICITY</b> Customer satisfaction is our prime objective. We aim to fully understand the needs of our customers and stakeholders so as to adapt our products and services to exceed their expectations.</p>	 <p><b>TEAMWORK</b> Teamwork enables individuals to achieve bigger goals which foster a culture of trust and support. We believe in supporting each other and putting team before individual performance. We respect diversity and promote inclusion.</p>	 <p><b>PROFESSIONAL EXCELLENCE</b> As the industry we operate in is evolving rapidly and providing abundance of choice to the customers, we believe only persistent commitment towards excellence will make us the very best among the industry.</p>	 <p><b>INNOVATION</b> We believe innovation is vital at workplace as it gives organization an edge in implementing new ideas, refining services and creating dynamic products leading to business growth by effectively adapting the evolving marketplace.</p>
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## Code of Conduct

JS Bank's Code of Conduct is designed to guide the personal business ethics of its employees and does not tolerate any conduct which might be considered detrimental to the Bank and its reputation.

The Bank considers honesty and integrity as cornerstones of ethical behavior for lasting business relationships. The Bank aims to deliver products and services in a fair, transparent, and ethical manner. Our Code of Conduct emphasizes upholding ethical standards across all business dealings and relationships. The Bank aims to be transparent in all its dealings and enhance customer banking knowledge and inform them about banking services in a wholistic manner.

The complete Code of Conduct is handed over to all employees and is available on the Bank's website as well.

# Products and Services

## JS Current Deposit Products

For complete day-to-day banking needs, JS Current Deposit menu provides our valued customers with transactional convenience and flexibility for all their financial dealings.

## JS Savings Deposit Products

We offer a wide array of savings products that cater to short term investment and transactional needs.

## JS Term Deposit Products

JS Term Deposits offer attractive short and medium to long-term investment options with flexibility, convenience and security. With various tenure options, customers can choose the one that suits their needs.

## Foreign Currency Accounts

The customers can save in any foreign currency accounts and enjoy attractive returns. A wide range of account types are offered for personal and business clients.

## Corporate Banking

JS Corporate Banking is focused on providing a range of diverse financial services (including tailor made solutions) to corporate clients (including multinational and public entities) by partnering with them and build long-term sustainable relationships.

## JS Private Banking

JS Private Banking takes our customers on a journey of rewarding experiences and a diverse product suite of deposits, lending and investment solutions.

## Employee Banking and Cash Management

We offer superior payroll and cash management solutions to corporates across Pakistan. In addition to the best set of product features, our payroll customers enjoy unmatched rates on consumer loans, free of cost insurance coverage and facilities such as Advance Salary, Personal Loans & Charge Cards.

## JS Consumer Lending Products

JS Consumer Banking offers a full suite of consumer lending products to our valued customers. The Bank's Current product portfolio consists of Credit Cards, Auto loans, Home loans and Personal loans.

## JS Digital Banking Products and Services

JS Mobile and Internet Banking offer customers unprecedented control over their transactions. Customers can make real time payments, set up standing instructions and even find their favourite Discounts with a few clicks.

We provide Mastercard Debit Cards with EMV chip and NFC capabilities to our customers. Mastercard is accepted worldwide and offers added benefits, including travel and dining. For the ease of our valued customers, we are now also offering Debit Card activation via IVR and JS Bank ATMs.

As part of its drive to digitize Public to Government (P2G) payments, JS Bank partnered with KPK & Islamabad Traffic Police for issuance and payment of Digital challan. JS Bank facilitates over 6 million annual traffic violation payments through instant fine payment and real-time SMS-based notifications. JS Bank has also digitized the driving license fee process for all districts of KPK.

## JS ATMs

We have a widespread ATM network placed at both Bank branches and commercial locations for consumers' convenience. JS ATMs provide customers with 24-hour convenience to withdraw cash, view mini-statement, and make fund transfers and much more.

## JS SMS Alerts

We continually update our valued customers with financial transaction and information alerts via SMS.

### **JS Mobile Wallet**

JS Mobile wallet allows users to open instant mobile wallet by downloading the J-Cash wallet app. The wallet offers customers services including funds transfers, bill payments, mobile recharge, online payments and e-commerce opportunities. The wallet can be topped up via multiple channels including physical locations (JCash Agents/JS Bank branches) or digital means (IBFT).

We are one of the leading players in Government to Public (G2P) payments. From remote areas of Baluchistan to Interior Sindh and from Gilgit Baltistan to along the Line of Control, JSBL agents have serviced BISP, Ehsas Kifalat, EOBI Pension and Khidmat Card Program beneficiaries in all provinces and territories of Pakistan.

### **JS Call Centre**

We offer customers a 24/7 call center designed to enhance service delivery and support across multiple channels. Our Call Centre is equipped with trained professionals who offer a wide array of information and problem resolution support around the clock. The customers are further facilitated through self-service modes like Interactive Voice Response (IVR) and Telephonic Personal Identification Number (TPIN).

### **Home Remittances**

We offer customers a multitude of Home Remittance offerings and are committed to contributing towards the national interest of promoting remittances through legal channels.

We are the first bank in Pakistan which allows remittances to be sent to any cell number domestically in alliance with international remittance partners. Remittances can be collected from any JCash agent or through ATM/Debit Card.

### **Safe Deposit Lockers**

We pride ourselves in offering our customers ease of mind and this is yet another service that highlights our commitment in providing everything necessary to accommodate their needs. We offer various types of lockers depending on customer requirement to protect their documents, jewelry or any other valuables.

### **SME Banking**

We are one of the leading banks in the SME lending space, with a variety of loans available geared towards development and expansion of SMEs across the country. We offer a diverse portfolio of lending facilities, including SBP initiatives offering rebated loans to specific target segments.

### **JS School Development Finance**

JS School Development Finance, offers educational institutions with financing of up to Rs. 50 million to fulfil all their financial and non-financial needs.

### **JS Hospital Financing**

JS Hospital Financing, based on State Bank's Refinance Facility for Combating COVID-19 (RFCC), is a loan facility for Hospitals, Medical Centres and entities planning to engage in manufacturing of medical equipment to combat COVID-19 and allows them to buy local /imported medical equipment so that they are fully prepared and adequately equipped to deliver quality services.

### **JS Green Financing**

We offer Solar Panel financing solutions to individuals and businessmen for residential, agriculture and commercial needs. As one of Pakistan's leading Banks in green financing, we ensure end to end comprehensive installation of solar solutions through a network of over 40 AEDB-certified partners across Pakistan.

### **JS Agri Financing Products**

Agriculture finance business of the Bank has embraced a new and progressive outlook as a result of various Initiatives. A well-equipped, trained & experienced team has been put in place to facilitate customers on their door steps.

### **JS Gold Finance**

We are one of the leading banks offering loans against gold ornaments for business and agricultural requirements. We provide one of the most swift turnaround times, with loans being processed as quickly as 100 minutes from the time of application.

### **JS Kamyab Jawan Youth Entrepreneurship Scheme (PMYES)**

In October 2020, we launched the Prime Minister's Kamyab Jawan Youth Entrepreneurship Scheme (PMYES). The scheme aims at empowering the youth of Pakistan by providing them highly subsidized loans to set up or expand their business. Through its strategic alliance based model, we have partnered with various local and international organizations in the ride hailing, dairy farming and transportation segment in addition to financing individuals business loans. In the coming years, strategic partnerships in the Agri value chain, Education, Business Incubation, Economic Development, and Manufacturing sectors are being explored as we look to transform lives throughout the country.

### **JS Khud Mukhtar**

A financing solution based on State Bank of Pakistan's Refinance and Credit Guarantee Scheme for Women Entrepreneurs, JS Khud Mukhtar enables empowerment and financial stability for women entrepreneurs in Pakistan.

### **JS Naya Aghaaz**

The JS Naya Aghaaz SME Loan has been designed to enable personal development of the differently abled individuals in Pakistan through term finance based on State Bank of Pakistan's Small Enterprise (SE) Financing and Credit Guarantee Scheme for Special Persons.

# Company Information

## Board of Directors

Mr. Kalim-ur-Rahman	Chairman
Mr. Adil Matcheswala	Non-Executive Director
Mr. Ashraf Nawabi	Non-Executive Director
Mr. G.M. Sikander	Independent Director
Mr. Hassan Afzal	Non-Executive Director
Mr. Munawar Alam Siddiqui	Non-Executive Director
Ms. Nargis Ghaloo	Independent Director
Mr. Sohail Aman	Independent Director
Mr. Basir Shamsie	President & CEO

## Audit Committee

Ms. Nargis Ghaloo	Chairperson
Mr. Adil Matcheswala	Member
Mr. G.M. Sikander	Member
Mr. Munawar Alam Siddiqui	Member

## Human Resource, Remuneration & Nomination Committee

Mr. Sohail Aman	Chairman
Mr. Adil Matcheswala	Member
Mr. G.M. Sikander	Member
Mr. Kalim-ur-Rahman	Member

## Risk Management Committee

Mr. Ashraf Nawabi	Chairman
Mr. Munawar Alam Siddiqui	Member
Ms. Nargis Ghaloo	Member
Mr. Basir Shamsie	Member

## Board IT Committee

Mr. Hassan Afzal	Chairman
Mr. Kalim-ur-Rahman	Member
Mr. Sohail Aman	Member
Mr. Basir Shamsie	Member

## Chief Financial Officer

Mr. Hasan Shahid

## Company Secretary

Mr. Ashraf Shahzad

## Auditors

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

## Legal Advisors

Bawaney & Partners  
Haidermota & Co.  
Liaquat Merchant Associates

## Share Registrar

CDC Share Registrar Services Limited  
CDC House, 99 – B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal, Karachi

## Registered office

JS Bank Limited  
Shaheen Commercial Complex  
Dr. Ziauddin Ahmed Road  
P.O. Box 4847, Karachi-74200, Pakistan  
UAN: +92 21 111 JS Bank (572-265)  
111-654-321  
[www.jsbl.com](http://www.jsbl.com)





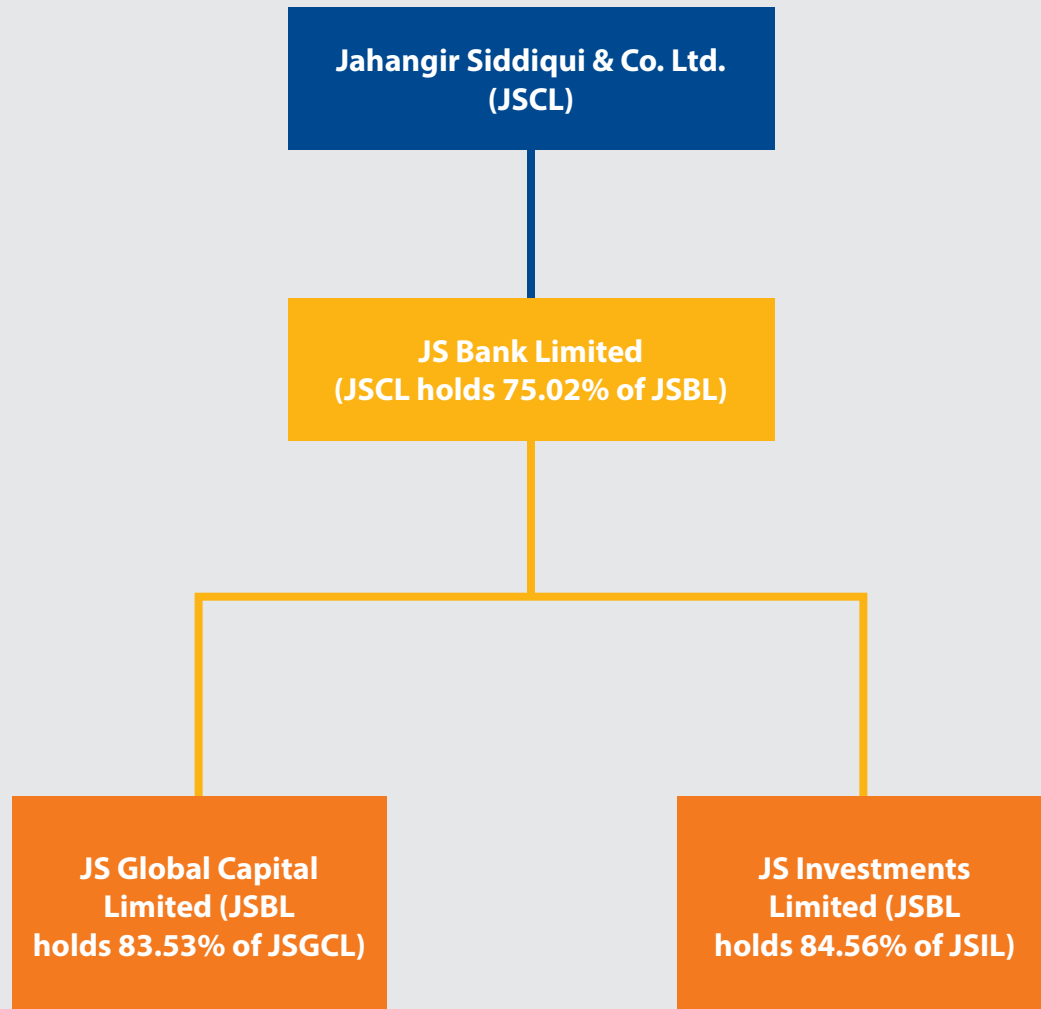
## Entity Credit Rating

Long Term  
**AA-**  
(Double A Minus)

Short Term  
**A1+**  
(A One Plus)

(Assigned by Pakistan Credit Rating Agency)

# Operating Structure



# Profile of the Board of Directors

## Composition of the Board

S.No	Name of Directors	Status
1	Mr. Kalim-ur-Rahman - Chairman	Non- Executive Director
2	Mr. Adil Matcheswala	Non- Executive Director
3	Mr. Ashraf Nawabi	Non- Executive Director
4	Mr. G.M. Sikander	Independent Director
5	Mr. Hassan Afzal	Non- Executive Director
6	Mr. Munawar Alam Siddiqui	Non- Executive Director
7	Ms. Nargis Ghaloo	Independent Director
8	Mr. Sohail Aman	Independent Director
9	Mr. Basir Shamsie- President & CEO	Non-Elected Executive Director

The Board of Directors of JS Bank presently has three (3) directors as Independent Directors including one Female Independent Director. The Independent Directors meet the criteria of independence as defined in the Companies Act, 2017 and the State Bank of Pakistan's directives. Further, the Board also has five Non-Executive Directors. The President & CEO of the Bank is a non-elected Executive Director.





**Mr. Kalim-ur-Rahman**

Non-Executive Director – Chairman

Mr. Kalim-ur-Rahman was formerly President & CEO of JS Bank Limited from 2010 to 2013 and has been a Director of the Bank since then. He was elected Chairman of the Board of Directors in August 2019.

He is a seasoned banker with 50 years of experience in both international and domestic banking. He started his banking career with National & Grindlays Bank in 1963 as a Management trainee. After nearly three years of banking training in Pakistan and London, he was appointed as a covenanted officer of the Bank in 1966, and served in Karachi, Peshawar and London in senior positions till 1978, when he resigned and joined Middle East Bank, Dubai as Chief Manager, and subsequently promoted as Assistant General Manager - UAE Operations.

During his tenure with Middle East Bank in Dubai, he conceived and implemented the online computerization of the UAE branches in 1980, being one of the first in UAE banking. In 1985, he was posted to Karachi as General Manager – South Asia, and till 1991 saw Middle East Bank, Pakistan grow its profitability by 35% per annum CAGR from only three branches in the country. After 1991, Mr. Kalim-ur-Rahman served in several Pakistani banks in senior positions, including as the President & CEO of Askari Commercial Bank from 1999 to 2006, during which period the Bank saw a phenomenal growth in its assets (40% CAGR) and profitability (47% CAGR). He subsequently served as the General Manager of Arab Emirates Investment, Dubai 2007-2008.

Mr. Kalim-ur-Rahman was the first Secretary General of the Pakistan Banks Association 2006-2007.

Mr. Kalim-ur-Rahman did his Senior Cambridge from Burn Hall School, Abbottabad and B.Sc. (Hons) from Government College, Lahore. He had a first class academic career throughout, and his name is inscribed on the College Roll of Honor. He is a Fellow of the Institute of Bankers in Pakistan and holds the Director's certification from the Pakistan Institute of Corporate Governance as well as the Institute of Directors, London.

Mr. Kalim-ur-Rahman is a member of the Board's IT Committee and the HR, Remuneration & Nomination Committee.

**Directorships in Other Companies:**

Excel Labs (Pvt) Limited

**Mr. Adil Matcheswala**

Non-Executive Director

Mr. Adil Matcheswala is the CEO and founding Director of Speed (Private) Limited, a retail and distribution company that is incorporated in Pakistan. The Company's portfolio includes numerous leading international brands such as Nike, Adidas, Under Armour, Tag Heuer, Charles & Keith, Pedro and Timex.

He started his professional career in the financial services industry in 1992 and was the Head of the Equity Sales Division of Jahangir Siddiqui & Co. Ltd. (formerly Bear Stearns Jahangir Siddiqui Limited).

He has previously served as the Chairman of the Board and Chairman of the Audit Committee of JS Global Capital Ltd. as well as a Director of JS Value Fund.

He has served on the Board of JS Bank Limited since 2012. He is also a member of the Board's Audit Committee and HR, Remuneration & Nomination Committee of the Bank.

Mr. Matcheswala graduated from Brown University with an A.B. in Economics.

**Directorships in Other Companies:**

Speed (Private) Limited  
JOMO Technologies (Private) Limited

**Mr. Ashraf Nawabi**

Non-Executive Director

Mr. Ashraf Nawabi is a seasoned banker, working in United Arab Emirates since 1967. He has worked in United Bank Limited/BCCI, as CEO for their Middle East Regions. Presently he is working as Advisor in Emirates NBD Bank PSC, which is largest Commercial Bank in the Middle East & Africa.

Mr. Nawabi is also Board Member of Alliance Insurance P.S.C Dubai. He was also a Board member of Union National Bank Abu Dhabi, the third largest Bank of U.A.E. for almost ten years. Apart from this he is CEO/Director of First Jamia Services Limited Lahore and Chairman Alif Noon Parents Foundation.

Mr. Nawabi, in coordination with Dubai ruling family members and businessmen established International School of Choueifat in Lahore in 1991. This school is one of its kind in the entire subcontinent, imparting high quality education to students for entry into leading Universities

of Europe and America. Further branches of International School of Choueifat are planned to be opened in different cities of Pakistan in next few years.

On his own, with an upto date personal contribution of almost Rs. 200 million he has established KPSS School in Chakwal, specifically to impart quality education to under privileged children of the area. This School has enrolment of over 400 pupils which will gradually increase to 1500 students in next few years. To accommodate increase in students, substantial expansion is underway to increase the capacity of school.

Global institutions, Pakistani corporates, businessmen and individuals from Pakistan and abroad continue to donate substantial amounts for this noble cause. Further schools are also planned to be opened in less developed areas.

Mr. Nawabi has served on the Board of JS Bank Limited since 2007. He is also a Chairman of the Board's Risk Management Committee.

**Directorships in Other Companies:**

First Jamia Services Limited, Lahore  
Alliance Insurance Co. P.S.C. Dubai.

**Mr. G.M. Sikander**

Independent Director

Mr. G.M. Sikander has been a career civil servant having served the Government of Pakistan in various capacities for 39 years. He retired as Federal Secretary of the Housing and Works Division.

He has served as Assistant Commissioner and Deputy Commissioner in various districts of Punjab and contributed significantly towards social sector development. While serving as Deputy Commissioner of Kasur he single handedly established a public school on self-help basis which has now become a degree college with almost 5,000 students.

Mr. Sikander has previously served as Secretary to the Government of the Punjab and (KPK) provinces and headed the departments of Services, Establishment, Information & Tourism, Housing & Physical Planning, Baitul Maal, Social Security and Cooperatives. He also served as Principal Secretary to five Chief Ministers in the Punjab for a record period of nearly 10 years.

Mr. Sikander is also a Trustee of the Hamza



Foundation in Lahore which is a foundation dedicated to supporting and educating deaf and mute students and a Life Trustee of the Marafie Foundation Pakistan which is engaged in the development of public health and education sectors in Gilgit-Baltistan.

Mr. Sikander has served on the Board of JS Bank Limited since 2013. He is also a member of the Board's Audit Committee and HR, Remuneration & Nomination Committee of the Bank.

Mr. Sikander received his M.A. in Political Science from Punjab University and completed a Diploma in Development Administration from the University of Birmingham. He has also completed the Advanced National Management Course from the former Pakistan Administrative Staff College Lahore and a special course in Development Administration from The National Institute of Public Administration. Furthermore, he also holds the Director's Certification from the Institute of Chartered Accountants of Pakistan (ICAP).

#### **Directorships in Other Companies:**

Nil

#### **Mr. Hassan Afzal**

Non-Executive Director

Mr. Hassan Afzal is the Chief Technology Officer of Afiniti, a company that offers AI products to transform how enterprises pair employees and customers. Mr. Afzal has been responsible for the company's product engineering, professional services, and production support areas since 2007. Prior to joining the Afiniti team, Mr. Hassan held senior management positions with Deloitte Consulting, Commerce One and American Management Systems. At Deloitte Consulting, Mr. Afzal advised the CIOs of Fortune 500 companies on technology strategy, merger integration, and enterprise system implementations. As Senior Principal at American Management Systems (AMS), Mr. Afzal was responsible for the systems deployment function of AMS's Healthcare product offering. As Senior Director at Commerce One, Mr. Afzal was responsible for professional services engagements in the Oil and Gas sector.

Mr. Afzal was elected as director on the Board of JS Bank Limited in 2019. He is also the Chairman of the Board's Information Technology Committee of the Bank.

Mr. Afzal holds a MSE in Computer and

Information Systems from the University of Pennsylvania and a BS in Electrical Engineering from the University of Virginia.

#### **Directorships in Other Companies:**

Nil

#### **Mr. Munawar Alam Siddiqui**

Non-Executive Director

Mr. Munawar Alam Siddiqui, retired as an Air Commodore from the Pakistan Air Force (PAF) in 2003. His last post was Assistant Chief of Air Staff (Administration) at Pakistan Air Force Headquarters. For his meritorious services to the PAF, he was awarded Tamgha-e-Imtiaz (Military) and Sitara-e-Imtiaz (Military).

He was commissioned in the GD (P) Branch of the Pakistan Air Force in 1974. He is a qualified flying instructor and has flown over 8000 hours on different aircraft types including C-130, Boeing and Dassault aircraft. He has served as a VVIP and Presidential Pilot during his tenure of service and has held various key command and staff appointments in the PAF. He served as Director of Air Transport at Air Headquarters from 1996 to 1998 and commanded an operational air force base with over 8,500 personnel from 2000 to 2002.

Presently Mr. Siddiqui is Advisor to JS Investments Limited and was Chairman of JS Investments Limited from 2004 to 2013. Currently, he is Chairman of Peregrine Aviation (Pvt.) Limited.

As part of his social commitment, he works as a director on the boards of Fakhre-Imdad Foundation, Karachi Education Initiative, Karachi School for Business & Leadership and Karigar Training Institute. He is also a Trustee of the Cardiovascular Foundation.

Mr. Siddiqui has served on the Board of JS Bank Limited since 2016. He is also a member of the Board's Audit Committee and Risk Management Committee of the Bank.

Mr. Siddiqui holds a B.Sc. (Honours) in War Studies from Karachi University, a B.Sc. Avionics from Peshawar University, an M. Sc. in Defence and Strategic Studies from Quaide-Azam University and an M. Sc. in Strategic Studies from Karachi University. He is also an alumnus of the National Defence University.

#### **Directorships in Other Companies:**

Jahangir Siddiqui & Sons Limited  
Fakhre-Imdad Foundation  
JS ABAMCO Commodities Limited  
Karachi Education Initiative  
Peregrine Aviation (Private) Limited  
Karigar Training Institute.

#### **Ms. Nargis Ghaloo**

Independent Director

Ms. Nargis Ghaloo is a retired senior civil servant having served the Government of Pakistan in various capacities for 36 years. She retired as the Managing Director Public Procurement Regulatory Authority, Government of Pakistan. Ms. Ghaloo was Chairperson of State Life Insurance Corporation of Pakistan, Pakistan's largest life insurer, from 2014 to 2016. She is also the Chairperson of Alpha Insurance Company Limited.

Ms. Ghaloo joined the Civil Services of Pakistan in 1982, has many years of professional experience serving in senior management positions with provincial as well as federal government departments in diversified fields such as public sector management, administration, financial, judicial, health, insurance and planning.

Ms. Ghaloo did her Masters in English from University of Sindh in 1981 and is a Certified Director from The Pakistan Institute of Corporate Governance (PICG) and holds Certificate of Corporate Governance from INSEAD and also holds a Certificate in Company Direction from Institute of Directors, UK.

Ms. Ghaloo has served on the Board of JS Bank Limited since 2016. She is also a member of the Board's Audit Committee and Risk Management Committee of the Bank.

#### **Directorships in Other Companies:**

Alpha Insurance Company Limited  
Hinopak Motors Limited

**Mr. Sohail Aman**  
Independent Director

Born in 1959, Air Chief Marshal Sohail Aman received his intermediate and graduate education at PAF College, Sargodha. Subsequently, he joined Pakistan Air Force and graduated from PAF Academy in 1980. He is a graduate of Pakistan Air Force War College and has two Masters Degrees: Strategic Studies from Karachi University and International Relations from Kings College, London. He is also a proud alumnus of Royal College of Defence Studies United Kingdom and has attended National & International Security Course at Harvard Kennedy School USA.

During his career, ACM Sohail Aman has flown various types of fighter aircraft including F-16s and has a grand total of over 3000 fighter hours to his credit. As a distinguished fighter pilot and Combat Commander, he has also evaluated modern fighter aircraft like SU27, SU30, Gripen and Euro fighter Typhoon. He has commanded a Fighter Squadron, Combat Commanders' School, a Fighter Base and a Regional Air Command of Pakistan Air Force.

Air Chief Marshal also has a rich staff experience and has served as Director Operations, Director Plans, Assistant Chief of Air Staff Operations, Deputy Chief of Air Staff Training and Deputy Chief of Air Staff Operations at Air Headquarters. As Deputy Chief of Air Staff Training, he focused on the concept of Education for All; especially to the underprivileged children. In this regard he introduced various scholarship schemes for deserving PAF as well as civilian children. He also developed two medical colleges and three air university campuses across the country during his tenure as the Chief. As Deputy Chief of the Air Staff Operations, he was the main architect of Pakistan Air Force's campaign in support of successful Counter Terrorism Operation Zarb-e-Azb that proved pivotal in eliminating the menace of terrorism from Pakistan and restoration of peace in the country. He personally led anti-terrorists missions in F16 aircraft depicting the nation's resolve to combat terrorism.

ACM Sohail Aman is also highly regarded for orchestration and actualization of Pakistan Air Force's modernization plan. His relentless pursuit of indigenization and focus on Human Resource development through industry academia linkage is evident in shape of development of "Aviation City" in PAF. The establishment of "PAF Airpower Centre of Excellence" is yet another strategic initiative by the Air Chief Marshal. This unique institution aims to

share PAF's rare experiences in Counter Terrorism Air Operations (CT) with friendly air forces. The institute also lays special focus on Research and Development (R&D) in the field of 'Airpower Application in Contemporary Warfare'. ACE's R&D is closely linked to development of modern aviation hardware at Aviation City, especially Project 'Azm' which was initiated by him as the PAF effort to manufacture fifth generation fighter aircraft. He envisioned and developed PAF Base Bholari near Hyderabad and developed it at a record speed as a fighter base.

Owing to his experience in security related issues and Leadership, Sohail Aman has extensively lectured at think tanks and audience at various high-ranking universities and Staff & War colleges; both inland and abroad.

Sohail Aman is also a man of great compassion which is evident from the monumental steps he has undertaken for the welfare of families of martyrs, Personnel with Special Needs (PSN) and education and wellbeing of low paid employees of PAF.

In recognition of his meritorious and exceptionally dedicated services, he has been decorated with awards of Nishan-i-Imtiaz (Military), Hilal-i-Imtiaz (Military), Sitara-i-Imtiaz (Military) and Tamgha-i-Imtiaz (Military). He is also recipient of "The Legion of Merit" of Turkish Armed Forces, "King Abdul Aziz Medal of Excellence" by the Kingdom of Saudi Arabia and United States "Legion of Merit", the highest military award of US Armed forces awarded to any foreign military official. Air Chief Marshal is currently studying Leadership, Policy formulation and Governance and is undertaking projects relating philanthropic work.

Mr. Aman was appointed as director on the Board of JS Bank Ltd in 2019. He is also the Chairman of the Board's HR, Remuneration & Nomination Committee and member Board IT Committee of the Bank.

**Directorships in Other Companies:**

Nil

**Mr. Basir Shamsie**  
President & CEO

Mr. Basir Shamsie has received his Bachelors in Business Administration from University of Texas at Austin. He has also completed the Program for Leadership Development from Harvard Business School.

Mr. Shamsie joined Bear Stearns Jahangir Siddiqui & Co. (now Jahangir Siddiqui & Co. Ltd.) in 1994 in the Money and Bond Markets business. His particular expertise is in Treasury and Investment Banking and he is credited with over 60 capital market deals, many of which have been landmark transactions for Pakistan.

He was part of the core team responsible for acquisition of American Express Bank's Pakistan operations in 2006 and its merger into JS Bank Limited. Mr. Shamsie has since been associated with JS Bank in various senior roles such as Group Head of Treasury, Wholesale & International Banking which he held till May of 2017. His last assignment was Deputy CEO, JS Bank.

He has previously served as Chairman, JS Investments Limited and JS Global Capital Limited and Director of JS Bank Limited.

He is also a member of the Board's Risk Management Committee and Information Technology Committee of the Bank.

**Directorships in Other Companies:**

Nil

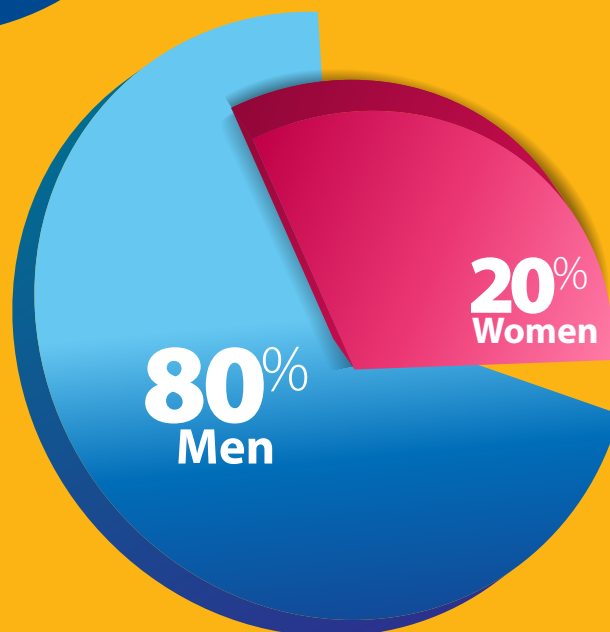
# Staff Strength

Number of  
employees as on  
December 31, 2020

**5,311**

Average number of  
employees as on  
December 31, 2020

**5,111**

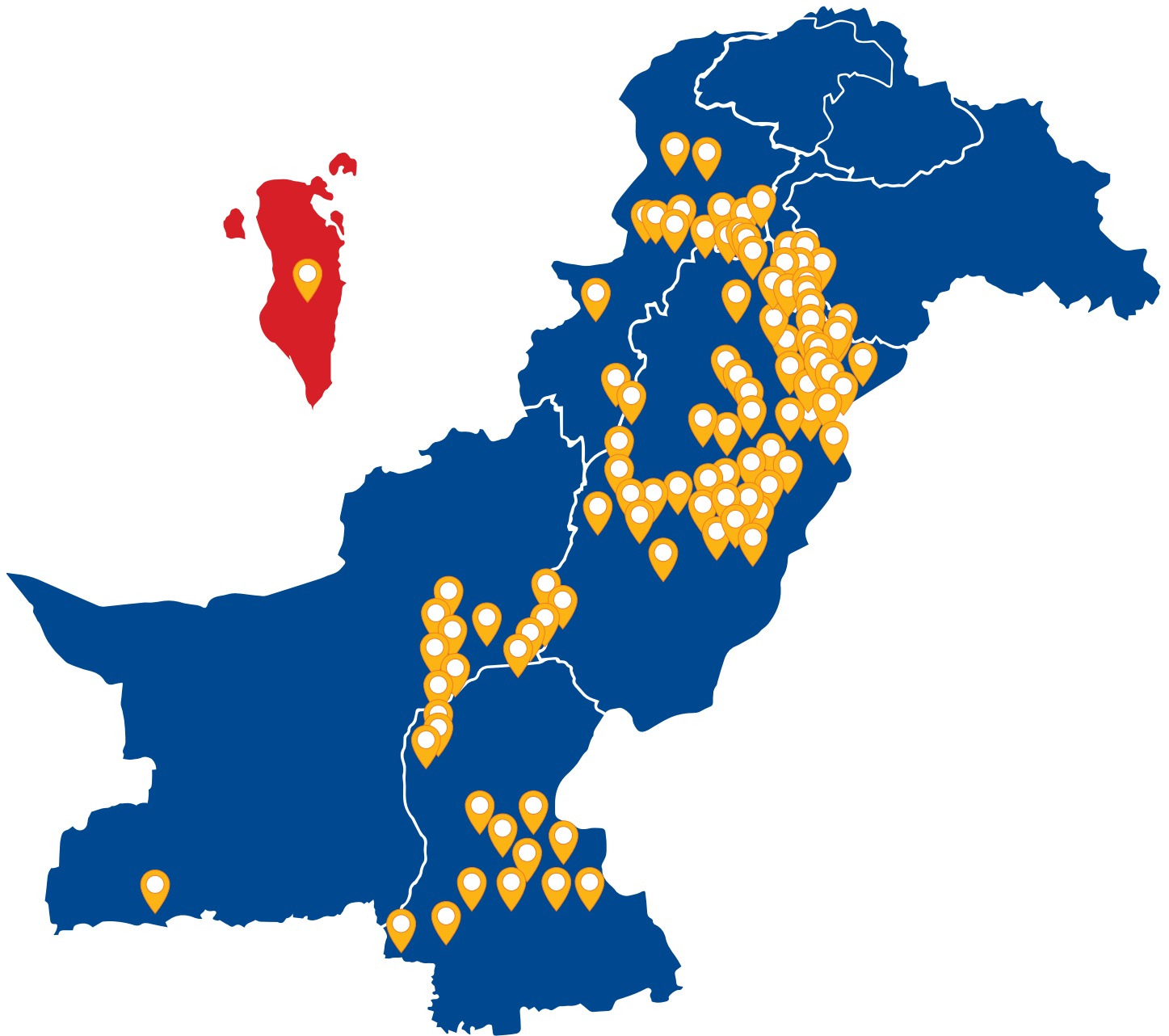


**New Joining in 2020**

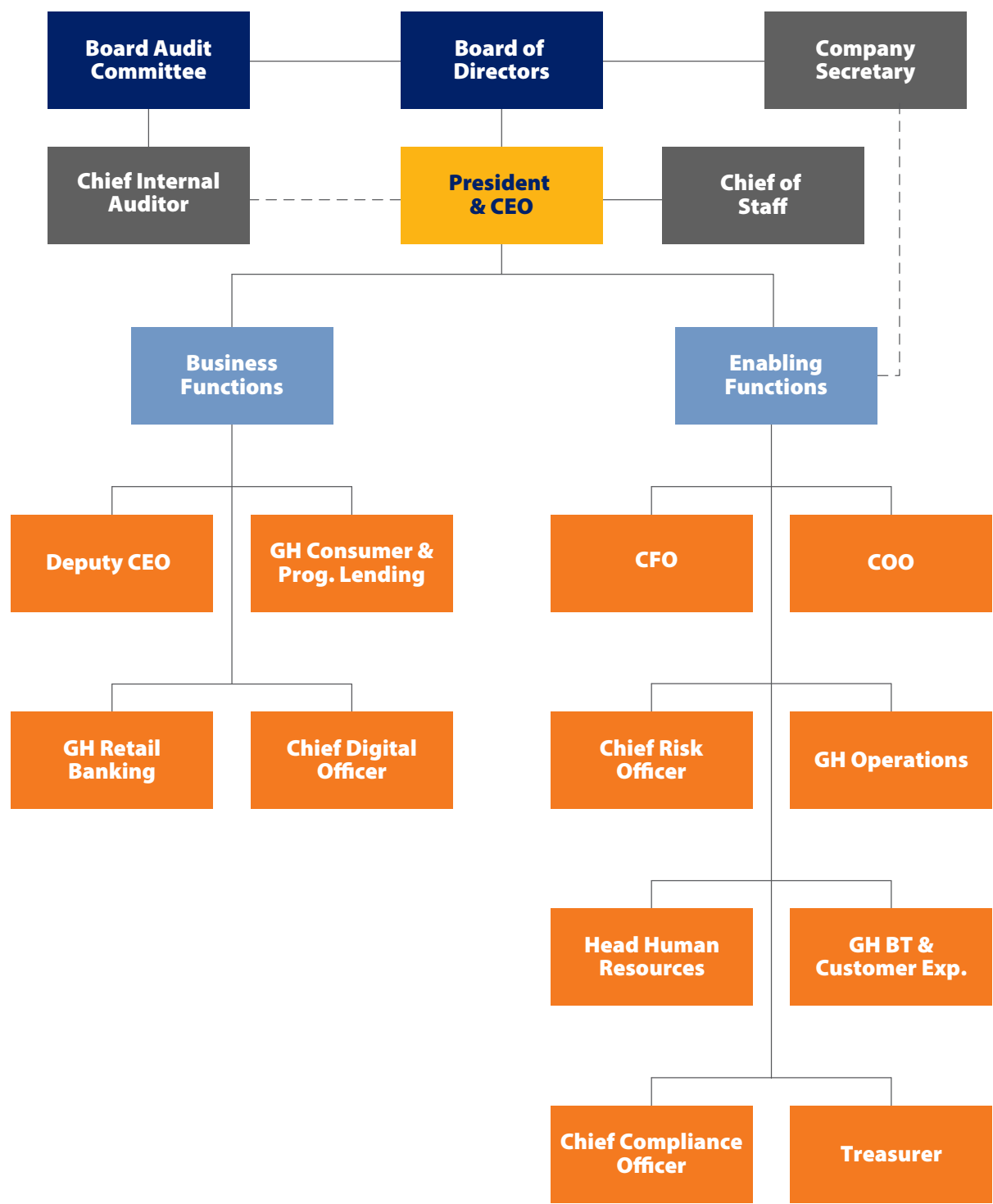
## Our Presence

**1** International branch in  
**Bahrain**

**Nationwide**  
**Branches**



# Organizational Structure





# Corporate Profile of the Bank

JS Bank Limited (the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 307 (December 31, 2019: 360) branches / sub-branches in Pakistan and one wholesale banking

Pakistan with a leadership position in the domestic capital markets. It is in the business of equity, fixed income, currencies and commodities brokerage and investment banking. It was incorporated in Pakistan on June 28, 2000 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. formerly Bear Stearns Jahangir Siddiqui Limited.

## JS Investments Limited

### Holding 84.56%

Profile: JS Investments Limited is a licensed Investment Adviser and Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-



branch in Bahrain (December 31, 2019: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at A1+ (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

## Subsidiaries

### JS Global Capital Limited

#### Holding 83.53%

Profile: JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in

Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company is also a licensed Pension Fund Manager under the Voluntary Pension System Rules 2005. Recently, JSIL also acquired the Private Equity and Venture Capital Fund Management Services license and RIET management services license from the Securities and Exchange Commission of Pakistan. Further, JS ABAMCO Commodities Limited is a wholly owned subsidiary of JS Investments Limited.

# Chairman's Review

I am pleased to present this report to the valued stakeholders of JS Bank Limited (the "Bank") on the overall performance of the Bank and efficacy of the role played by the Board in driving the Bank's objectives.

The Bank's principal market strengths were acknowledged by the Pakistan Credit Rating Agency (PACRA) and the Bank has been assigned a short-term credit rating of A1+(A One Plus), the highest possible in the category, while long-term credit rating was maintained at AA- (Double A Minus). The ratings denote very high credit quality, low expectation of credit risk and strong capacity for timely payment of financial commitments.

The Bank is committed to its role of acting as a catalyst of progress within the financial industry, by providing customers with innovative and value-added financial products and services designed to make their lives simple, easy, and convenient. The Bank's deposit and advances have continued to show remarkable stability, and we continue to engage with customers facing economic shocks at an individual level.

As of December 2020, JS Bank was ranked as one of the top SME banks in Pakistan. It continued to enhance current SME relationships while introducing innovative financial products with customized financial offerings. Based on the Country's goal of increasing exports, JS Bank established itself as a one-window solution by financing trade and servicing the cash management & payroll needs of the SME client-base.

Responsibility to the community is a cornerstone of the Bank's activities through sustainable development and responsible business. In the effort to fight and respond to COVID-19, in November 2020 JS Bank, in partnership with Future Trust, has launched Future Labs, a highly advanced robotic mobile COVID-19 laboratory in Islamabad. Future Trust is a non-profit philanthropic organization, set up by the JS Group that seeks to use advanced technology to address the problems caused by poverty.

In 2020 the Bank has been recognized for its commitment to excellence on a national and international level. The prestigious awards that JS Bank received in the year 2020 include Asiamoney Award - Best Bank for SMEs – Pakistan, Asiamoney Award - Best Bank for CSR – Pakistan, Asian Banking Finance Awards 2020 - SME Bank of the Year – Pakistan and Certificate of Merit – Best Corporate Report Award 2019 by ICAP/ICMA. These global acknowledgments bear testimony to our customer centricity and outreach, driving us to deliver value added offerings and services that surpass expectations.

Based on an extensive market analysis and business efficiency ratios, the Bank conducted a branch network review and successfully merged 51 branches during the year.

The Board of JS Bank is committed to ensuring good corporate governance through ethical and professional business conduct as well as effective risk and audit management. The Board continually reviews the Bank's financial and operational soundness, and significant policies in-line with regulatory requirements. The Board has constituted its sub-committees for oversight of all key areas of the Bank covering risk management, audit related matters, information technology and human resources for achieving the Bank's strategic objectives. The Pakistan Institute of Corporate Governance (PICG) has been engaged to perform annual evaluation(s) of the Board, its committees and its respective members as per regulatory guidelines and international best practices.

In 2021, the Bank will continue to play its innovative role in Pakistan's banking system. The shifting customer preference for digital products has driven banks to transform the traditional way of banking. Our strategic priorities in the years ahead include continuous focus on operational digitalization and transformation to enhance the customer service experience.

Core strategies are based on identifying and fulfilling customer needs through product innovation,

alliances, and automation of service delivery. Simplification of banking through digitized products and secure payment enablement are among our key priorities. Several technology initiatives have been rolled out to support business growth while improving the speed and accuracy of credit decision-making. The Bank is making continuous efforts to strengthen its ability to prevent, detect and respond to cyber-attacks by improving governance and leveraging technology advancements.

We believe that our people are our strength and by investing in their capacities and enriching their experience, it boosts both our productivity and customer satisfaction. We continue to provide best learning interventions, including a wide range of e-learning modules.

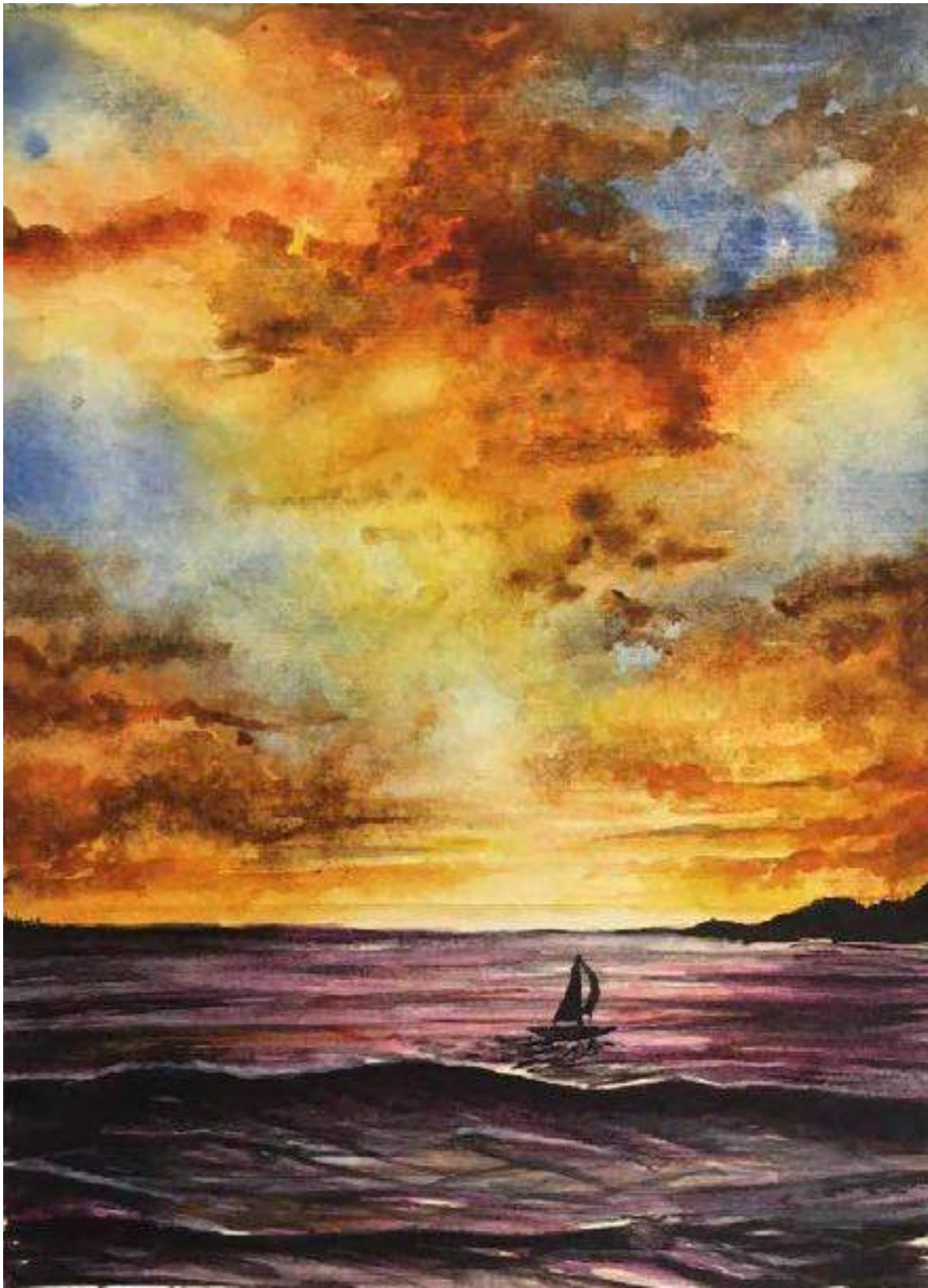
I am confident that with our diversified Board of Directors, value added offerings, unique emphasis on customer satisfaction and dedication towards excellence, we will succeed and thrive, no matter what the conditions or environment.

On behalf of the Board of Directors, I would like to extend appreciation for the continuous co-operation extended by the regulatory bodies including the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and Federal Board of Revenue. I would also like to thank our shareholders, for their continued commitment and confidence in our long-term strategic vision.

Sincerely,

**Kalim-ur-Rahman**

February 24, 2021



**Muhammad Kamran**

I believe art is something which cannot be verbally explained but only felt and expressed in your paintings. since art has no boundaries and totally depends upon one's creativeness.

Institute: FAST University



# Directors' Report

We are pleased to present herein the 15<sup>th</sup> Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and auditors' report for the year ended December 31, 2020.

## Economic Review

Pakistan, much like other countries across the globe, witnessed the socio-economic impact of the COVID-19 pandemic during the first half of CY20. Nonetheless, the timely relief measures taken by the Government of Pakistan and the State Bank of Pakistan (SBP) provided due support to the economy and the masses through various measures including Monetary Policy, Regulatory Framework, Health, Investments, Loans, Employment, and Availability and Continuity of Financial Services. Among the key relief measures were the cut in interest rates, subsidized lending to businesses, deferment options for loan repayments, a cash disbursement program for low-income families etc. Hence, the economy not only began to show signs of recovery during 2HCY20, while the second wave of COVID-19 not significantly hindered the country's economic activity.

After a decline in Large Scale Manufacturing Index during 1HCY20, recovery was reflected in the second half of the year. Resumption of economic activity and materialization of the construction package announced by the Honorable Prime Minister in the earlier part of CY20 have been among the key factors that drove the rebound in LSM. During 5MFY21, LSM has already reported 7.4% YoY growth.

On the external front, the country's current account has reported a surplus of USD 1.13 billion in 1HFY21 as against a deficit of USD 2.03 billion during the same period last year. Key contributors to the surplus have been a remarkable growth remittances and controlled imports. Resultantly the Foreign Exchange reserves increased by more than USD 2.5 billion during the year under review and closed at USD 20.51 billion at CY20 end. Despite the pandemic situation considerably weakening the currencies of several regional countries, the Rupee closed the year with only 3% depreciation against the greenback. On the fiscal side, where Pakistan had a deficit of 2.5% of GDP during 1HFY21, the country is still in a surplus on the primary balance front.

Although volatile food prices pushed inflation upward during CY20, the high base could harness inflation in the coming months. Furthermore, despite the recent increase in energy tariffs, the SBP's view of 7-9 percent inflation for FY21 remains unchanged.

## Banking Sector Review

The year under review witnessed numerous developments for Pakistan's banking sector. The SBP took relevant measures to curb the potential impact of the pandemic during the first half of the year, which included sharp monetary easing – drop in the Policy Rate from 13.25% to 7.00%, subsidized loans offered for investments and preventing layoffs, and other relief packages to consumers and the SME segment.

During the same period, the banking sector's deposits witnessed a robust growth of 22% YoY, marking the highest growth the sector has witnessed in the past fifteen years, reaching PKR 17,876 billion. Meanwhile, the sector's Investments crossed PKR 11,500 billion, reporting 31% YoY growth, and increasing the Investments-to-Deposit Ratio (IDR) by 447 basis points, from CY19, to 65%. Total Advances witnessed muted growth, expanding by 4% YoY and clocking in at PKR 8,497 billion. The sector's Advances-to-Deposit Ratio (ADR) declined to 48%, as compared to 56% in CY19. Concurrently, private sector credit also reported slow growth of 5% YoY during CY20. Non-Performing Loans (NPLs) grew to PKR 852 billion during 9MCY20, taking the infection ratio to 10.5%.

## Financial Performance

In 2020, the Bank launched multiple targeted offerings aimed at a diverse customer base while undertaking organization redesign and cost economization.

The Bank's earnings during the year remain strong despite a challenging operating environment. The Bank reported a profit before tax of PKR 2,023 million (profit after tax of PKR 1,150 million) for the year ended December 31, 2020 as compared to a profit before tax of PKR 133 million (profit after tax of PKR 25 million) in the corresponding period last year.

On the revenue side, the Bank reported total mark-up revenue of PKR 43,099 million compared to PKR 41,595 million from the corresponding period last year, an



improvement of 3.6%. Net interest income was 39.1% higher than the corresponding period last year and closed at PKR 9,777 million. Non-markup income stood at PKR 6,676 million, higher by 69.3%, with major contribution from capital gains of PKR 1,873 million, FX income of PKR 1,010 million and fee & commission income of PKR 3,596 million despite slower resumption in economic activities in the country due to the pandemic lockdowns.

Administrative expenses were PKR 13,019 million compared to PKR 10,792 million for the corresponding period last year, up by 20.6%. The cost to income ratio of the Bank improved to 79.1% as compared to 98% during the corresponding period last year, showing the Bank's focus on cost rationalization.

### Earnings per Share (EPS)

The EPS for the year ended December 31, 2020 is PKR 0.8864 per share as compared to EPS of PKR 0.0004 per share by December 31, 2019.

### Capital Adequacy

As of December 31, 2020, JS Bank's Capital Adequacy Ratio (CAR) stood at 12.77% as compared to 12.93% in 2019. Minimum required CAR (including Capital Conservation Buffer) as prescribed by SBP is 12.50%. However, the State Bank of Pakistan as a regulatory relief to dampen the effects of COVID-19, for the time being, has reduced the requirement of CAR for banks by 1%.

### Summarized financial data for the last six years is given below:

	PKR 'million'					
	2020	2019	2018	2017	2016	2015
Particulars						
Deposits	433,063	369,790	321,413	290,078	226,099	141,840
Equity	20,592	17,333	15,617	16,669	16,650	15,968
Total Assets	532,168	469,821	456,754	391,479	264,700	218,476
Investments-Net	201,698	142,568	148,690	169,612	133,727	116,030
Advances- Net	250,199	242,944	251,991	184,140	93,794	76,666
Gross Mark-up Income	43,099	41,595	29,997	20,381	15,081	15,328
Net Mark-up Income	9,777	7,028	8,809	6,242	5,728	5,590
Non-Mark-up Income	6,676	3,943	2,141	4,051	4,861	3,290
Profit Before Tax	2,023	133	905	1,621	3,390	3,174
Profit After Tax	1,150	25	562	973	2,077	2,026
Earnings Per Share (Basic) – PKR	0.8864	0.0004	0.30	0.74	1.77	1.74
Return on Avg. Assets (ROAA)	0.23%	0.01%	0.13%	0.30%	0.86%	1.03%
Return on Avg. Equity (ROAE)	6.06%	0.16%	3.49%	5.84%	12.74%	13.95%
Capital Adequacy Ratio (CAR)	12.85%	12.93%	12.01%	11.95%	14.05%	12.50%
Advances to Deposits Ratio (ADR)	57.8%	65.70%	78.40%	63.48%	41.48%	54.05%
Branches	308	360	345	323	307	277
Employees	5,311	4,904	5,127	4,998	4,163	2,946

### Business Overview

The year witnessed continued steady balance sheet growth, backed by prudent expansion in advances, aggressive deposit mobilization and diversified fee business. The Bank's overall product strategy is to promote access to financial services for financial inclusion as well as identifying and fulfilling needs of customers across all customer segments while also catering to niche market needs in an effort to stand apart from the competition.

## Deposits

JS Bank remained focused on core deposit mobilization, particularly targeting growth in low-cost deposits (Current Accounts – CA). The Bank was able to close CY2020 with a deposit base of PKR 433 billion, registering growth of 17.1% over CY2019. Significant growth in the CA deposit base has been augmented by focusing on affluent and mass affluent market segments, providing greater stability and strength to the Bank. The Bank embarked on several key initiatives to expand its deposit relationships in various segments including business accounts, employee banking, cash management relationships, corporate deposits and technology-based solutions.

## Advances

On the assets side, the bank's strategy involved prudent and coherent expansion through a holistic product range designed around customers' needs.

In addition to traditional lending segments, the Bank enhanced its focus on the SME landscape through a relationship lending model, operating through several SME hub branches. Furthermore, the secured consumer lending volumes remained strong through 2020. The leasing business also developed a healthy portfolio catering to all industrial sectors of the economy.

The Bank grew its Gold Finance and Solar Panel financing portfolios by forming multiple alliances to promote the products within their value chains. JS Bank met its agriculture credit targets with a clean portfolio, paving the way for sustainable expansion in the coming years.

## Fee Business

The Bank made concerted efforts to optimize the revenue mix between interest and fee-based income through parallel growth by cross selling various fee-based products to new and existing customers alongside traditional fee income streams.

The Investment Banking Group (IBG) continued its focus on advisory business and building the Bank's asset base by extending services to entities across microfinance, construction, oil & gas, and power sectors. Trustee and Agency services together with Bankers-to-the-Issue business continued to yield positive outcome. Going forward, IBG is to continue its focus on the advisory business, capital market and privatization transactions.

## Service Management and Fair Treatment of Customers

JS Bank is committed to providing its customers with the highest level of service quality and satisfaction. The Bank has established an independent service management function that oversees service quality, phone banking, problem resolution and the fair treatment of customers. The Bank's Complaint Handling Policy and Grievance Redressal Mechanism ensure that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the Bank's branches, phone banking center, JS Bank's website or via email.

The Bank reviews all service level complaint reports and initiatives and focuses on simplifying processes for improvement in service levels and overall customer satisfaction. 'Fair Treatment of Customers' is an integral part of our corporate culture. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our 'Consumer Education and Financial Literacy Program'.

## Sustainable Finance

JS Bank continued its efforts towards national sustainability and green project support. After successfully becoming an accredited entity of the executing Green Climate Fund (GCF), despite COVID, JS Bank has been working with GCF to develop and finance multiple projects to help mitigate the climate change impact in Pakistan. GCF is the world's largest climate fund and JS Bank, as an accredited entity, can apply to fund projects up to USD 250 million. Over the year, the Bank also focused its efforts towards plantation drives pan-Pakistan in association with renowned entities as well as its operating locations worldwide. Being a responsible lender, the Bank implemented SBP's Green Banking Guidelines which focus on risk management, own impact reduction and promotion of renewable and energy efficient products.

## Risk Management

The Board is committed to adopting the best risk management practices in letter and spirit. To maintain effective risk management oversight, the Bank follows an appropriate risk management framework according to the regulatory directives issued by SBP and other related guidelines under the Basel II / III framework. In

this regard, the Bank has a comprehensive set of risk management policies, practices and procedures in place which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks including credit, market, liquidity, operational, technology and information security.

The overall risk management framework of the Bank is under the supervision of the Board of Directors (BoD)/ Board Risk Management Committee (BRMC) while the operational level day-to-day functioning is carried out by the senior management of the Bank. In order to develop a holistic integrated risk management approach, a dedicated and independent Risk Management Group is in place to manage various aspects of risk management in the Bank. To formalize and strengthen the risk management approach within the Bank, the following significant policies were developed / reviewed and approved by the Board:

- Risk Management Policy
- Credit Policy
- Collateral Management Policy
- Market Risk Management Policy
- Operational Risk Management Policy
- Liquidity Risk Management Policy
- Country Risk Management Policy
- Business Continuity Policy
- Information Security Policy

BRMC keeps an eye on the overall risk profile of the Bank. The Integrated Risk Management Committee (IRMC), Credit Risk Committee (CRC), Operational Risk Management Committee (ORMC), IT Steering Committee (ITSC) and Assets & Liabilities Committee (ALCO) of the management operate within an established framework in order to monitor the Bank's activities and maintain the risk level within predefined limits. These Committees meet on a regular basis to review market developments and the level of financial and security risk exposures of the Bank.

Risk Management plays a vital role in ensuring that an appropriate balance is struck between risk and reward throughout the Bank. Towards this end, the risk management function and framework has been significantly strengthened in the year under review. This includes but is not limited to the formation of management committees for monitoring credit portfolio and operational risks, introducing the concept of enterprise risk management, undertaking the automation of various processes, and incorporating

the Information Security function into the risk management group.

Market risk measurement, monitoring and management reporting is done on a regular basis. The Market Risk & Basel Unit supported by the Treasury Middle Office is involved in daily monitoring of all related financial risk exposures in the form of interest rate risk, equity exposure risk, currency or foreign exchange risk, cross border or country risk, financial institutions (FI) exposure risks, liquidity risk and capital adequacy. The Bank is in the process of upgrading its system capabilities and has implemented the market risk module of Temenos Insight Risk Intelligence Solutions to enhance analytical capabilities and plans to implement modules for regulatory capital and asset & liability management in the coming year.

On capital management side, the Bank's practices ensure that it has sufficient capital to cover the risks associated with its activities. It is the prime objective of the Bank's capital management to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Apart from usual monitoring of Risks and Control Self-Assessment (RCSA), operational loss data and Key Risk Indicators (KRI), Operational risk management function also maintains the Business Continuity Policy and facilitates the annual testing of mission-critical systems and services that may be disrupted due to any eventuality or disaster. The Bank has also developed a Disaster Recovery (DR) site to ensure maximum availability of system and services to customers and partners for critical (time sensitive) and support functions.

Credit risk management is an ongoing process. The overall credit policy and the credit risk management guidelines are approved by the Board of Directors. In this regard, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring and controlling credit risk in the Bank. CCC meets regularly to actively supervise credit risk across the lending portfolio. In order to maintain a healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges. Further, in order to bolster credit risk management monitoring activities, a Credit Risk Monitoring Unit is in place for regular portfolio monitoring, formulating and implementing credit risk

management tools, including setting up of industry, geographic and sectorial limits, and devising credit risk quantification / statistical techniques to meet SBP and Basel II/III requirements. The health of the credit portfolio is being monitored through Credit Administration, which is responsible for house-keeping elements along with management of credit limits.

The management of risks and uncertainties associated with problem credit requires a different and more intense approach than normal management. In this regard, a Special Asset Management Unit is in place following SBP's regulatory guidelines to focus on remedial management issues, take ownership of classified portfolio for effective management and to determine the work-out modes for rehabilitation and settlements, as stipulated in the Remedial Asset Management Policy of the Bank.

In terms of Information Security, the Information Security Department performs security/risk assessments, as well as vulnerability assessment, and monitors critical IT and information security-specific risks across the bank. To further improve the information security posture Advance/Zero-Day Threat Protection solution is being evaluated for implementation.

### **Statement on Internal Controls**

The Bank places the utmost emphasis on establishing stringent controls across all its operations. It is the cornerstone of the Bank's policies to adhere to the best industry practices, ethical standards and regulatory requirements. In this context, the Board of Directors has promulgated policies that provide for assessing the overall effectiveness of the internal control environment. It is the responsibility of senior management to evolve systems and procedures that ensure overall comprehensive controls in the light of Board of Directors guidelines.

Internal controls are intended to provide a reasonable measure of assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws and regulations. However, it is acknowledged that the systems put in place can only provide reasonable but not absolute assurances against material misstatement or loss since they are designed to manage, rather than eliminate, the risk of unforeseen loss is seeking to achieve the business objectives.

To ensure effective management of risk, the governance structure of internal control functions at the Bank consists of three levels of defense. The first line of defense is the business itself which owns its risks, including its operational risk and is responsible for its management. The second line of defense is the oversight provided by the Risk Management, Compliance and control functions who identify and assess risks impacting existing and new business initiatives, coordinate risk mitigation with risk specialists and business and then report and escalate it to the Risk Management Function for appropriate corrective measures. The last line of defense is an independent and effective Internal Audit Function which reviews the effectiveness and adequacy of internal controls and continues to monitor compliance with policies and procedures.

The Board of Directors is regularly kept up to date about the state of compliance through the Board Audit Committee. As a priority, all significant and material findings of the internal and external auditors and regulators are addressed by the management ensuring that appropriate corrective actions have been implemented. Adequate systems are in place to minimize breaches repetition of mistakes and strengthen the control environment. In addition, the Compliance Function is performing its due role to ensure regulatory compliance across the Bank.

The Bank diligently follows SBP's Guidelines on Internal Control to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. A detailed documentation of bank-wide processes and controls has been completed. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the identified design improvement opportunities.

Upon satisfactory completion of the Internal Control over Financial Reporting (ICFR) Roadmap, SBP granted exemption to the Bank in August 2016 from the submission of a Long Form Report (LFR) by external auditors. Annual assessment report for December 31, 2020 on efficacy of ICFR shall henceforth be submitted to SBP duly approved by the Board Audit Committee.

The management considers that the internal control system presently existing is adequate, implemented effectively and continuously monitored. This statement is also endorsed by the Board of Directors. The management will endeavor to continue

enhancing its coverage and compliance with the SBP guidelines on Internal Controls and thereby strengthening its control environment on an ongoing basis.

### Corporate Governance

The Bank prides itself on good corporate governance by maintaining high levels of professional and business conduct, implementing effective internal controls and audit functions, including risk management framework and complying strictly with both local and international codes of practice.

The Board closely reviews policy-related matters with long-term implications as per regulatory obligations which also meet the Bank's operational requirements. The Management and the Board Committees have been duly constituted with a defined scope of work to ensure that they perform their prescribed functions precisely and efficiently as per their mandate and respective terms of reference.

### Corporate and Financial Reporting Framework

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities & Exchange Commission of Pakistan's Code of Corporate Governance for the following:

- The financial statements prepared by the management present fairly the state of affairs of the Bank, the results of its operations, cash flow statement and statement of changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied in the preparation of financial statements and

accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards as applicable to banks in Pakistan have been followed in preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Bank's ability as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.

### Holding Company

Jahangir Siddiqui & Co. Limited, listed on the Pakistan Stock Exchange Limited, is the holding company of JS Bank Limited, owning 75.02% of the ordinary shares.

### Subsidiary Companies

JS Global Capital Limited and JS Investments Limited are subsidiaries of JS Bank with shareholdings of 83.5% and 84.5% respectively. Performance of these companies has been reviewed under the consolidated Directors' Report.

### Attendance of Directors in the Board meetings

Six meetings of the Board of Directors were held during the year 2020. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Kalim-ur-Rahman – Chairman	6	6
Mr. Adil Matcheswala	6	6
Mr. Ashraf Nawabi	6	5
Mr. G.M. Sikander	6	6
Mr. Hassan Afzal	6	6
Mr. Munawar A. Siddiqui	6	6
Ms. Nargis Ghaloo	6	6
Mr. Sohail Aman	6	6
Mr. Basir Shamsie, President & CEO	6	6



The attendance of directors at Board Committees meetings was as follows:

Name of Director	Audit Committee		Risk Committee		HR Committee		IT Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Mr. Kalim-ur-Rahman	-	-			7	7	4	4
Mr. Adil Matcheswala	4	4			7	7	-	-
Mr. Ashraf Nawabi	-	-	4	3			-	-
Mr. G.M Sikander	4	4			7	6	-	-
Mr. Hassan Afzal	-	-					4	4
Mr. Munawar A. Siddiqui	4	4	4	4			-	-
Ms. Nargis Ghaloo	4	4	4	4			-	-
Mr. Sohail Aman	-	-			7	7	4	4
Mr. Basir Shamsie President & CEO	-	-	4	4	-	-	4	4

### Election of Directors

The election of directors of the Bank was held on March 28, 2019 at the AGM wherein eight directors were elected by the shareholders for a period of three years.

### Directors Remuneration

The remuneration of directors is fixed by the Board of Directors in accordance with applicable laws. The remuneration for attending meetings of the Board and/or Board Committees is within the scale as is reasonably determined by the Board of Directors, provided that an Executive Director shall not be paid any remuneration for attending Board/Board Sub Committee meetings.

### Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2020 as required u/s 227(f) of the Companies Act, 2017 is given on page number 353.

### Related Party Transactions

Related party transactions are disclosed at note # 43 to the unconsolidated financial statements and the consolidated financial statements of the Bank for the year ended December 31, 2020.

### Corporate & Social Responsibility

The Statement of Corporate & Social Responsibility is included in the Annual Report.

### Credit Ratings

The Pakistan Credit Rating Agency Limited (PACRA)

has maintained the long term rating of the Bank at 'AA-' (Double A Minus) and the short-term rating of "A1+" (A One Plus) which is the highest possible short-term rating.

### Dividend to Shareholders

No dividend is being paid to the shareholders on the ordinary shares for the year 2020.

### Employee Benefit Schemes

JS Bank operates a Staff Provident Fund (the Fund) and funded Gratuity Scheme (the Scheme) covering all its permanent employees.

The contribution made toward the Fund during the year 2020 is PKR 229 million (2019 PKR 209.87 million). Un-audited balance of the asset of the Fund as of December 31, 2020 was PKR 2,278 million (2019: PKR 1,795 million).

The contribution to be made to the Scheme is PKR 152 million for 2020 (2019: PKR 102 million). The un-audited balance of the assets of the Scheme as of December 31, 2020 was PKR 1,392 million (2019: PKR 705 million).

### Auditors

The present auditors, EY Ford Rhodes, Chartered Accountants (a member firm of Ernst & Young Global Limited), retire and cannot, in compliance of the Listed Companies (Code of Corporate Governance) Regulations, 2019, be re-appointed as having completed a term of five years.

The Board of Directors, on the recommendation of the

Audit Committee of the Bank, has recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants as auditors for the year ending December 31, 2021 at the upcoming Annual General Meeting of the Bank.

Auditors have confirmed that the firm is fully compliant with the International Federation of Accountants' Guidelines of Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan (ICAP) and have satisfactory rating under Quality Control Review Program of the ICAP.

### **Evaluation of the Board's Performance**

The Board of Directors of JS Bank sets the Bank's strategic direction and ensures that the organization stays true to this direction - enabling it to achieve its long-term objectives while ensuring regulatory compliance. To discharge its fiduciary responsibility of safeguarding the stakeholders' interests, a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its Committees as required by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

The Board of Directors of JS Bank has a good mix of skills, core competencies, diversity, experience, and knowledge and is at the same time committed to strong corporate governance to protect the overall interests of the Bank and its stakeholders. The Board continually reviews the Bank's financial and operational soundness, governance, internal controls, and significant policies as per regulatory requirements. Further, the Board Committees have been constituted, each with a prescribed mandate and terms of reference.

In line with the best practices of corporate governance, the Board conducts a self-evaluation exercise on an annual basis by engaging Pakistan Institute of Corporate Governance (PICG) as an external facilitator which is the lead on Corporate Governance and has a team of qualified consultants to conduct board evaluations for companies and banks. The Board of JS Bank in compliance with SBP's Guidelines on Performance Evaluation of Board of Directors and Listed Companies (Code of Corporate Governance) Regulations, 2019 has conducted its self-evaluation by engaging PICG. The evaluation covered various aspects of the performance of the Board including but not limited to: Board Composition, Strategic Planning, Control Environment, Committees, CEO & Chairman etc.

The evaluation was carried out using quantitative method, based on subjective assessment, and was conducted via questionnaires developed by the consultants. The quantitative technique has the advantage of being specific and measurable. Measurement scale used in the Bank's board evaluation is the summated rating depending on how strongly they agree or disagree with a given statement. The use of this method ensures specific and measurable data that can be benchmarked over time.

### **Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.**

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 set out by the Securities & Exchange Commission of Pakistan (SECP) have been adopted by the Bank and have been duly complied with. A Statement to this effect is annexed with the report.

### **Events after the Date of Statement of Financial Position**

There have not been any material events that occurred after the date of the Statement of Financial Position that require adjustments to the enclosed financial statements.

### **Acknowledgements**

On behalf of JS Bank, we would like to express our gratitude to our valued stakeholders for their continued patronage and support. We would also like to thank the Ministry of Finance, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and other regulatory authorities for their guidance and support to our Bank. At the close, we extend our appreciation to all our colleagues at JS Bank for their commitment towards ever greater success and growth.

For and on behalf of the Board,

**Basir Shamsie**  
President & CEO

February 24, 2021

**Kalim-ur-Rahman**  
Chairman

درج فہرست کمپنیوں (کارپوریٹ گورننس کے قوانین) کے ضابطہ 2019 کی تعمیل

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی جانب سے تیار کردہ لسٹڈ کمپنیوں کے قواعد و ضوابط (کارپوریٹ گورننس کے قوانین) ریگولیشنز 2019 کی ضروریات کو بینک نے اپنایا اور اس کے مطابق عمل کیا۔ اس سلسلے میں ایک اسٹیٹمنٹ، رپورٹ کے ساتھ منسلک ہے۔

فنانشل پوزیشن کی اسٹیٹمنٹ کی تاریخ کے بعد کے ایویٹنس

فنانشل پوزیشن کی اسٹیٹمنٹ کی تاریخ پر کوئی اہم واقعات نہیں ہوئے جس کے تحت منسلک فنانشل اسٹیٹمنٹ میں کسی قسم کی درستگی طلب ہوتی۔

اظہار تشکر

جے ایس بینک کی جانب سے ہم اپنے صارفین اور اسٹیک ہولڈرز کے تعاون اور سرپرستی پر دل سے ان کے شکر گزار ہیں۔ ہم وزارت خزانہ، اسٹیٹ بینک آف پاکستان (SBP) سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور دیگر ریگولیٹری اداروں کا بینک کو تعاون فراہم کرنے کیلئے بھی ممنون ہیں۔ اختتام پر، ہم جے ایس بینک میں اپنے تمام ساتھیوں کا ان کی زیادہ سے زیادہ کامیابیوں اور نمو کی کوشش کے عزم پر شکریہ ادا کرنا چاہتے ہیں۔

منجانب بورڈ

کلیم الرحمن  
چیئرمین

باصر شمس  
پریزیڈنٹ اور سی ای او

کراچی: 24 فروری 2021

## آڈیٹرز

موجودہ آڈیٹرز EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس (Ernst & Young Global Limited) ایک ممبر فرم) کی میعاد ختم ہوگئی اور، لسٹڈ کمپنیز کے (کوڈ آف کارپوریٹ گورننس) ضابطہ 2019 کی تعمیل کے مطابق دوبارہ پانچ سال کی مدت پوری کرنے کیلئے تقرر نہیں کیا جاسکتا۔

بورڈ آف ڈائریکٹرز بینک کی آڈٹ کمیٹی کی تجویز پر 31 دسمبر 2021 کو مکمل ہونے والے آئندہ مالی سال کیلئے KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو بینک کے آنے والے سالانہ اجلاس میں بطور آڈیٹر مقرر کرنے کی سفارش کی ہے۔

آڈیٹرز نے تصدیق کی ہے کہ فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس کے اخلاقی کوڈ کی ہدایت کے مطابق ہے، جسے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) سے لیا گیا ہے اور ICAP کے تحت ان کا کوالٹی کنٹرول ریویو پروگرام اطمینان بخش ہے۔

## بورڈ کی کارکردگی کا جائزہ

جے ایس بینک کا بورڈ آف ڈائریکٹرز بینک کی اسٹریٹجک سمت کا تعین کرتا ہے اور اس بات کو یقینی بناتا ہے کہ ادارہ اس سمت پر قائم رہے۔ تاکہ ریگولیٹری کمپلائنس کو یقینی بناتے ہوئے اپنے طویل المدتی مقاصد کو حاصل کرنے کے قابل رہیں۔ اسٹیک ہولڈرز کے مفادات کا تحفظ کرنے کی ذمہ داری نبھاتے ہوئے، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے مطابق بورڈ، بورڈ ممبران اور کمیٹیوں کی اپنی کارکردگی کی سالانہ تشخیص کے لئے ایک باضابطہ اور مؤثر طریقہ کار وضع کیا گیا ہے۔

جے ایس بینک کے بورڈ آف ڈائریکٹرز میں مہارت، بنیادی قابلیت، تنوع، تجربہ اور علم کا اچھا امتزاج ہے جو بینک وقت اسٹیک ہولڈرز کے مجموعی مفادات کے تحفظ کے لئے مضبوط کارپوریٹ گورننس کیلئے پر عزم ہیں۔ بورڈ باقاعدگی سے بینک کے مالی اور آپریشنل معاملات، نظم و نسق، اندرونی کنٹرول اور اہم پالیسیوں کا ریگولیٹری تقاضوں کے مطابق باقاعدگی سے جائزہ لیتا ہے۔ مزید برآں، بورڈ کمیٹیوں کی تشکیل کی گئی ہے، جن میں سے ہر ایک کا مینڈیٹ اور ترمز آف ریفرنس موجود ہے۔

کارپوریٹ گورننس کے بہترین طریقہ کار کے مطابق بورڈ نے ایک بیرونی سہولت کار کے طور پر پاکستان انسٹیٹیوٹ آف کارپوریٹ گورننس (PICG) کو شامل کر کے سالانہ بنیادوں پر خود تشخیصی عمل کا آغاز کیا ہے، جو کارپوریٹ گورننس کا باعث ہے اور کمپنیوں اور بینکوں کے لئے بورڈ کی تشخیص کیلئے قابل اور اہلیت کے حامل افراد کی ٹیم مرتب کی ہے۔ جے ایس بینک کے بورڈ نے اسٹیٹ بینک کی بورڈ آف ڈائریکٹرز اور لسٹڈ کمپنیوں کی کارکردگی کی تشخیص کی ہدایت، (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق PICG کے اشتراک سے خود تشخیصی کا عمل شروع کیا۔ تشخیص میں بورڈ کی کارکردگی کے مختلف پہلوؤں کا احاطہ کیا گیا ہے لیکن ان تک محدود نہیں جس میں بورڈ کی تشکیل، اسٹریٹجک پلاننگ، کنٹرول ماحول، کمیٹیاں، سی ای او اور چیئرمین وغیرہ شامل ہیں۔

تشخیص میں مقداری طریقہ کار استعمال کیا گیا، جو شخصی تشخیص پر مبنی تھا اور مشاورین کے ذریعہ تیار کردہ سوال نامہ کے ذریعہ کیا گیا تھا۔ مقداری تکنیک کو مخصوص اور قابل پیمائش ہونے کا فائدہ حاصل ہے۔ بینک کے بورڈ کی تشخیص کی پیمائش کا طریقہ کسی بیان سے کتنے متفق ہیں یا نہیں پر منحصر ہے۔ اس طریقہ سے حاصل ہونے والے پیمائش کے اعداد و شمار کو یقینی بنایا جاتا ہے کہ اس کا استعمال مخصوص اور وقت کے ساتھ بچھ مارک کے طور پر کیا جاسکے۔

## ڈائریکٹرز کا مشاہرہ

ڈائریکٹرز کا مشاہرہ قابل اطلاق قوانین کی مطابقت سے بورڈ آف ڈائریکٹرز کی جانب سے مقرر کیا گیا ہے۔ کمپنی کے بورڈ یا کمپنی کے اجلاسوں میں شرکت کیلئے مشاہرہ ایک پیمانے میں رہتے ہوئے بورڈ کی طرف سے معقول طور پر معین کیا جاتا ہے۔ اس کے مطابق کمپنی کے بورڈ اور کمیٹی میٹنگز میں شرکت کرنے پر ایگزیکٹو ڈائریکٹرز کسی قسم کے مشاہرے کے حقدار نہیں ہونگے۔

## شیئر ہولڈنگ کا پیٹرن

31 دسمبر 2020 کے اختتام پر کمپنیز ایکٹ 2017 کی شق (f) 227 کے تحت درکار شیئر ہولڈنگ کا پیٹرن صفحہ نمبر 353 پر دیا گیا ہے۔

## متعلقہ پارٹی سے معاملات

متعلقہ پارٹی سے لین دین کی تفصیلات بینک کے 31 دسمبر 2020 کو ختم ہونے والے سال کی غیر متناسب مالی بیانات کے نوٹ نمبر 43 اور مستحکم مالی بیانات بیان کئے گئے ہیں۔

## کارپوریٹ اور سوشل ریسپانسیبلٹی

کارپوریٹ اور سوشل ریسپانسیبلٹی اسٹیٹمنٹ سالانہ رپورٹ میں شامل ہے۔

## کریڈٹ ریٹنگز

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

## شیئر ہولڈرز میں ڈیویڈنڈ کی تقسیم

سال 2020 کے لئے عام شیئرز کی ادائیگی پر کوئی ڈیویڈنڈ نہیں دیا جا رہا ہے۔

## ایمپلائے بے نیفٹس اسکیمز

جے ایس بینک اپنے تمام مستقل ملازمین کو اسٹاف پروویڈنڈ فنڈ (فنڈ) اور فنڈ زگر بچو بی اسکیم (اسکیم) فراہم کرتا ہے۔

سال 2020 میں فنڈ کیلئے 229 ملین روپے جاری کئے گئے (2019 میں یہ رقم 209.87 ملین روپے تھی)۔ 31 دسمبر 2020 تک فنڈ کا غیر آڈٹ شدہ بیلنس 2,278 ملین روپے ہے۔ (سال 2019 میں یہ رقم 1,795 ملین روپے تھی)

سال 2020 میں اسکیم کے لئے 152 ملین روپے کی رقم جاری کی گئی (2019 میں یہ رقم 102 ملین روپے تھی)۔ 31 دسمبر 2020 تک اسکیم کے اثاثوں کا غیر آڈٹ شدہ بیلنس 1,392 ملین روپے ہے (2019 میں یہ رقم 705 ملین روپے تھی)۔



6	6	جناب جی ایم سکندر
6	6	جناب حسن افضل
6	6	جناب منور عالم صدیقی
6	6	محترمہ نرگس گھلو
6	6	جناب سہیل امان
6	6	جناب باصر شمش، پریزیڈنٹ اور سی ای او

بورڈ کی ذیلی کمیٹی کے اجلاس میں ڈائریکٹرز کی حاضری کچھ یوں رہی

ڈائریکٹر کا نام		آؤٹ کمیٹی		رہن کمیٹی		ایچ آر کمیٹی		آئی ٹی کمیٹی	
شرکت کی	اجلاس میں	شرکت کی	اجلاس میں	شرکت کی	اجلاس میں	شرکت کی	اجلاس میں	شرکت کی	اجلاس میں
اہلیت	حاضری	اہلیت	حاضری	اہلیت	حاضری	اہلیت	حاضری	اہلیت	حاضری
-	-	-	-	-	-	7	7	4	4
4	4					7	7	-	-
-	-	4	4	3	4			-	-
4	4					6	7	-	-
-	-	-	-					4	4
4	4	4	4	4	4			-	-
4	4	4	4	4	4			-	-
-	-	-	-			7	7	4	4
-	-	-	-	4	4	-	-	4	4

#### ڈائریکٹرز کے انتخابات

بینک کے ڈائریکٹرز کے انتخابات کا انعقاد 28 مارچ 2019 کے سالانہ مجلس عاملہ کے اجلاس میں ہوا جس میں 8 ڈائریکٹرز کو شیئر ہولڈرز نے تین سال کے لئے منتخب کیا۔

ہیں۔ مینجمنٹ اور بورڈ کمیٹیوں کو ایک طے شدہ دائرہ کار کے ساتھ مستقل طور پر تشکیل دیا گیا ہے تاکہ یہ یقینی بنایا جاسکے کہ وہ اپنے مینڈیٹ اور متعلقہ شرائط کے مطابق اپنے مقرر کردہ فرائض کو درست اور مؤثر طریقہ سے انجام دیں۔

### کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک برائے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کوڈ آف کارپوریٹ گورننس کی تعمیل کے لیے ڈائریکٹر مندرجہ ذیل کی منظوری دیتے ہیں۔

- انتظامیہ کی جانب سے تیار شدہ فنانشل اسٹیٹمنٹ، بینک کے معاملات، اس کے آپریشنز کے نتائج کیش فلو اسٹیٹمنٹ اور ایکوٹی میں تبدیلی کا بیان واضح طور پر پیش ہے۔
- بینک کے اکاؤنٹس کی کتابوں کو برقرار رکھا گیا ہے۔
- اکاؤنٹنگ کی پالیسیاں جیسا کہ اکاؤنٹس کے نوٹس میں بیان کیا گیا ہے اس کا اطلاق مالی بیانات کی تیاری میں مستقل طور پر ہوتا ہے اور اکاؤنٹس کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔
- فنانشل اسٹیٹمنٹ کی تیاری میں پاکستان کے بینکوں پر قابل اطلاق اکاؤنٹنگ کے بین الاقوامی معیارات کی پیروی کی گئی ہے۔
- انٹرنل کنٹرول کا نظام اچھی طرح ڈیزائن کیا گیا ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور مؤثر طریقے سے ہی اس کی نگرانی کی جا رہی ہے۔
- موجودہ مسائل سے نمٹنے کے لیے بینک کی صلاحیت پر کوئی شک نہیں ہے۔
- موجودہ قواعد و ضوابط کی تفصیلات کے تحت کارپوریٹ گورننس کے بہترین طریقوں میں کوئی مادی اختلاف نہیں ہے۔
- فنانشل اسٹیٹمنٹ میں واجب الادا قانونی ادائیگیوں کی تفصیلات، اگر کوئی ہے تو اسے مناسب طور پر افشاں کیا گیا ہے۔

### ہولڈنگ کمپنی

پاکستان اسٹاک ایکسچینج میں درج جہانگیر صدیقی اینڈ کمپنی لمیٹڈ، بے ایس بینک لمیٹڈ کی ہولڈنگ کمپنی ہے جو 75.2 فیصد عام شیئرز کی مالک ہے۔

### سبسڈری کمپنیز

جی ایس گلوبل کیپیٹل لمیٹڈ اور بے ایس انویسٹمنٹ لمیٹڈ، 83.5 فیصد اور 84.5 فیصد شیئرز بالترتیب کے ساتھ بے ایس بینک کی ذیلی کمپنیز ہیں، ان کمپنیوں کی کارکردگی کا جائزہ مشترکہ ڈائریکٹرز کی رپورٹ میں لیا گیا ہے۔

### بورڈ ممبرز میں ڈائریکٹرز کی حاضری

سال 2020 کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کچھ یوں رہی۔

ڈائریکٹر کا نام	شرکت کے اہل	اجلاس میں شرکت
جناب کلیم الرحمان، چیئر مین	6	6
جناب عادل ماچس والا	6	6
جناب اشرف نوابی	6	5

گئے ہیں، بلکہ اس کے خاتمے کے بجائے غیر متوقع نقصان کا خطرہ کاروباری مقاصد کو حاصل کرنے کے لئے کوشاں ہے۔

خطرے سے نمٹنے کے انتظام کو مؤثر بنانے کے لیے انتظامیہ نے JS بینک میں سے درج حفاظتی انٹرنل کنٹرول فنکشنز کو انتظامی شکل میں ڈھالا ہے۔ پہلی حفاظتی صورت یہ ہے کہ کاروبار اپنے خطرات کو اپناتا ہو جس میں آپریشنل رسک اور مینجمنٹ کی ذمہ داری شامل ہے۔ دوسری حفاظتی صورت رسک مینجمنٹ اور کنٹرول فنکشنز کی جانب سے مہیا کی گئی نگرانی ہے جو موجودہ اور نئی کاروباری سرگرمیوں پر اثر انداز ہونے والے خطرات اور اقدامات کی نشاندہی کرتا ہے، خطرے سے متعلق ماہرین اور کاروباری اداروں کے ساتھ خطرے کی کمی کو دور کر کے اس کی رپورٹ کرے اور مزید اصلاحات کے لیے اسے رسک مینجمنٹ فنکشن کے پاس بڑھاتا ہے۔ آخری حفاظتی صورت ایک آزاد اور مؤثر انٹرنل آڈٹ فنکشن ہے جو اس کی تاثیر اور انٹرنل کنٹرول کا جائزہ لیتا ہے اور پالیسیوں اور اس کے طریقہ کار کی تیل کی مسلسل نگرانی کرتا ہے۔

بورڈ آف ڈائریکٹرز کو باقاعدہ طور پر بورڈ آڈٹ کمیٹی کی جانب سے آگاہ رکھا جاتا ہے۔ بطور ترجیح، اس بات کی یقین دہانی کے لیے کہ مناسب اصلاحاتی اقدامات درست لاگو کیے گئے ہیں، انتظامیہ کو اندرونی اور بیرونی آڈیٹرز کو اندو ضوابط سے آگاہ کیا جاتا ہے۔ غلطیوں سے بچنے اور کنٹرول کے ماحول کو مزید بہتر بنانے کے لیے ایک مناسب نظام مرتب کیا گیا ہے۔ اس کے ساتھ ہی کمپلائنس فنکشن بینک کے قواعد و ضوابط کے نظام اور کمپلائنس کی یقین دہانی کرتے ہوئے اہم کردار ادا کر رہا ہے۔

جے ایس بینک فنانشل رپورٹنگ کنٹروال سمیت انٹرنل کنٹرولز کے مجموعی سیٹ کی مؤثریت کا اندازہ لگانے کے لیے اسٹیٹ بینک آف پاکستان (SBP) کے انٹرنل کنٹرول سے متعلق رہنما اصولوں پر سختی سے عمل کر رہا ہے۔ کنٹرول ڈیزائن کی خامیوں کا مجموعی تجزیہ اور نشاندہی کی گئی خامیوں کی بحالی کے منصوبے کے تحت ڈیولپمنٹ سمیت بینک کے وسیع تر عمل اور نظام سے متعلق ایک تفصیلی دستاویز بھی مکمل کی گئی ہے۔ اس کے علاوہ، بینک نے اہم کنٹرول کی مؤثر آپریٹنگ کو یقینی بنانے کے لیے ایک جامع مینجمنٹ ٹیسٹنگ اور رپورٹنگ فریم ورک بنایا ہے اور ڈیزائن میں نشاندہی کیے گئے بہتری کے مواقعوں کے لیے بھرپور اقدامات کئے ہیں۔

انٹرنل کنٹرولز اور فنانشل رپورٹنگ (ICFR) روڈ میپ کی اطمینان بخش تکمیل پر ایس بی پی (اسٹیٹ بینک آف پاکستان) نے اگست 2016 میں بینک کو بیرونی آڈیٹرز کی جانب سے لانگ فارم رپورٹ (LFR) جمع کروانے میں چھوٹ دی تھی۔ ICFR کے کارگر ہونے سے تعلق 31 دسمبر 2020 کی سالانہ تشخیصی رپورٹ اب بورڈ آڈٹ کمیٹی میں جمع کروادی جائے گی۔

انتظامیہ کا خیال ہے کہ موجودہ انٹرنل کنٹرول موزوں ہے، مؤثر طریقے سے لاگو ہوتا ہے اور مسلسل نگرانی کرتا ہے۔ اس بیان کو یہاں پر بورڈ آف ڈائریکٹرز کی جانب سے بھی منظور کیا جاتا ہے۔ مینجمنٹ، انٹرنل کنٹرولز سے متعلق ایس بی پی کی گائیڈ لائنیز کے مطابق اپنی کوریج اور کمپلائنس میں بہتری کے لیے کوشش کرتی رہے گی اور اس طرح اس کا انتظامی ماحول مسلسل بنیادوں پر مزید مضبوط ہوگا۔

### کارپوریٹ گورننس

اعلیٰ پیشہ ورانہ اور کاروباری طرز عمل کی روایات کو برقرار رکھتے ہوئے بینک اپنی اچھی کارپوریٹ گورننس پر فخر کرتا ہے، مؤثر اندرونی کنٹرول اور آڈٹ فنکشنز پر عملدرآمد، بشمول رسک مینجمنٹ فریم ورک اور مقامی اور بین الاقوامی طرز عمل دونوں پر سختی سے عملدرآمد شامل ہے۔

بورڈ باقاعدگی سے ذمہ داری کے مطابق پالیسی سے وابستہ معاملات اور طویل المدتی اثرات کا بغور جائزہ لیتا ہے جو بینک کی آپریشنل ضروریات کو بھی پورا کرتے

بینک نے ڈیزاسٹر ریکوری (DR) سائٹ بھی تیار کی ہے تاکہ صارفین اور شرکاء کو اہم (حساس وقت) اور معاون فنکشن کے ذریعہ سسٹم اور خدمات کی زیادہ سے زیادہ دستیابی کو یقینی بنایا جاسکے۔

کریڈٹ رسک مینجمنٹ ایک بدستور جاری رہنے والا پروسس ہے۔ مجموعی کریڈٹ پالیسی اور کریڈٹ رسک مینجمنٹ کی رہنما ہدایات بورڈ آف ڈائریکٹرز کی جانب سے منظور کی جاتی ہیں۔ اس سلسلے میں سینٹرل کریڈٹ کمیٹی (CCC) کو بینک میں کریڈٹ رسک کی نگرانی کی ذمہ داری سونپی گئی ہے۔ سینٹرل کریڈٹ کمیٹی قرض دینے سے متعلق پورٹ فولیو کے کریڈٹ رسک کی بھرپور نگرانی کیلئے باقاعدگی سے میٹنگ کا انعقاد کرتی ہے۔ کریڈٹ پورٹ فولیو کے بھرپور فروغ کو برقرار رکھنے کیلئے بینک کے کریڈٹ رسک مینجمنٹ پروسس کو مستقل طور پر فروغ دیا جا رہا ہے اور مستقبل میں چیلنجز سے نبرد آزما ہونے کیلئے اس میں مزید بہتری لائی جا رہی ہے۔ مزید یہ کہ کریڈٹ رسک مینجمنٹ سے متعلق سرگرمیوں میں معاونت کیلئے کریڈٹ رسک مانیٹرنگ یونٹ بنایا گیا ہے تاکہ کریڈٹ رسک مینجمنٹ ٹولز کو ترتیب دیا جائے اور اس پر عملدرآمد کیا جائے جو صنعت، جغرافیائی اور سیکٹورل حدود اور رسک کی جانچ/اسٹیٹ بینک اور Basel II/III کی درکار ضروریات کو پورا کرنے کیلئے شماریاتی تکنیک کے استعمال پر ہوتا ہے۔ کریڈٹ انتظامیہ کے ذریعہ کریڈٹ پورٹ فولیو کی صحت کی نگرانی کی جا رہی ہے، جو کریڈٹ حدود کے انتظام کے ساتھ ہاؤس کیپنگ عناصر کیلئے بھی ذمہ دار ہے۔

قرضوں کے مسائل سے متعلق خطرات اور غیر یقینی صورتحال کا انتظام عمومی انتظام کے مقابلے میں مختلف اور زیادہ توجہ طلب حیثیت رکھتا ہے۔ اس سلسلے میں ایک اپیشل ایسٹ مینجمنٹ یونٹ تشکیل دیا گیا ہے جو اسٹیٹ بینک کے قواعد و ضوابط کی رہنما ہدایات پر عمل پیرا ہو کر تدارکی انتظامی معاملات اور اعلیٰ انتظام کیلئے مخصوص پورٹ فولیو کی ملکیت کے حصول پر اپنی توجہ مرکوز کرتا ہے اور تصفیہ کیلئے حل کے مؤثر طریقہ کار کی جانچ کرتا ہے جیسے کہ بینک کی تدارکی انتظامی پالیسی میں وضاحت کی گئی ہے۔

انفارمیشن سیکورٹی کی مد میں انفارمیشن سیکورٹی کا ڈیپارٹمنٹ سیکورٹی/رسک کی جانچ پڑتال نیز خطرہ کی تشخیص کرتا ہے اور آئی ٹی اور انفارمیشن سیکورٹی سے متعلق مخصوص خطرات کو پورے بینک میں مانیٹر کرتی ہے۔ انفارمیشن سیکورٹی کرنسی میں مزید بہتری لانے کے لئے ایڈوانس/زیروڈے تھریٹ پر ٹیکشن سلوشن کا نفاذ کے لئے جائزہ لیا جا رہا ہے۔

### اسٹیمینٹ برائے انٹرل کنٹرولز

جے ایس بینک نے اپنے تمام آپریشنز میں سخت کنٹرول قائم کرنے پر انتہائی زور دیا ہے۔ بینک کی پالیسیز کی بنیاد یہ ہے کہ وہ بہترین طریقوں، اخلاقی معیارات اور ریگولیٹری کی ضروریات پر عملدرآمد کرے۔ اسی تناظر میں بورڈ آف ڈائریکٹرز نے ایسے قوانین بنائے ہیں جو انٹرل کنٹرول ماحول کی مجموعی مؤثریت کو جانچنے کا انتظام کرتے ہیں۔ یہی مینجمنٹ کی ذمہ داری ہے کہ وہ نظام اور طریقہ کار کو فروغ دے جو بورڈ آف ڈائریکٹرز کے رہنما اصولوں کی روشنی میں تمام ترجائع کنٹرولز کو یقینی بنائے۔

انٹرل کنٹرولز کا مقصد بینک کے آپریشنز، مالی معلومات کا بااعتبار ہونا اور قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کے مؤثر اور کارگر ہونے کو یقینی بنانے کے لیے مناسب اقدامات کرتا ہے۔ تاہم اس بات کو تسلیم کیا جاتا ہے کہ نافذ کیا گیا نظام نقصان یا مواد کی غلط بیانی کے سلسلے میں حتمی کے بجائے مناسب یقین دہانی فراہم بیان کر سکتا ہے بلکہ یہ (نظام) کاروباری مقاصد کے حصول میں غیر متوقع نقصان کے خطرات کو ختم کرنے کے بجائے اس سے نمٹنے کے لیے بنائے گئے ہیں۔ تاہم یہ تسلیم کیا جاتا ہے کہ جو نظام ترتیب دیا گیا ہے وہ مادی غلط تشخیص یا نقصان کے خلاف صرف معقول مکمل یقین دہانی فراہم نہیں کر سکتا ہے کیونکہ وہ انتظام کرنے کیلئے تیار کئے

- مارکیٹ رسک مینجمنٹ پالیسی
- آپریشنل رسک مینجمنٹ پالیسی
- لیکویڈیٹی رسک مینجمنٹ پالیسی
- ملکی رسک مینجمنٹ پالیسی
- کاروباری تسلسل پالیسی
- انفارمیشن سیکورٹی پالیسی

BRMC بینک کے مجموعی رسک پروفائل پر نظر رکھتی ہے۔ انتظامیہ کی انٹیگریٹڈ رسک مینجمنٹ کمیٹی (IRMC)، کریڈٹ رسک مینجمنٹ کمیٹی (CRC)، آپریشنل رسک مینجمنٹ کمیٹی (ORMC)، آئی ٹی اسٹیزنگ کمیٹی (ITSC) اور اثاثہ جات اور واجبات کمیٹی (ALCO) ایک مقرر کردہ فریم ورک کے اندر کام کرتی ہیں تاکہ بینک کی سرگرمیوں کی نگرانی کی جاسکے اور خطرہ کی سطح کو پہلے سے طے شدہ حدود میں برقرار رکھا جاسکے۔ یکمیٹیاں مارکیٹ کی پیشرفت اور بینک کو درپیش مالی اور سیکورٹی رسک کی سطح کا جائزہ لینے کیلئے مستقل بنیادوں متواتر ملاقات کرتی ہیں۔

رسک مینجمنٹ اس بات کو یقینی بنانے میں اہم کردار ادا کرتا ہے کہ بینک کو درپیش خطرہ اور انعام کے مابین مناسب توازن برقرار رہے۔ اس مقصد کیلئے زیر جائزہ سال میں رسک مینجمنٹ فنکشن اور فریم ورک کو نمایاں طور پر مضبوط کیا گیا ہے۔ اس میں شامل، لیکن کریڈٹ پورٹ فولیو اور آپریشنل خطرات کی نگرانی کیلئے انتظامی کمیٹیوں کی تشکیل تک محدود نہیں، انٹر پرائز رسک مینجمنٹ کے تصور کو متعارف کرانا، مختلف طریقہ کار کے خود کار نظام اور انفارمیشن سیکورٹی فنکشن کو رسک مینجمنٹ گروپ میں شامل کرنا ہے۔

مارکیٹ رسک پینائش، مانیٹرنگ اور مینجمنٹ رپورٹنگ مستقل بنیاد پر کی جاتی ہے۔ مارکیٹ رسک اور بیسل یونٹ سپورٹ کو ریٹریڈل آفس کی تائید حاصل ہے جو شرح سود کے خطرے، ایکویٹی رسک، کرنسی یا فارن ایکسچینج ریک، سرحد پار یا ملکی خطرہ، ملیاتی اداروں (FI)، لیکویڈیٹی رسک اور کفایت سرمایہ کی شکل میں متعلقہ تمام معاشی خطرات کی روزانہ کی بنیاد پر نگرانی شامل ہے۔ بینک اپنے سسٹم کی صلاحیتوں کو اپ گریڈ کرنے کے عمل میں ہے اور تجزیاتی صلاحیتوں کو بڑھانے کیلئے تیمونوس انسائٹ رسک انٹیلی جنس سلوشنز کے مارکیٹ رسک ماڈیول کو نافذ کیا ہے، اور آئندہ سال ریگولیٹری کیپٹل اور اثاثہ جات اور ذمہ داری کے انتظام کیلئے ماڈیولز کو نافذ کرنے کا ارادہ رکھتا ہے۔

سرمائے کے انتظام کے حوالے سے بینک کا کاروباری ضابطہ عمل اس بات کو یقینی بناتا ہے کہ بینک ایک خاطر خواہ سرمایہ رکھتا ہے اور کاروباری سرگرمیوں سے متعلق خطرات سے با آسانی نمٹ سکتا ہے۔ بینک کے سرمائے کے انتظام کا اہم مقصد اس بات کو یقینی بنانا ہے کہ بینک سرمائے سے متعلق تمام ضروری توازن و ضوابط پر عمل پیرا ہوتا ہے اور اس کے علاوہ ایک مستحکم کریڈٹ ریٹنگ برقرار رکھنے کے ساتھ سرمائے کا اعلیٰ تناسب بھی برقرار رکھتا ہے تاکہ کاروبار کی مزید توسیع ہو اور حصص یافتگان کے سرمائے کی ویلیو میں زیادہ سے زیادہ اضافہ ہو۔

رسک اور کنٹرول سیلف اسیسمنٹ (RCSA) کی معمولی نگرانی کے علاوہ، آپریشنل ڈیٹا کا نقصان اور کلیدی رسک انڈیکیٹرز (KRI)، آپریشنل رسک مینجمنٹ فنکشن بزنس پالیسی کو بھی برقرار رکھتا ہے اور مشن کریٹیکل سسٹم کے خدمات کی سالانہ جانچ کی سہولیات فراہم کرتا ہے جو کسی بھی صورتحال یا تباہی کی وجہ سے متاثر ہو سکتے ہیں۔



خدمات کے معیار، فون بینکنگ، مسائل کے حل اور صارفین سے منصفانہ سلوک کی نگرانی کرتا ہے۔ بینک کی شکایات سے نمٹنے کی پالیسی اور ازالے کا طریقہ کار یہ یقینی بناتا ہے کہ شکایات کا بروقت حل کیا جائے اور جہاں تک ممکن ہو ایسی شکایات کو دوبارہ ہونے سے روکا جائے۔ صارفین کے پاس اختیار ہے کہ وہ اپنی شکایات بینک برانچ، فون بینکنگ سینٹر، بے ایس بینک کی ویب سائٹ یا بذریعہ ای میل درج کرا سکیں۔

بینک خدمات کے تمام معیارات، شکایات کی رپورٹس اور صارفین کی مجموعی بھروسے اور سہولیات کے عمل کو آسان بنانے پر توجہ مرکوز کر رہا ہے۔ صارفین کے ساتھ منصفانہ سلوک ہماری کارپوریٹ ثقافت کا لازمی جزو ہے۔ ہم صارفین کو شعور اور مالی خواندگی پروگرام کے ذریعے اپنے صارفین کی مالی خواندگی، ذمہ دارانہ طرز عمل اور باخبر مالیاتی فیصلوں کو فروغ دیا ہے۔

### پائیدار مالیات

بے ایس بینک نے قومی استحکام اور گرین پروجیکٹ سپورٹ کی سمت اپنے بھرپور اقدامات جاری رکھے ہوئے ہیں۔ کورونا (COVID) کے باوجود گرین کلائنٹ فنڈ (GCF) پر کامیابی سے عملدرآمد کرنے والا تسلیم شدہ ادارہ بننے کے بعد، بے ایس بینک GCF کے ساتھ مل کر متعدد منصوبوں کی تیاری اور مالی معاونت کے لئے کام کر رہا ہے تاکہ پاکستان میں موسمیاتی تبدیلی کے اثرات کو کم کیا جاسکے۔ GCF بین الاقوامی سطح پر سب سے بڑا ماحولیاتی فنڈ ہے اور بے ایس بینک بطور ایک منظور شدہ ادارے کے 250 ملین ڈالر تک کے منصوبوں کی درخواست کر سکتا ہے۔ گزشتہ سال کے دوران بینک نے معروف اداروں اور تنظیموں کے اشتراک سے دنیا بھر میں ان کی نگرانی کے مقامات پر شجرکاری مہم پھیلانے پر بھی توجہ مرکوز کی ہے۔ بطور ایک ذمہ دار قرض دہندہ کے، بینک نے اسٹیٹ بینک کی گرین بینکنگ کے رہنما خطوط پر عملدرآمد کیا جو رسک مینجمنٹ، اپنے اثرات کو کم کرنے، اور قابل تجدید توانائی سے مؤثر مصنوعات کی ترویج پر مرکوز ہے۔

### رسک مینجمنٹ

بورڈ رسک مینجمنٹ کے بہترین اصولوں کو مدنظر رکھتے ہوئے اور اپنا پیمانہ کیلئے پر عزم ہے۔ رسک مینجمنٹ کے مؤثر طریقوں برقرار رکھنے کیلئے بینک بیسل (Basel) III / IV فریم ورک کے تحت اسٹیٹ بینک اور دیگر متعلقہ رہنما خطوط کے ذریعے جاری کردہ انضباطی ہدایات کے مطابق ایک رسک مینجمنٹ کے مناسب فریم ورک کی پیروی کرتا ہے۔ اس سلسلے میں بینک کے پاس رسک مینجمنٹ پالیسیوں، طریقوں اور طریقہ کار کا ایک جامع مجموعہ ہے جو بینک کو مناسب انداز میں قابل غور بناتے ہیں، جس میں تمام بڑے اقسام کے خطرات بشمول کریڈٹ، مارکیٹ، لیکویڈٹی، آپریشنل، ٹیکنالوجی اور انفارمیشن سیکورٹی کو مد نظر رکھتا ہے۔

بینک کا مجموعی رسک مینجمنٹ فریم ورک، بورڈ آف ڈائریکٹرز (BoD) / بورڈ رسک مینجمنٹ کمیٹی (BRMC) کی نگرانی میں ہے جبکہ آپریشنل سطح پر روزمرہ کے معمولات بینک کی سینئر مینجمنٹ کے ذریعے انجام دیئے جاتے ہیں۔ ایک جامع انٹیگریٹڈ رسک مینجمنٹ نقطہ نظر کو تیار کرنے کیلئے بینک میں رسک مینجمنٹ کے مختلف پہلوؤں کا انتظام کرنے کیلئے ایک مخصوص خود مختار اور آزاد رسک مینجمنٹ گروپ موجود ہے۔ بینک کے اندر رسک مینجمنٹ اپروچ کو باضابطہ اور مستحکم بنانے کیلئے درج ذیل اہم پالیسیاں تیار/نظر ثانی کی گئیں اور بورڈ کے ذریعے اس کی منظوری دی گئی:

- رسک مینجمنٹ پالیسی
- کریڈٹ پالیسی
- ضامن انتظامی پالیسی

مجموعی مصنوعات کی حکمت عملی مالی شمولیت کیلئے مالی خدمات تک رسائی کو فروغ دینے کے ساتھ تمام صارفین کے تمام حصوں میں موجود صارفین کی ضروریات کی نشاندہی کرنا اور انہیں پورا کرنا ہے جبکہ مقابلہ سے الگ رہنے کی کوشش میں مخصوص مارکیٹ کی شناخت اور ضروریات کی نشاندہی کر کے اسے پورا کرنے پر مبنی ہے۔ جے ایس بینک کی اب 160 شہروں میں 308 برانچیں ہیں جس میں ایک بیرون ملک ہول سیل بینکنگ برانچ مانامہ، بحرین کی بھی شامل ہے۔

## ڈیپازٹس

جے ایس بینک کی توجہ بنیادی طور پر ڈیپازٹ کو متحرک کرنے پر مرکوز ہے، خاص طور پر کم لاگت ڈیپازٹس (کرنٹ اکاؤنٹ، CA) میں اضافہ کرنا ہے۔ بینک سال 2020 کے اختتام تک ڈیپازٹ 433 بلین روپے تک کرنے میں کامیاب رہا جس میں سال 2019 کے مقابلہ 17.1 فیصد اضافہ ہوا۔ بڑے پیمانے پر افزودہ مارکیٹ طے پر توجہ مرکوز کر کے کرنٹ اکاؤنٹ میں نمایاں اضافہ ہوا، جس سے بینک کو زیادہ استحکام اور قوت حاصل ہوئی۔ بینک نے مختلف شعبوں میں تعلقات کر بڑھانے کیلئے متعدد اقدامات شروع کئے جن میں بزنس اکاؤنٹ، ایمپلائز بینکنگ، کیش میجمنٹ تعلقات، کارپوریٹ ڈیپازٹس اور ٹیکنالوجی پر مبنی حل شامل ہیں۔

## ایڈوانسز

اثاثوں کی جانب سے، بینک نے صارفین کی ضروریات کو مد نظر رکھ کر ایک جامع پروڈکٹس کی وسیع رینج میں توسیع کی حکمت عملی تیار کی۔

روایتی قرضوں کے حصہ کے علاوہ بینک نے چھوٹی درمیانی صنعت (ایس ایم ای) کے شعبہ میں قرضوں کی فراہمی کے ماڈل پر توجہ کو بڑھایا، اور متعدد ایس ایم ای کے شعبوں میں کام شروع کیا۔ مزید برآں، صارفین کی محفوظ قرضوں کی تعداد 2020 کے دوران مضبوط رہی۔ لیزنگ کے شعبہ نے معیشت کے تمام صنعتی شعبوں کی بہترین نشوونما کی۔

بینک نے متعدد شرائط داری کے ذریعہ گولڈ فنانس اور شمسی پینل کے قرضوں کے پورٹ فولیو میں اضافہ کر کے اپنی پروڈکٹ کو فروغ دیا۔ جے ایس بینک نے مقرر کردہ زرعی قرضوں کے اہداف کو حاصل کیا، جس سے آنے والے سالوں میں پائیدار توسیع کی راہ ہموار کرنے کا موقع ملے گا۔

## فیس کاروبار

بینک نے محصول اور فیس پر مبنی آمدنی کو بہتر بنانے کیلئے ٹھوس اقدامات کئے ہیں جس میں موجود اور نئے صارفین کو متوازی مختلف فیس پر مبنی مصنوعات کو فراہم کرنے کے علاوہ روایتی فیس آمدنی کی مصنوعات بھی فراہم کر رہا ہے۔

انویسٹمنٹ بینکنگ گروپ (IBG) نے مشاورتی کاروبار اور بینک کے اثاثہ جات کی تعمیر پر توجہ مرکوز کرتے ہوئے مائیکرو فنانس، تعمیرات، تیل اور گیس، اور توانائی کے شعبے میں اداروں کو خدمات فراہم کیں ہیں۔ ٹرسٹی اور ایجنسی کی مشترکہ خدمات سے بینکنگ کے کاروبار میں مثبت نتائج برآمد ہوتے رہے۔ آگے بڑھتے ہوئے IBG مشاورتی کاروبار، کیپٹل مارکیٹ اور نجکاری کے لین دین پر توجہ جاری رکھے گی۔

## سروس میجمنٹ اور صارفین سے منصفانہ سلوک

جے ایس بینک اپنے صارفین کو اعلیٰ درجہ کی خدمات کے معیار اور اطمینان کی فراہمی کیلئے پرعزم ہے۔ بینک نے ایک مخصوص اور خود مختار انتظامی فنکشن قائم کیا ہے جو

## کفایت سرمایہ

جے ایس بینک کا شرح کفایت سرمایہ (CAR)، 31 دسمبر 2020 تک 12.77 فیصد پر موجود تھا، جس کے مقابلے 2019 میں یہ شرح 12.93 فیصد تھی۔ کم از کم مطلوبہ CAR (بشمول کمیٹیٹل کنزرویشن ہفر) 12.50 فیصد ہے جو اسٹیٹ بینک نے مقرر کیا ہے۔ تاہم، کورونا (COVID-19) کے اثرات کو کم کرنے کیلئے ایک باقاعدہ ریلیف کے طور پر اسٹیٹ بینک نے بینکوں کیلئے CAR کی ضرورت میں 1 فیصد کی کمی کر دی ہے۔

گزشتہ 6 سالوں کے لئے مختص مالی اعداد و شمار درج ذیل ہیں:

تفصیلات	2020	2019	2018	2017	2016	2015
ڈیپازٹ	433,063	369,790	321,413	290,078	226,099	141,840
ایکویٹی	20,592	17,333	15,617	16,669	16,650	15,968
کل اثاثے	532,168	469,821	456,754	391,479	264,700	218,476
سرمایہ کاری، نیٹ	201,698	142,568	148,690	169,612	133,727	116,030
ایڈوانسز، نیٹ	250,199	242,944	251,991	184,140	93,794	76,666
مجموعی مارک اپ آمدنی	43,099	41,595	29,997	20,381	15,081	15,328
نیٹ مارک اپ آمدنی	9,777	7,028	8,809	6,242	5,728	5,590
نان مارک اپ آمدنی	6,676	3,943	2,141	4,051	4,861	3,290
قبل از ٹیکس منافع	2,023	133	905	1,621	3,390	3,174
بعد از ٹیکس منافع	1,150	25	562	973	2,077	2,026
فی شیئر آمدنی (بنیادی) روپے	0.8864	0.0004	0.30	0.74	1.77	1.74
اوسط اثاثوں پر واپسی (ROAA)	0.23%	0.01%	0.13%	0.30%	0.86%	1.03%
اوسط ایکویٹی پر واپسی (ROAE)	6.06%	0.16%	3.49%	5.84%	12.74%	13.95%
شرح کفایت سرمایہ (CAR)	12.85%	12.93%	12.01%	11.95%	14.05%	12.50%
ایڈوانس کے مقابلے ڈیپازٹ کا تناسب (ADR)	57.8%	65.70%	78.40%	63.48%	41.48%	54.05%
برانچیں	308	360	345	323	307	277
ملازمین	5,311	4,904	5,127	4,998	4,163	2,946

## کاروباری جائزہ

رواں سال ایڈوانسز میں محتاط توسیع، جارحانہ ڈیپازٹس موبلائزیشن اور متنوع برنس فیس کی پیش قدمی کے باعث بیلنس شیٹ میں مسلسل اضافہ کا مشاہدہ کیا گیا۔ بینک کی

رکھنے کیلئے رعایتی قرضے اور صارفین اور چھوٹے اور درمیانی صنعت (SME) شعبہ کیلئے دیگر امدادی پیکیج شامل ہیں۔

اسی مدت کے دوران، بینکنگ کے شعبہ کے ذخائر میں 22 فیصد سال بسال (YoY) کا مضبوط اضافہ دیکھا گیا، جو گزشتہ 15 سالوں میں اس شعبے میں سب سے زیادہ نمو ظاہر کرتے ہوئے 17,876 بلین روپے تک پہنچ گیا۔ دریں اثنا، اس شعبے میں سرمایہ کاری نے 11,500 بلین روپے کو عبور کیا، جو 31 فیصد سال بسال (YoY) نمو ظاہر کرتا ہے، اور انویسٹمنٹ ٹوڈیپازٹ تناسب (IDR) 447 ہیں پوائنٹس اضافہ سے سال 2019 (CY19) میں 65 فیصد رہا۔ کل ایڈوانسز میں زیادہ نمو دیکھنے میں نہیں آئی، جس میں 4 فیصد سال بسال (YoY) اضافہ ہوا جو 8,497 بلین روپے تک پہنچ گیا۔ شعبہ کا ایڈوانس کے مقابلے ڈیپازٹ کا تناسب (ADR) کم ہو کر 48 فیصد ہو گیا اس کے مقابلے سال 2019 (CY19) میں 56 فیصد تھا۔ ساتھ ہی، نجی شعبہ کے کریڈٹ میں سال 2020 (CY20) کے دوران 5 فیصد سال بسال (YoY) کی سست شرح نمو ریکارڈ کی گئی۔ سال 2020 کے پہلے 9 ماہ (9MCY20) کے دوران نان پرفارمنگ لوز (NPL) بڑھ کر 852 بلین روپے ہو گئے، جس سے انفیکشن کا تناسب 10.5 فیصد ہو گیا۔

### مالی کارکردگی

سال 2020 میں بینک نے مختلف صارفین ہیں کو مد نظر رکھتے ہوئے استحکام اور لاگت کی معیشت کا ایک پروگرام شروع کیا جس میں بنائے گئے متعدد اہداف کیلئے سہولیات کا آغاز کیا۔

سال کے دوران ایک مشکل آپریٹنگ ماحول کے باوجود بینک کی آمدنی مضبوط رہی۔ بینک نے 31 دسمبر 2020 کے ختم ہونے والے سال پر بینک کا قبل از ٹیکس منافع 2,023 ملین روپے (بعد از ٹیکس منافع 1,150 ملین روپے) رپورٹ ہوا جبکہ اس کے مقابلے گزشتہ سال کی اسی مدت کے دوران قبل از ٹیکس منافع 133 ملین روپے (بعد از ٹیکس منافع 25 ملین روپے) تھا۔

آمدنی کی مد میں، بینک نے کل مارک اپ آمدنی 43,099 ملین روپے حاصل کی اس کے مطابق گزشتہ سال اسی مدت کے دوران 41,595 ملین روپے ہوئی جس میں 3.6 فیصد کی اضافہ ریکارڈ کیا گیا۔ نیٹ انٹرسٹ آمدنی میں گزشتہ سال کے مقابلے 39.1 فیصد اضافہ ہوا جو 9,777 ملین روپے رہی۔ واء میں لاک ڈاؤن اور معاشی سرگرمیوں کے سست روی کے باوجود بینک کی نان مارک اپ آمدنی 69.3 فیصد اضافہ سے 6,676 ملین روپے پر رہی، جس میں ایک بڑا حصہ کیپیٹل گین 1,873 ملین روپے، فاریکس آمدنی 1,010 ملین روپے اور دیگر کمیشن آمدنی 3,596 ملین روپے کا ہے۔

انتظامی اخراجات 13,019 ملین روپے رہے جو گزشتہ سال اسی مدت کے دوران 10,792 ملین روپے پر تھے، جس میں 20.6 فیصد اضافہ ہوا۔ گزشتہ سال کے مقابلے بینک کا آمدنی کا تناسب 98 فیصد کے مقابلے 79.1 فیصد رہا۔ جس سے بینک کی لاگت کو معقول بنانے پر توجہ ظاہر کرتا ہے۔

### فی شیئر آمدنی (EPS)

31 دسمبر 2020 کو ختم ہونے والے سال میں فی شیئر آمدنی (EPS)، 0.8864 روپے فی شیئر رہی جس کے مقابلے 31 دسمبر 2019 میں EPS آمدنی 0.0004 روپے فی شیئر تھی۔

## ڈائریکٹر رپورٹ

ہم انتہائی مسرت کے ساتھ 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے جے ایس بینک لمیٹڈ ("جے ایس بی ایل") کی پندرہویں سالانہ رپورٹ بشمول آڈٹ شدہ اکاؤنٹس، آڈیٹر رپورٹ پیش کر رہے ہیں۔

### معیشت

پاکستان نے دنیا کے دیگر ممالک کی طرح، سال 2020 (CY20) کی پہلی ششماہی کے دوران عالمی وباء کے مضر معاشرتی و معاشی اثرات کا سامنا کیا ہے۔ اس کے باوجود، حکومت پاکستان اور اسٹیٹ بینک آف پاکستان (SBP) کے بروقت امدادی اقدامات سے مالی پالیسی، ریگولیٹری فریم ورک، صحت، سرمایہ کاری، قرض، روزگار اور مالی خدمات کی دستیابی اور تسلسل سمیت دیگر اقدامات سے معیشت اور لوگوں کو موزوں سہولت فراہم کی۔ ریلیف کے اہم اقدامات میں شرح سود میں کمی، کاروباری اداروں کو کم قیمت پر قرضے، قرضوں کی ادائیگی مؤخر کرنے کا اختیار، کم آمدنی والے افراد کیلئے نقد رقم کی تقسیم جیسے دیگر پروگرام شامل تھے۔ لہذا، معیشت میں نہ صرف کیلنڈر سال 2020 کی دوسری ششماہی (2HCY20) کے دوران بحالی کے آثار نمودار ہونا شروع ہوئے، بلکہ معاشی سرگرمیوں میں رکاوٹ پیدا کرنے والی COVID-19 وباء کی دوسری لہر کا بھی بھرپور مقابلہ کیا۔

کیلنڈر سال 2020 کی پہلی ششماہی (1HCY20) کے دوران بڑے پیمانے پر مینوفیکچرنگ انڈیکس میں مستقل کمی کے باوجود، سال کی دوسری ششماہی میں بحالی ظاہر ہوئی۔ سال 2020 (CY20) کی ابتداء میں محترم وزیراعظم کی جانب سے معاشی سرگرمیوں کے دوبارہ آغاز اور تعمیراتی چیکنگ کو عملی شکل دینے کا اعلان لارج اسکیل مینوفیکچررز (LSM) کی بحالی میں ایک اہم جز تھا۔ مالی سال 2021 کے 5 ماہ (5MFY21) کے دوران، لارج اسکیل مینوفیکچررز (LSM) کی شرح نمو میں 7.4 فیصد سال بسال اضافہ ریکارڈ ہوا۔

ملک کے بیرونی محاذ پر مالی سال 21 کی پہلی ششماہی (1HFY21) کے دوران ماہانہ کرنٹ اکاؤنٹ 1.13 بلین ڈالر سرپلس رپورٹ ہوا جو گزشتہ سال اسی مدت کے دوران 2.03 بلین ڈالر خسارے میں تھا۔ ترسیلات زر اور کنٹرول شدہ درآمدات میں نمایاں اضافہ سرپلس میں کلیدی معاون ثابت ہوا۔ اس کے علاوہ، زیر تبصرہ مدت کے دوران زر مبادلہ کے ذخائر میں 2.5 بلین ڈالر سے زیادہ اضافہ ہوا، اور سال 2020 (CY20) کے اختتام پر 20.51 بلین ڈالر کی سطح پر بند ہوئے، جو بیرونی اکاؤنٹ اور ذخائر کے اضافے میں مددگار رہا۔ باوجود اس کے کہ وبائی صورتحال میں خطے کے دیگر ممالک کی کرنسی کو بہت حد تک کمزور کیا، پاکستانی روپیہ سال کے اختتام پر گرین بیک کے مقابلہ 3 فیصد فرسودگی کے ساتھ بند ہوا۔ مالی معاملات میں، پاکستان نے مالی سال 2021 کی پہلی ششماہی (1HFY21) کے دوران جی ڈی پی (GDP) میں 2.5 فیصد کا خسارہ ریکارڈ کیا، اس کے باوجود ملک کا بنیادی بیلنس سرپلس میں ہے۔

سال 2020 (CY20) میں غذائی قیمتوں سے مہنگائی میں اضافہ دیکھا گیا، جس کے باعث آنے والے مہینوں میں افراط زر بڑھنے کا امکان ہے۔ مزید برآں، توانائی کے ٹیرف میں حالیہ اضافہ کے باوجود، اسٹیٹ بینک (SBP) کا مالی سال 2021 (FY21) کیلئے افراط زر 7 سے 9 فیصد رہنے کا نظریہ تبدیل نہیں ہوا۔

### شعبہ بینکاری کا جائزہ

زیر تبصرہ سال میں پاکستان کے شعبہ بینکاری میں متعدد پیشرفت دیکھی گئیں۔ سال کی پہلی ششماہی کے دوران وباء کے ممکنہ اثرات کو روکنے کیلئے اسٹیٹ بینک نے متعلقہ اقدامات اٹھائے، جس میں فوری مالیاتی نرمی شامل ہے، جس کے باعث پالیسی ریٹ 13.25 فیصد سے کم ہو کر 7 فیصد ہو گیا، سرمایہ کاری اور ملازمت کو برقرار





**Ahwar Nasir**

I am a 19 year old aspiring artist who paints to make herself and others happy. Painting to me is to communicate love.

Institute: Indus Valley School of Art and Architecture

# Six Years' Financial Summary

	2020	2019	2018	2017	2016	Rs. in million 2015
<b>Statement of Financial Position</b>						
Cash and balances with treasury banks	30,421	25,589	32,111	17,334	15,509	11,159
Balances with other banks	1,106	463	969	1,034	753	584
Lendings to financial institutions	23,240	30,321	1,937	3,116	11,334	3,581
Investments - net	201,698	142,568	148,690	169,612	133,727	116,030
Advances - net	250,199	242,945	251,991	184,140	93,794	76,666
Operating fixed assets	10,086	11,964	8,415	7,113	5,837	4,574
Deferred tax assets	-	9	287	-	-	-
Other assets	14,678	16,194	12,354	9,131	6,490	5,882
Assets held for sale	739	374	-	-	-	-
<b>Total Assets</b>	<b>532,168</b>	<b>470,427</b>	<b>456,754</b>	<b>391,479</b>	<b>267,444</b>	<b>218,476</b>
Bills payable	4,982	3,804	3,520	3,824	2,544	1,609
Borrowings	48,303	54,468	96,559	64,557	10,320	54,638
Deposits and other accounts	433,063	369,790	321,413	290,078	226,099	141,840
Sub-ordinated loans	7,493	7,495	7,497	4,999	3,000	-
Deferred tax liabilities	1,194	-	-	797	1,205	1,695
Other liabilities	16,541	17,536	12,148	10,555	7,626	2,724
<b>Total Liabilities</b>	<b>511,576</b>	<b>453,094</b>	<b>441,137</b>	<b>374,810</b>	<b>250,794</b>	<b>202,508</b>
<b>Net Assets</b>	<b>20,592</b>	<b>17,333</b>	<b>15,617</b>	<b>16,669</b>	<b>16,650</b>	<b>15,968</b>
Share capital	12,975	12,975	12,975	12,225	12,225	12,225
Discount on issue of shares	(2,855)	(2,855)	(2,855)	(2,105)	(2,105)	(2,105)
Preference shares	-	-	-	1,500	1,500	1,500
Reserves	1,991	1,750	1,712	1,541	1,334	919
Unappropriated profits	6,148	4,828	4,821	4,519	3,973	2,529
Surplus / (deficit) of assets - net of tax	2,334	637	(1,036)	490	1,223	2,401
<b>Total Equity</b>	<b>20,592</b>	<b>17,333</b>	<b>15,617</b>	<b>16,669</b>	<b>16,650</b>	<b>15,968</b>
<b>Profit &amp; Loss Account</b>						
Mark-up / return / interest earned	43,099	41,595	29,997	20,381	15,081	15,328
Fee, commission and brokerage income	3,596	2,860	2,669	2,124	1,427	1,124
Gain/ (loss) on sale of securities - net	1,873	(711)	(1,434)	1,234	2,965	1,799
Income from dealing in foreign currencies	1,040	1,010	688	357	313	288
Dividend income	98	300	109	167	98	85
Other Income	70	484	109	169	59	(6)
<b>Total Gross Income</b>	<b>49,775</b>	<b>45,538</b>	<b>32,138</b>	<b>24,433</b>	<b>19,942</b>	<b>18,618</b>
Mark-up / return / interest expensed	33,322	34,566	21,188	14,139	9,353	9,738
Provision/ (reversal) against non- performing loans and advances	681	360	406	203	(64)	675
Provision / (reversal) of diminution in value of investments	275	(345)	(220)	123	415	141
Other provisions/ (reversal)/ write-off	324	(107)	52	45	-	-
Workers' welfare fund & Other Charges	132	139	(149)	46	99	65
Operating expenses	13,019	10,792	9,859	8,347	6,848	4,890
<b>Total Expenses</b>	<b>47,752</b>	<b>45,405</b>	<b>31,136</b>	<b>22,902</b>	<b>16,652</b>	<b>15,509</b>
<b>Profit Before tax</b>	<b>2,023</b>	<b>133</b>	<b>905</b>	<b>1,621</b>	<b>3,390</b>	<b>3,174</b>
Taxation	873	108	342	647	1,313	1,148
<b>Profit After Taxation</b>	<b>1,150</b>	<b>25</b>	<b>562</b>	<b>973</b>	<b>2,077</b>	<b>2,026</b>

# Six Years' Vertical Analysis

Rs. in million

	Vertical Analysis											
	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
<b>Statement of Financial Position</b>												
Cash and balances with treasury banks	30,421	6%	25,589	5%	32,111	7%	17,334	4%	15,509	6%	11,159	5%
Balances with other banks	1,106	0%	463	0%	969	0%	1,034	0%	753	0%	584	0%
Lendings to financial institutions	23,240	4%	30,321	6%	1,937	0%	3,116	1%	11,334	4%	3,581	2%
Investments - net	201,698	38%	142,568	30%	148,690	33%	169,612	43%	133,727	50%	116,030	53%
Advances - net	250,199	47%	242,945	52%	251,991	55%	184,140	47%	93,794	35%	76,666	35%
Operating fixed assets	10,086	2%	11,964	3%	8,415	2%	7,113	2%	5,837	2%	4,574	2%
Deferred tax assets	-	0%	9	0%	287	0%	-	0%	-	0%	-	0%
Other assets	14,678	3%	16,194	3%	12,354	3%	9,131	2%	6,490	2%	5,882	3%
Assets held for sale	739	0%	374	0%	-	0%	-	-	-	-	-	-
<b>Total Assets</b>	<b>532,168</b>	<b>100%</b>	<b>470,427</b>	<b>100%</b>	<b>456,754</b>	<b>100%</b>	<b>391,479</b>	<b>100%</b>	<b>267,444</b>	<b>100%</b>	<b>218,476</b>	<b>100%</b>
Bills payable	4,982	1%	3,804	1%	3,520	1%	3,824	1%	2,544	1%	1,609	1%
Borrowings	48,303	9%	54,468	12%	96,559	21%	64,557	16%	10,320	4%	54,638	25%
Deposits and other accounts	433,063	81%	369,790	79%	321,413	70%	290,078	74%	226,099	85%	141,840	65%
Sub-ordinated loans	7,493	1%	7,495	2%	7,497	2%	4,999	1%	3,000	1%	-	0%
Deferred tax liabilities	1,194	0%	-	0%	-	0%	797	0%	1,205	0%	1,695	1%
<b>Other liabilities</b>	<b>16,541</b>	<b>3%</b>	<b>17,536</b>	<b>4%</b>	<b>12,148</b>	<b>3%</b>	<b>10,555</b>	<b>3%</b>	<b>7,626</b>	<b>3%</b>	<b>2,724</b>	<b>1%</b>
<b>Total Liabilities</b>	<b>511,576</b>	<b>96%</b>	<b>453,094</b>	<b>96%</b>	<b>441,137</b>	<b>97%</b>	<b>374,810</b>	<b>96%</b>	<b>250,794</b>	<b>94%</b>	<b>202,508</b>	<b>93%</b>
Net Assets	20,592	4%	17,333	4%	15,617	3%	16,669	4%	16,650	6%	15,968	7%
<b>Represented by:</b>												
Share capital	12,975	2%	12,975	3%	12,975	3%	12,225	3%	12,225	5%	12,225	6%
Discount on issue of shares	(2,855)	1%	(2,855)	-1%	(2,855)	-1%	(2,105)	-1%	(2,105)	-1%	(2,105)	-1%
Preference shares	-	0%	-	0%	-	0%	1,500	1%	1,500	1%	1,500	1%
Reserves	1,991	0%	1,750	0%	1,712	0%	1,541	0%	1,334	0%	919	0%
Unappropriated profits	6,148	1%	4,828	1%	4,821	1%	4,519	1%	3,973	1%	2,529	1%
Surplus / (Deficit) on revaluation of assets - net of tax	2,334	0%	637	0%	(1,036)	-0%	490	0%	1,223	0%	2,401	1%
<b>Total Equity</b>	<b>20,592</b>	<b>4%</b>	<b>17,333</b>	<b>4%</b>	<b>15,617</b>	<b>3%</b>	<b>16,669</b>	<b>4%</b>	<b>16,650</b>	<b>6%</b>	<b>15,968</b>	<b>7%</b>
<b>Profit &amp; Loss Account</b>												
Mark-up / return / interest earned	43,099	87%	41,595	91%	29,997	93%	20,381	83%	15,081	76%	15,328	82%
Fee, commission and brokerage income	3,596	7%	2,860	6%	2,669	8%	2,124	9%	1,427	7%	1,124	6%
Gain on sale of securities - net	1,873	4%	(711)	-2%	(1,434)	-4%	1,234	5%	2,965	15%	1,799	10%
Income from dealing in foreign currencies	1,040	2%	1,010	2%	688	2%	357	1%	313	2%	288	2%
Dividend income	98	0%	300	1%	109	0%	167	1%	98	0%	85	0%
Other Income	70	0%	484	1%	109	0%	169	1%	59	0%	(6)	-0%
<b>Total Gross Income</b>	<b>49,775</b>	<b>100%</b>	<b>45,538</b>	<b>100%</b>	<b>32,138</b>	<b>100%</b>	<b>24,433</b>	<b>100%</b>	<b>19,942</b>	<b>100%</b>	<b>18,618</b>	<b>100%</b>
Mark-up / return / interest expensed	33,322	67%	34,566	76%	21,188	66%	14,139	58%	9,353	47%	9,738	52%
Provision/ (reversal) against non-performing loans and advances	681	1%	360	1%	406	1%	203	1%	(64)	-0%	675	4%
Provision / (reversal) of diminution in value of investments	275	1%	(345)	-1%	(220)	-1%	123	1%	415	2%	141	1%
Other provision / (reversal) / write-off	324	0%	(107)	0%	52	0%	45	0%	-	0%	-	0%
Worker's welfare fund & Other Charges	132	0%	139	0%	(149)	0%	46	0%	99	0%	65	0%
Operating expenses	13,019	26%	10,792	24%	9,956	31%	8,256	34%	6,748	34%	4,824	26%
<b>Total Operating Expenses</b>	<b>47,752</b>	<b>96%</b>	<b>45,405</b>	<b>100%</b>	<b>31,233</b>	<b>97%</b>	<b>22,812</b>	<b>93%</b>	<b>16,552</b>	<b>83%</b>	<b>15,444</b>	<b>83%</b>
<b>Profit Before tax</b>	<b>2,023</b>	<b>4%</b>	<b>133</b>	<b>0%</b>	<b>905</b>	<b>3%</b>	<b>1,621</b>	<b>7%</b>	<b>3,390</b>	<b>17%</b>	<b>3,174</b>	<b>17%</b>
<b>Taxation</b>	<b>873</b>	<b>2%</b>	<b>108</b>	<b>0%</b>	<b>342</b>	<b>1%</b>	<b>647</b>	<b>3%</b>	<b>1,313</b>	<b>7%</b>	<b>1,148</b>	<b>6%</b>
<b>Profit After Taxation</b>	<b>1,150</b>	<b>2%</b>	<b>25</b>	<b>0%</b>	<b>562</b>	<b>2%</b>	<b>973</b>	<b>4%</b>	<b>2,077</b>	<b>10%</b>	<b>2,026</b>	<b>11%</b>

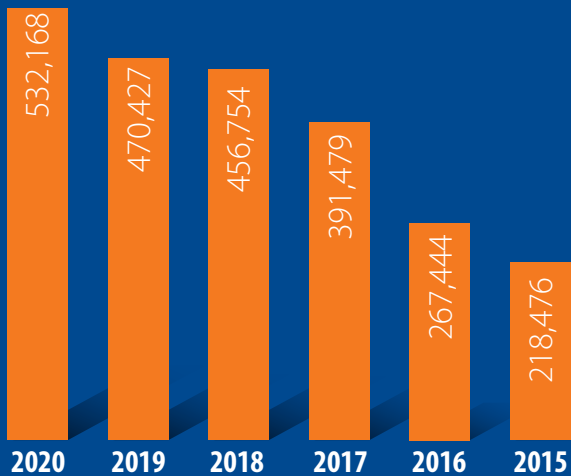
# Six Years' Horizontal Analysis

Rs. in million

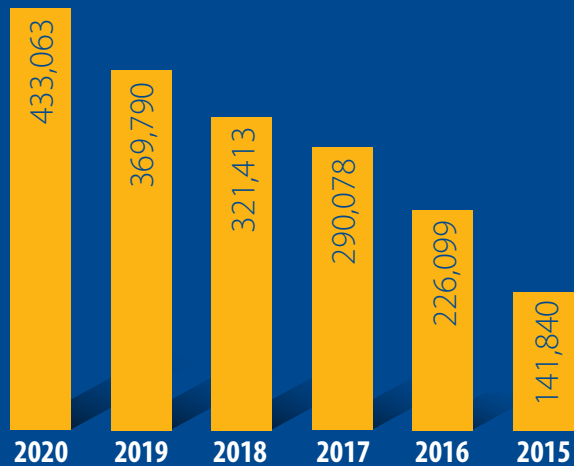
		Horizontal Analysis					
	6 Years CAGR	2020	2019	2018	2017	2016	2015
Statement of Financial Position							
Cash and balances with treasury banks	22%	30,421	25,589	32,111	17,334	15,509	11,159
Balances with other banks	18%	1,106	463	969	1,034	753	584
Lendings to financial institutions	13%	23,240	30,321	1,937	3,116	11,334	3,581
Investments - net	16%	201,698	142,568	148,690	169,612	133,727	116,030
Advances - net	26%	250,199	242,945	251,991	184,140	93,794	76,666
Operating fixed assets	18%	10,086	11,964	8,415	7,113	5,837	4,574
Deferred tax assets	0%	-	9	287	-	-	-
Other assets	17%	14,678	16,194	12,354	9,131	6,490	5,882
Assets held for sale	100%	739	374	-	-	-	-
Total Assets	20%	532,168	470,427	456,754	391,479	267,444	218,476
Bills payable	24%	4,982	3,804	3,520	3,824	2,544	1,609
Borrowings	-1%	48,303	54,468	96,559	64,557	10,320	54,638
Deposits and other accounts	26%	433,063	369,790	321,413	290,078	226,099	141,840
Sub-ordinated loans	16%	7,493	7,495	7,497	4,999	3,000	-
Deferred tax liabilities	18%	1,194	-	-	797	1,205	1,695
Other liabilities	37%	16,541	17,536	12,148	10,555	7,626	2,724
Total Liabilities	21%	511,576	453,094	441,137	374,810	250,794	202,508
Net Assets	8%	20,592	17,333	15,617	16,669	16,650	15,968
Represented by:							
Share capital	-3%	12,975	12,975	12,975	12,225	12,225	12,225
Discount on issue of shares	-100%	(2,855)	(2,855)	(2,855)	(2,105)	(2,105)	(2,105)
Preference shares	0%	-	-	-	1,500	1,500	1,500
Reserves	25%	1,991	1,750	1,712	1,541	1,334	919
Unappropriated profits	34%	6,148	4,828	4,821	4,519	3,973	2,529
Surplus / (deficit) on revaluation of assets - net of tax	9%	2,334	637	(1,036)	490	1,223	2,401
Total Equity	8%	20,592	17,333	15,617	16,669	16,650	15,968
Profit & Loss Account							
Mark-up / return / interest earned	25%	43,099	41,595	29,997	20,381	15,081	15,328
Fee, commission and brokerage income	28%	3,596	2,860	2,669	2,124	1,427	1,124
Gain on sale of securities - net	4%	1,873	(711)	(1,434)	1,234	2,965	1,799
Income from dealing in foreign currencies	25%	1,040	1,010	688	357	313	288
Dividend income	-5%	98	300	109	167	98	85
Other Income	100%	70	484	109	169	59	(6)
Total Gross Income	24%	49,775	45,538	32,138	24,433	19,942	18,618
Mark-up / return / interest expensed	29%	33,322	34,566	21,188	14,139	9,353	9,738
Provision/ (reversal) against non-performing loans and advances	1%	681	360	406	203	(64)	675
Provision / (reversal) of diminution in value of investments	9%	275	(345)	(220)	123	415	141
Other provision/ (reversal) / write-off	86%	324	(107)	52	45	-	-
Worker's welfare fund & Other Charges	15%	132	139	(149)	46	99	65
Operating expenses	22%	13,019	10,792	9,956	8,256	6,748	4,824
Total Expenses	26%	47,752	45,405	31,233	22,812	16,552	15,444
Profit Before Tax	4%	2,023	133	905	1,621	3,390	3,174
Taxation	8%	873	108	342	647	1,313	1,148
Profit After Taxation	1%	1,150	25	562	973	2,077	2,026

# Financial Performance 2015 - 2020

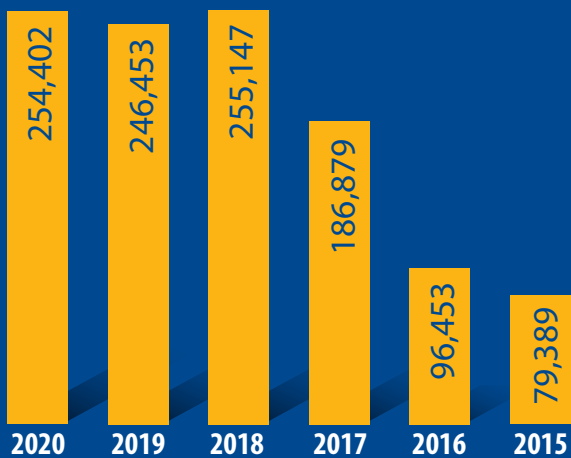
**Total Assets CAGR 20%**  
Rs. in million



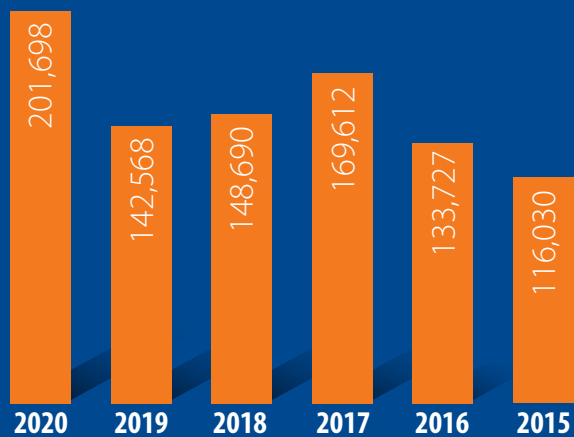
**Deposits - CAGR 26%**  
Rs. in million



**Gross Advances - CAGR 28%**  
Rs. in million

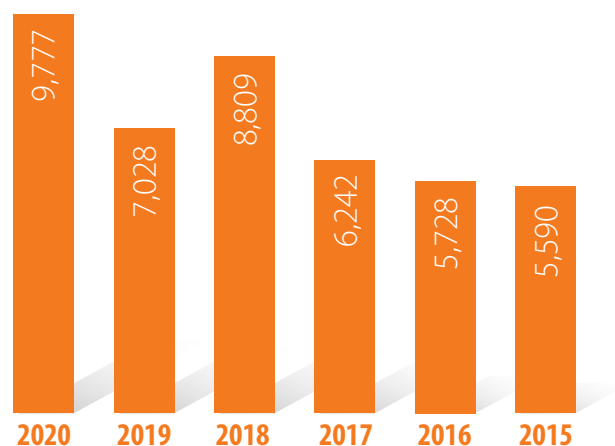


**Investment - CAGR 16%**  
Rs. in million



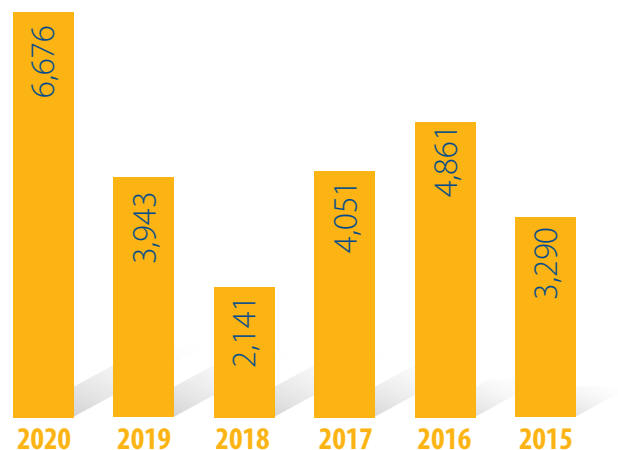
### Net Markup Income - CAGR 17%

Rs. in million



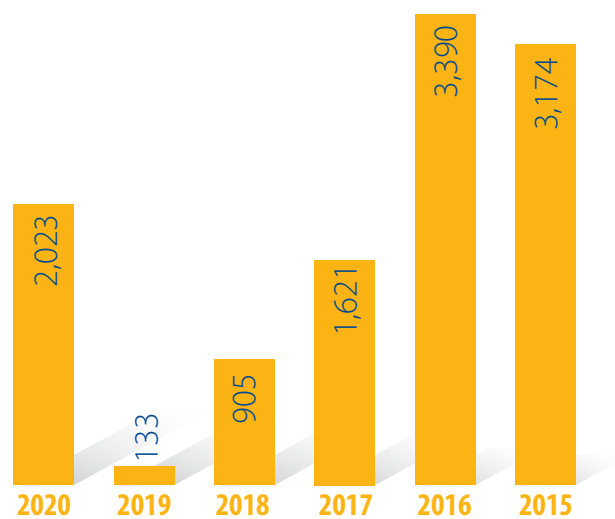
### Non Markup Income - CAGR 17%

Rs. in million



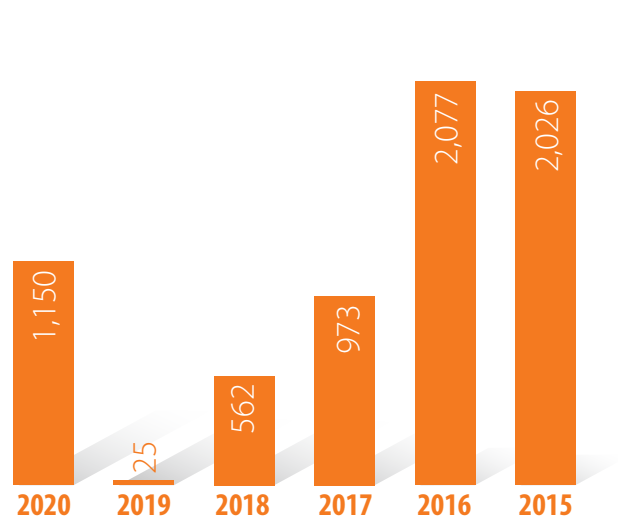
### Profit Before Tax - CAGR 4%

Rs. in million



### Profit After Tax - CAGR 1%

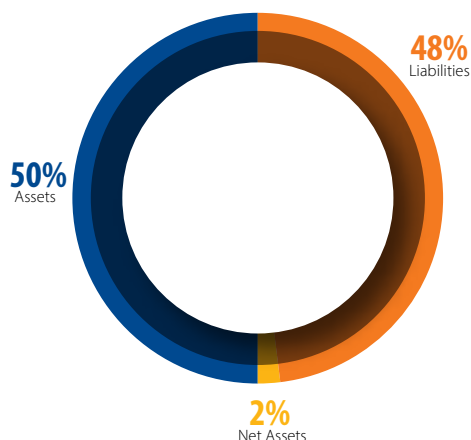
Rs. in million



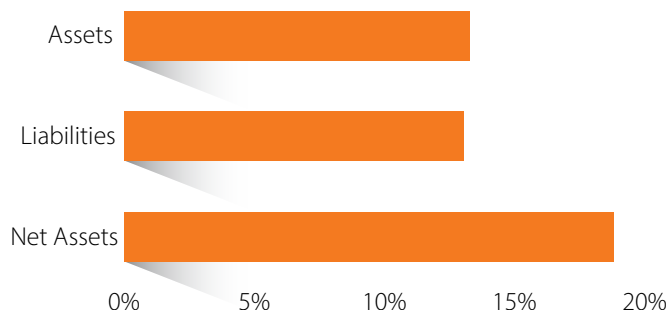


# Graphical Presentation of Financial Statements

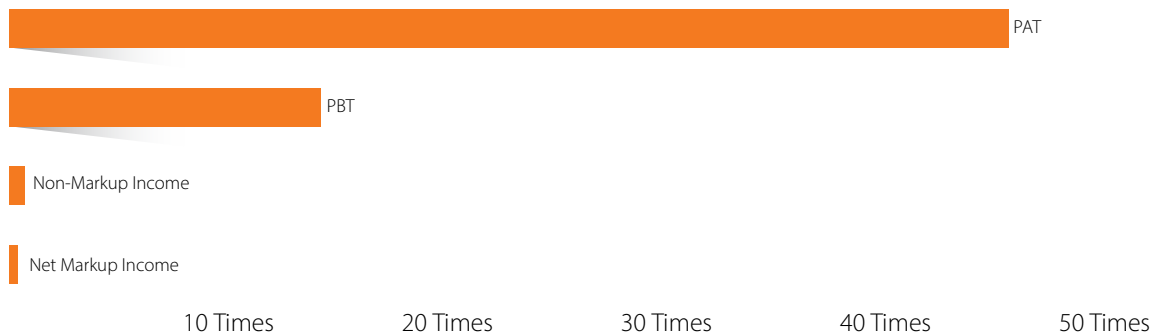
Statement of Financial Position



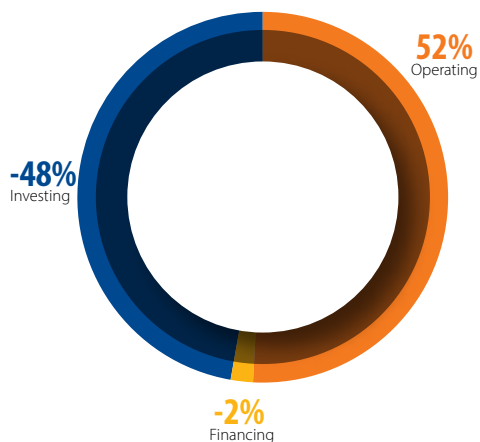
2020 - Variance from 2019



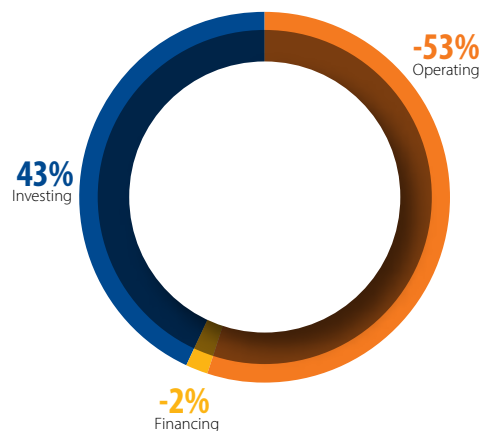
Profit and Loss Account-Variance from 2019



Cash Flows 2020



Cash Flows 2019



# Financial Ratios

## Six Years' Financial Performance

	2020	2019	2018	2017	2016	2015
<b>Profitability Ratios</b> (Percentage)						
Profit before tax ratio (PBT / Total Income)	12.29%	1.22%	8.26%	15.74%	32.02%	35.75%
Gross yield on earning ratio	9.07%	10.00%	7.45%	5.71%	6.31%	7.81%
Non Interest income to total income	40.58%	35.94%	19.55%	39.36%	45.91%	37.05%
Cost/Income ratio	79.13%	98.36%	90.92%	80.21%	63.72%	54.33%
Return on Equity (PAT / Average Equity)	6.06%	0.15%	3.48%	5.84%	12.74%	13.95%
<b>Investors' Ratios</b>						
Market Price per share (Rs.)	6.30	5.40	7.37	7.52	10.81	7.75
Earning per share (Rs.)	0.89	0.00	0.30	0.74	1.77	1.74
Break Value or Net assets per share (Rs.)	15.87	13.36	12.04	15.54	15.52	14.89
Market capitalisation (Rs. in million)	8,174.02	7,006.31	9,562.31	8,064.93	11,593.34	8,311.60
Number of shares (Number in million)	1,297.46	1,297.46	1,297.46	1,072.46	1,072.46	1,072.46
Price to Book Ratio	39.69%	40.42%	61.23%	48.38%	69.63%	52.05%
<b>Assets Quality and Liquidity Ratios</b> (Percentage / Times)						
Gross Advances to Deposits ratio	58.74%	66.65%	79.38%	64.42%	42.66%	55.97%
Net Advances to Deposits ratio	57.77%	65.70%	78.40%	63.48%	41.48%	54.05%
Investments to Deposits ratio	46.57%	38.55%	46.26%	58.47%	59.15%	81.80%
Infection Ratio (NPLs to Gross Advances)	4.61%	4.20%	3.26%	1.74%	3.45%	3.76%
NPLs to Net Advances Ratio	4.69%	4.26%	3.30%	1.77%	3.55%	3.89%
Coverage ratio (Specific provisions to NPLs)	35.64%	32.26%	35.98%	81.00%	78.68%	90.72%
Deposits to shareholders' equity	21.0 Times	21.3 Times	20.6 Times	17.4 Times	13.6 Times	8.9 Times
Assets to shareholders' equity	25.8 Times	27.1 Times	29.2 Times	23.5 Times	16.1 Times	13.7 Times
Earning assets to total assets ratio	89.28%	88.47%	88.15%	91.16%	89.31%	89.84%
<b>Capital Adequacy</b> (Rs. in million / Percentage)						
Tier 1 Capital	18,478	17,120	15,917	14,351	13,181	10,525
Total Eligible Capital	23,099	21,426	20,178	18,943	16,721	11,399
Risk Weight Assets (RWA)	180,889	165,774	168,020	158,458	118,992	91,189
RWA to Total Assets	34.14%	35.27%	36.79%	40.48%	44.49%	41.74%
Tier 1 to RWA	10.21%	10.33%	9.47%	9.06%	11.08%	11.54%
Capital adequacy ratio	12.77%	12.93%	12.01%	11.95%	14.05%	12.50%
<b>Financial Ratios</b> (Percentage)						
Net Operating Margin (PAT / Total Income)	6.99%	0.22%	5.13%	9.45%	19.62%	22.82%
Return on capital employed	4.35%	0.10%	2.51%	4.71%	11.66%	13.95%
Return on Assets (PAT / Average Assets)	0.23%	0.01%	0.13%	0.30%	0.86%	1.03%
Debt to Equity Ratio (Long term Debt / Equity)	0.4 Times	0.4 Times	0.5 Times	0.3 Times	0.2 Times	0.0 Times
<b>Liquidity Ratios</b> (Percentage / Times)						
Advances to deposits ratio	57.77%	65.70%	78.40%	63.48%	41.48%	54.05%
Cash to Current Liabilities	57.09%	43.91%	32.09%	25.35%	120.56%	19.84%
<b>Others</b> (Number)						
Number of branches	308	360	345	323	307	277
Number of Employees	5,311	4,904	5,127	4,998	4,163	2,946

# DuPont Analysis

Dupont model is a financial ratio based on the return on equity ratio that is used to analyze Bank's ability to increase its return on equity. This is the method of breaking down the original equation for ROE into three components: operating efficiency, asset efficiency, and leverage.

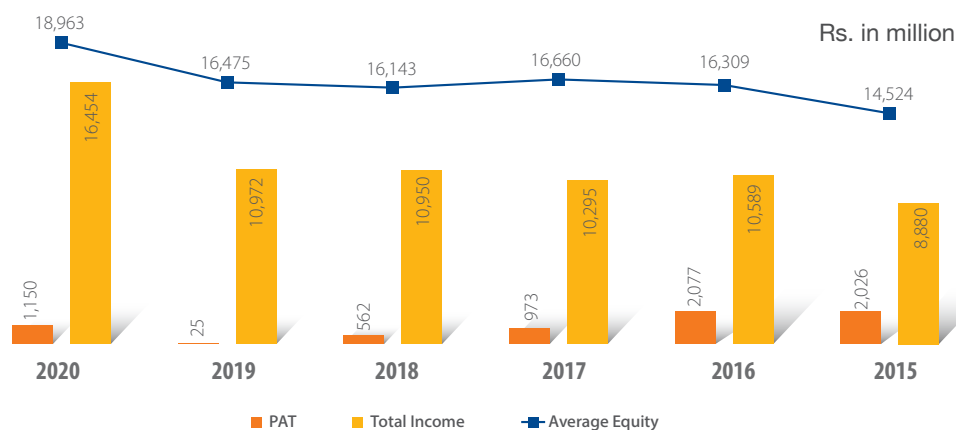
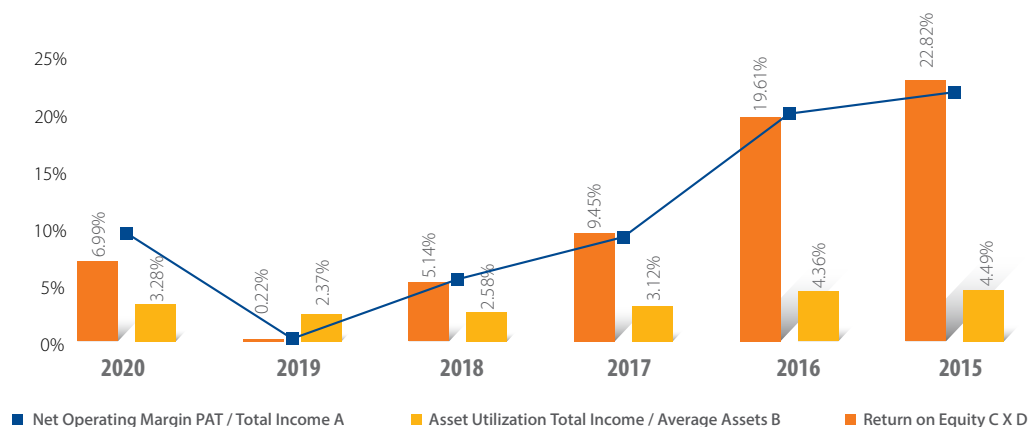
Operating efficiency is measured by Net Profit Margin and indicates the amount of net income generated after taking account all the expenses.

Asset efficiency is measured by the Total Asset Turnover and represents how much revenue has been generated by optimum utilization of the assets. Finally, financial leverage is determined by the Equity Multiplier

Net operating margin for the year has improved significantly indicating an increase in customer trust, product and service quality.

Improved Leverage ratio explains the Bank is well equipped to meet its financial obligation and commitments.

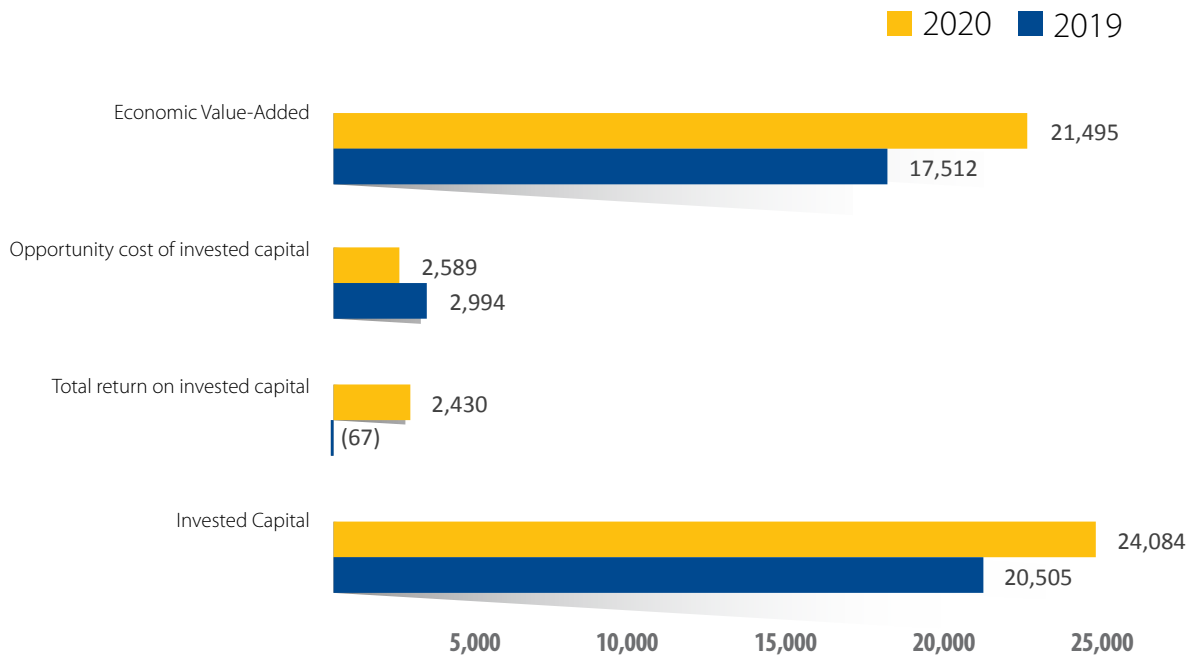
			2020	2019	2018	2017	2016	2015
Net Operating Margin	PAT / Total Income	A	6.99%	0.22%	5.14%	9.45%	19.61%	22.82%
Asset Utilization	Total Income / Average Assets	B	3.28%	2.37%	2.58%	3.12%	4.36%	4.49%
Return on Assets		C = A X B	0.23%	0.01%	0.13%	0.30%	0.85%	1.03%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	26.42	28.12	26.27	19.78	14.90	13.60
Return on Equity		C X D	6.06%	0.15%	3.48%	5.84%	12.74%	13.95%



# Economic Value-Added Statement

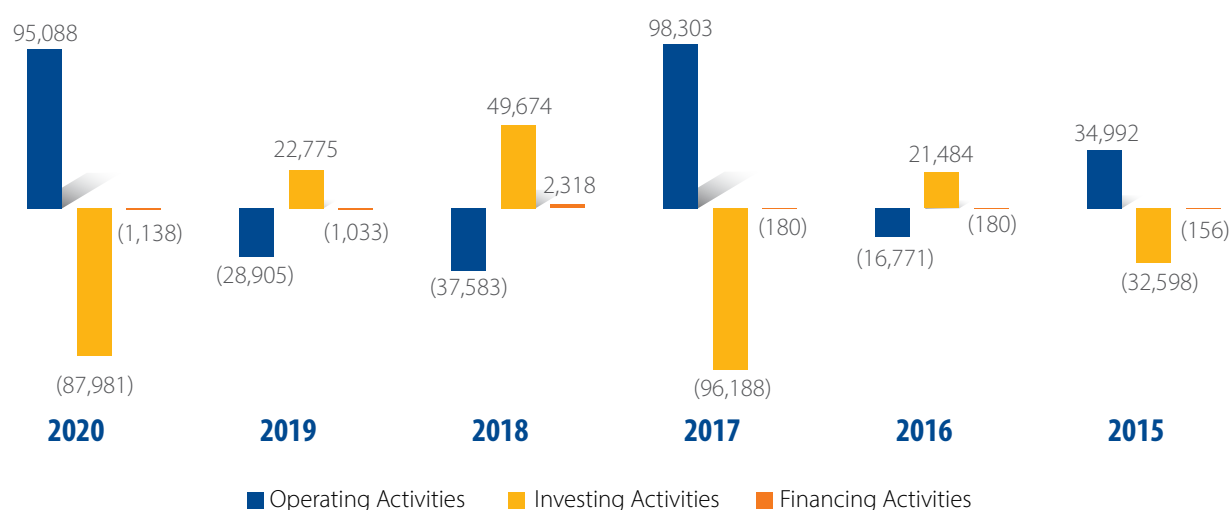
Economic value added is a measure based on the residual income technique that serves as an indicator of the profitability. It takes into account all costs including the opportunity cost of equity and it does not stick to accounting profits only.

	2020	2019
	Rs. in million	
<b>Invested Capital</b>		
Average shareholders' equity	18,963	16,475
Add: Cumulative provision against assets	5,121	4,030
Invested Capital	24,084	20,505
<b>Return on Invested Capital</b>		
Profit after taxation	1,150	25
Add: (Reversals) / provision against write offs - net	1,280	(92)
Total return on invested capital	2,430	(67)
Economic cost (12 months average Treasury Bill rate plus 2% premium)	10.75 %	14.60%
Opportunity cost of invested capital	2,589	2,994
Economic Value-Added	21,495	17,512



# Summary of Cash Flows

	2020	2019	2018	2017	2016	Rs. in million 2015
Cash flows from operating activities	95,088	(28,905)	(37,583)	98,303	(16,771)	34,992
Cash flows from investing activities	(87,981)	22,775	49,674	(96,188)	21,484	(32,598)
Cash flows from financing activities	(1,138)	(1,033)	2,318	(180)	(180)	(156)
Cash and cash equivalents at beginning of the year	25,415	32,578	18,169	16,221	11,688	9,450
Cash and cash equivalents at end of the year	31,384	25,415	32,578	18,169	16,221	11,688

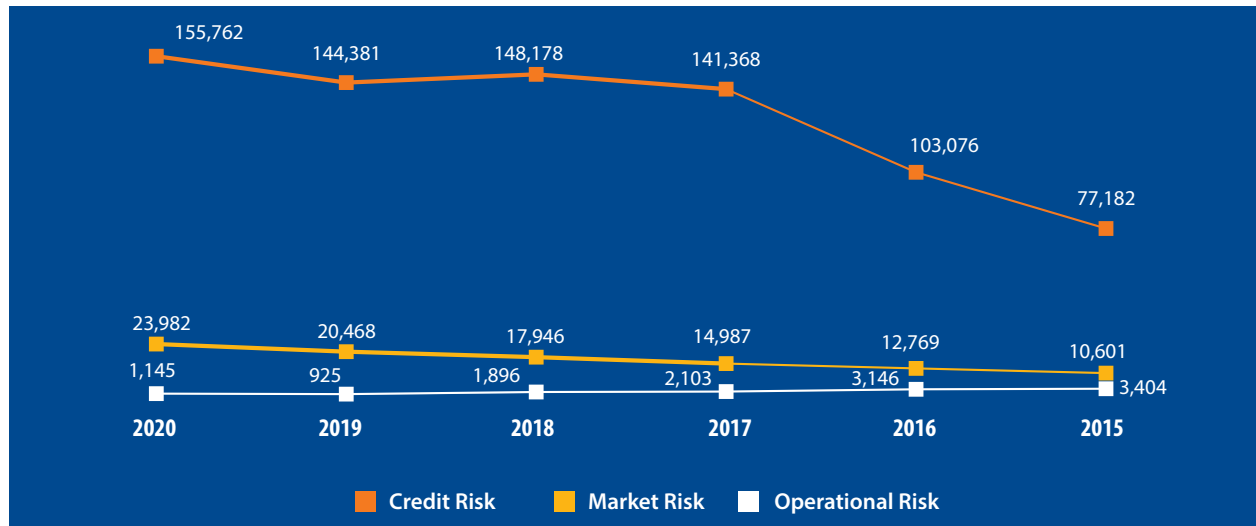


## Free Cash Flows

	2020	2019	2018	2017	2016	Rs. in million 2015
Profit before taxation	2,023	133	905	1,621	3,390	3,174
Adjustment for non-cash items	3,476	1,457	537	834	891	1,312
Operating assets/liabilities changes	89,589	(30,495)	(39,026)	95,848	(21,052)	30,506
Net cash generated from operations	95,088	(28,905)	(37,583)	98,303	(16,771)	34,992
Capital expenditure	1,076	(2,032)	(1,367)	(1,290)	(1,850)	(1,305)
Free cash flows	94,012	(30,937)	(38,951)	97,013	(18,621)	33,687

# Analysis of Capital Adequacy Ratio

	2020	2019
	Rs. in million	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,119	10,119
Eligible Common Equity Tier 1 (CET 1) Capital	16,229	14,620
Eligible Additional Tier 1 (ADT 1) Capital	2,251	2,500
Total Eligible Tier 1 Capital	18,479	17,120
Eligible Tier 2 Capital	4,621	4,307
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>23,100</b>	<b>21,426</b>
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	155,762	144,381
Market Risk	1,145	925
Operational Risk	23,982	20,468
<b>Total</b>	<b>180,889</b>	<b>165,774</b>
Total Eligible Capital	23,100	21,426
Risk Weighted Assets (RWAs)	180,889	165,774
<b>Capital Adequacy Ratio</b>	<b>12.77%</b>	<b>12.93%</b>



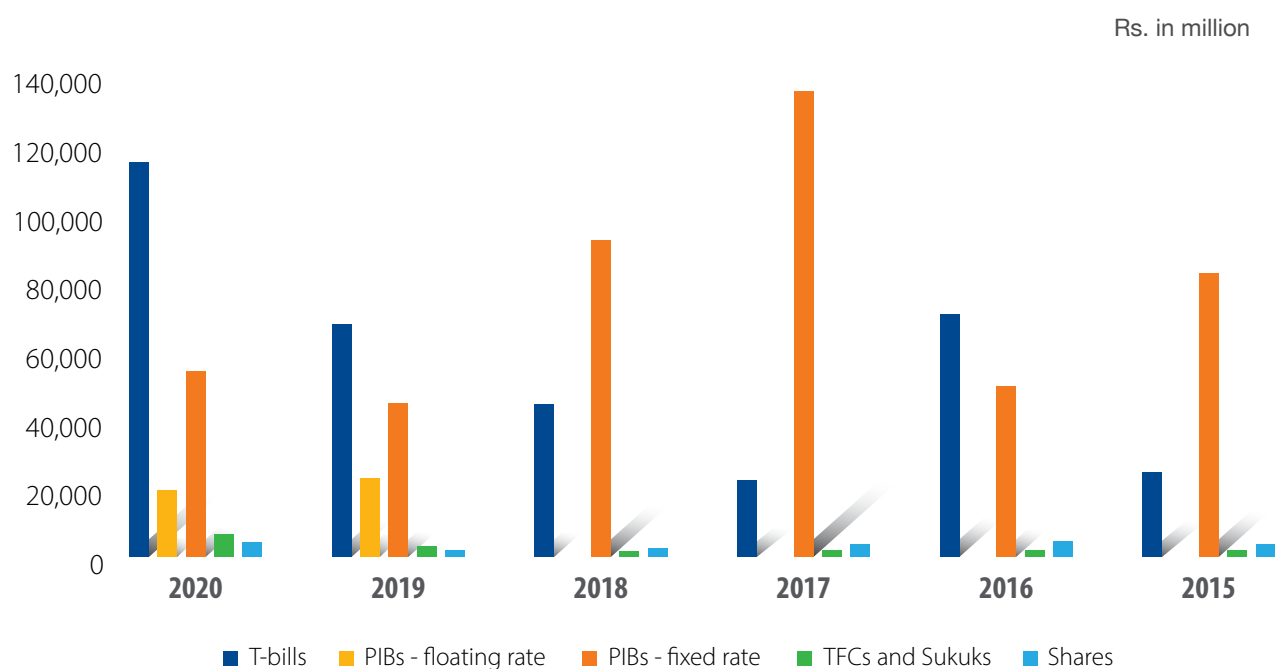
## Risk Weighted Assets





# Category of Investments

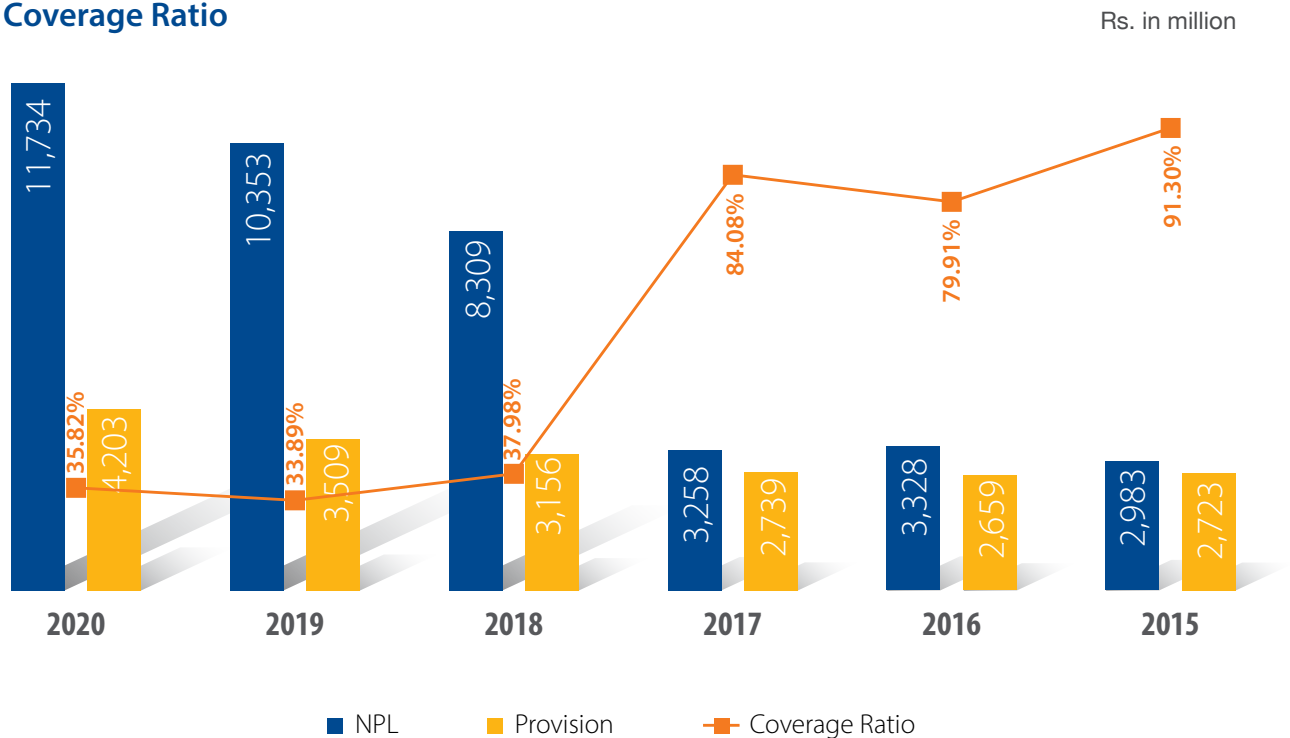
	2020	2019	2018	2017	2016	Rs. in million 2015
T-bills	115,052	67,669	44,375	22,254	70,643	24,488
PIBs - floating rate	19,424	22,927	-	-	-	-
PIBs - fixed rate	54,044	44,881	92,252	135,536	49,835	82,704
TFCs and Sukuks	6,639	2,963	1,526	1,992	1,754	2,008
Shares	4,264	1,966	2,557	3,547	4,388	3,649
Associates and subsidiaries	2,161	2,120	2,099	1,919	1,919	1,919
Others	114	41	5,882	4,364	5,188	1,261
	<b>201,698</b>	<b>142,568</b>	<b>148,690</b>	<b>169,612</b>	<b>133,727</b>	<b>116,030</b>



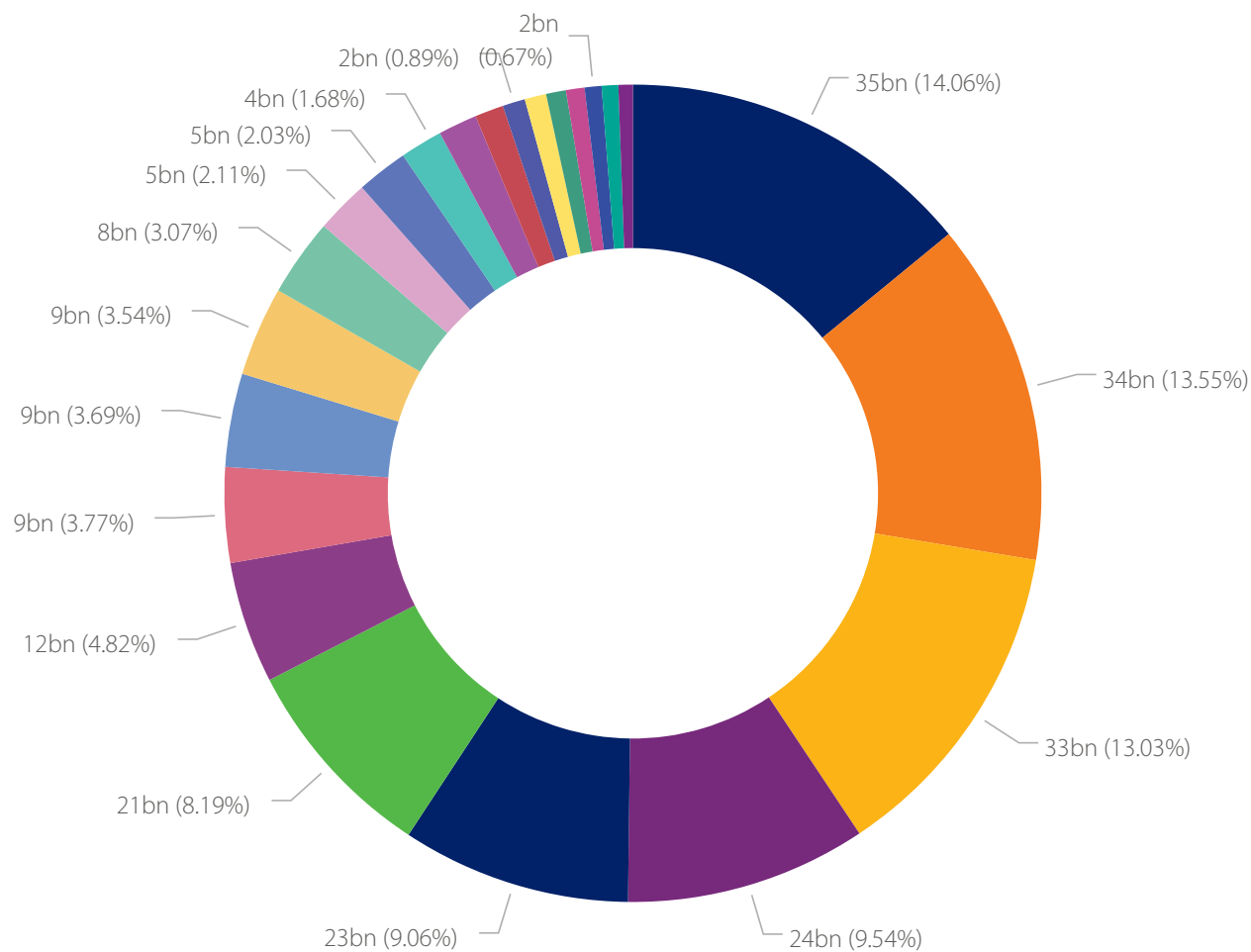
# Non-Performing Loans

Categorywise	2020		2019		Variance		Rs. in million 2020 Coverage
	NPLs	Provision	NPLs	Provision	NPLs	Provision	
OAEM	297	-	841	2	-64.71%	100.00%	0.13%
Substandard	1,178	156	1,159	65	1.62%	141.33%	13.25%
Doubtful	3,264	724	2,442	426	33.66%	69.94%	22.19%
Loss	6,995	3,301	5,911	2,847	18.34%	15.93%	47.19%
Total	11,734	4,182	10,353	3,340	13.33%	25.21%	35.64%

## Coverage Ratio



# Advances Segmentation

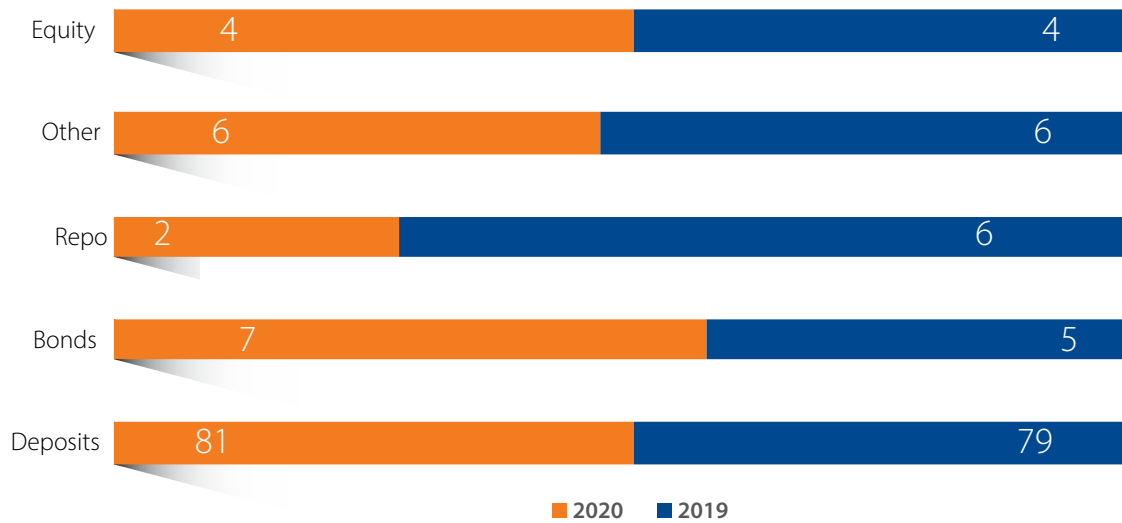


## Segment

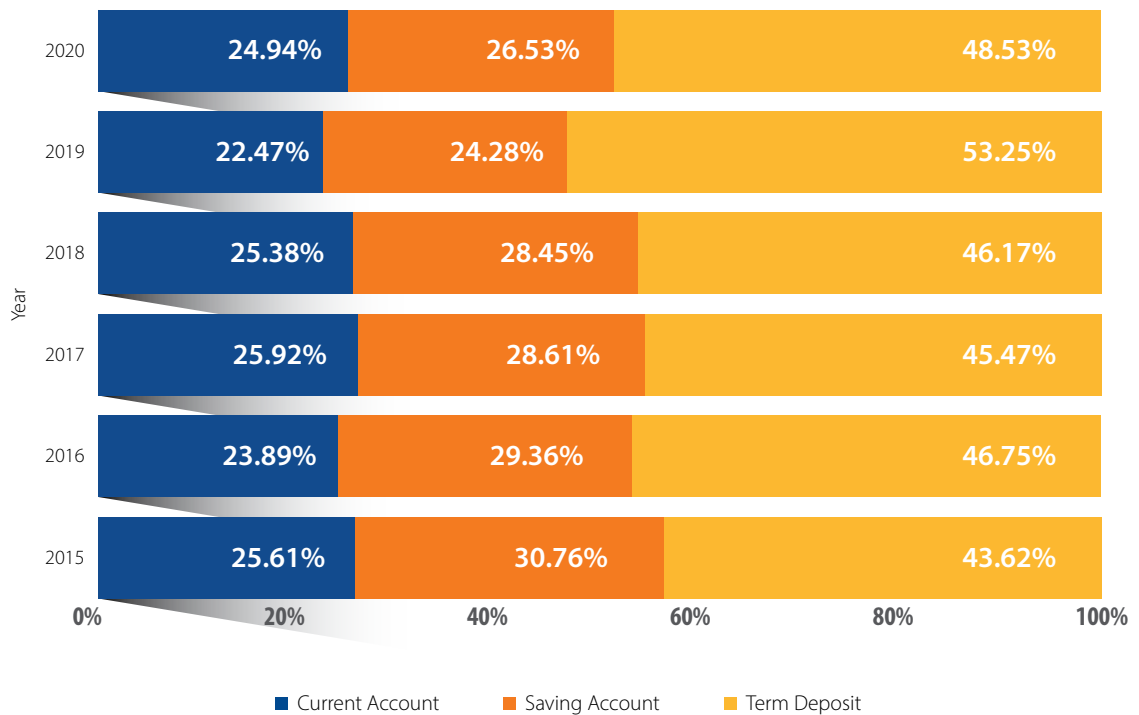
- Transportation
- Food / confectionery / beverages
- Individuals
- Petroleum, oil and gas
- Real estate
- Automobile and transportation equipment
- Brokerage
- Financial
- Power and water
- Textile
- Others
- Tele-communication
- Cement
- Fertilizer
- Agri finance
- Chemical
- Wholesale and retail trade
- Engineering, IT and other services
- Metal and steel
- Plastic
- Sugar
- Paper / board / furniture
- Pharmaceuticals

# Funding Mix

## Liability Composition %



# Deposit Mix



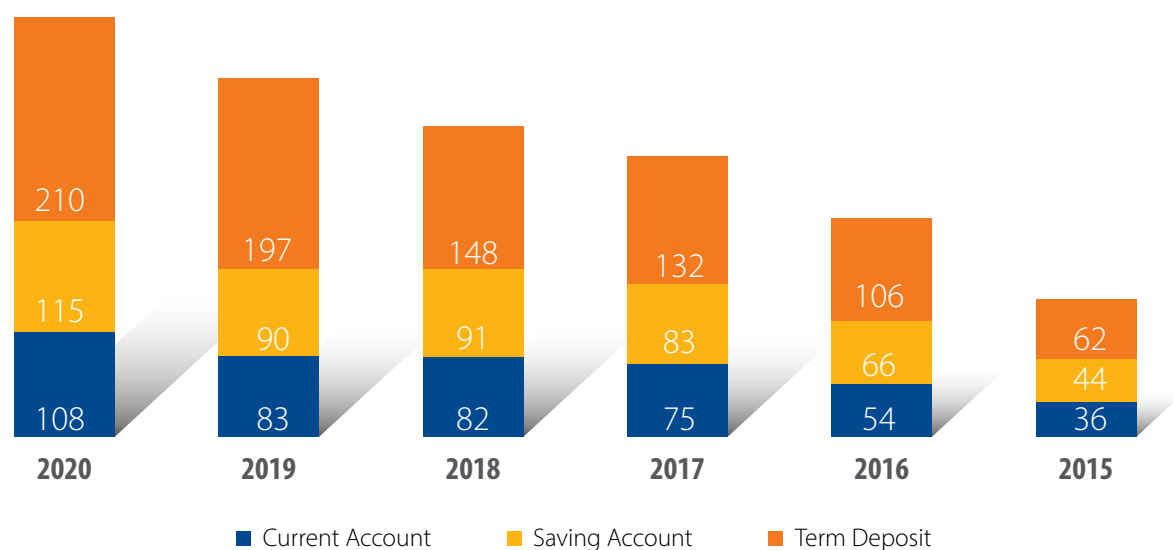
# Deposits Breakdown

Rs. in billion

DEPOSIT TYPE	2020	2019	2018	2017	2016	2015
Term Deposit	210	197	148	132	106	62
Saving Account	115	90	91	83	66	44
Current Account	108	83	82	75	54	36
	433	370	321	290	226	142

# Deposits Composition

Rs. in billion

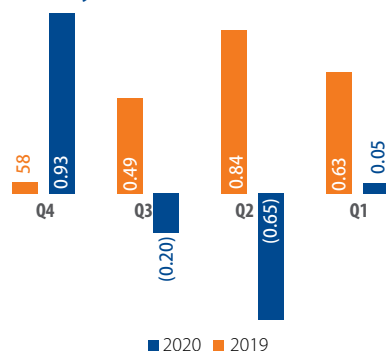


# Quarterly Performance

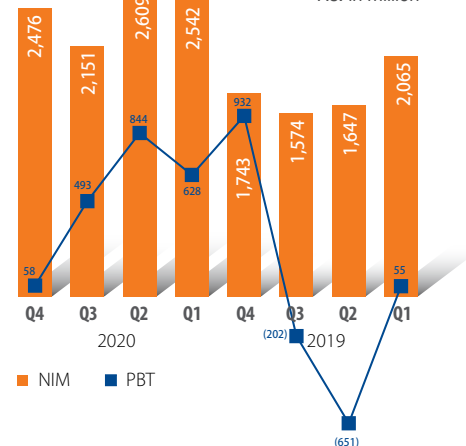
Rs. in million

	2020				2019			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<b>Profit and loss account</b>								
Mark-up earned	9,213	9,536	11,426	12,923	11,336	11,199	9,722	9,339
Mark-up expensed	(6,737)	(7,385)	(8,818)	(10,382)	(9,593)	(9,625)	(8,075)	(7,274)
Net mark-up income	2,476	2,151	2,609	2,542	1,743	1,574	1,647	2,065
Non mark-up income	2,218	1,483	1,769	1,207	1,622	749	803	768
Total Income	4,694	3,634	4,377	3,749	3,365	2,324	2,450	2,833
Non-mark-up expenses	(3,815)	(3,129)	(3,291)	2,917	(3,027)	(2,618)	(2,736)	(2,550)
Profit before provisions	879	505	1,086	832	338	(294)	(286)	283
Provisions and write off	822	(12)	243	204	593	92	(365)	(229)
Profit before taxation	58	493	844	628	932	(202)	(651)	55
Taxation	(73)	(184)	(370)	(246)	(329)	66	176	(21)
Profit after taxation	(15)	309	474	383	603	(136)	(475)	33
<b>Statement of Financial Position</b>								
<b>Assets</b>								
Cash and balance with treasury banks	30,421	33,588	32,726	27,431	25,589	21,094	34,742	19,973
Balances with other banks	1,106	618	1,133	1,316	463	1,140	2,315	1,131
Lendings to Financial Institutions	23,240	8,780	9,977	3,845	30,321	1,229	4,598	58,976
Investments	201,698	168,386	180,783	183,241	142,568	140,692	136,623	118,020
Advances	250,199	241,852	241,608	235,140	242,945	238,393	250,021	255,665
Fixed assets	7,600	8,835	9,182	9,393	9,693	11,736	11,578	6,349
Intangible assets	2,487	2,419	2,349	2,280	2,271	2,272	2,128	2,226
Deferred tax assets	-	-	-	-	9	612	471	111
Other assets	14,678	13,513	16,829	15,011	15,588	12,999	13,627	13,100
Assets held for sale	739	-	374	374	374	-	-	-
	532,168	477,990	494,961	478,030	469,821	430,167	456,103	475,550
<b>Liabilities</b>								
Bills payable	4,982	4,341	4,259	4,465	3,804	3,174	3,914	3,740
Borrowings	48,303	34,317	36,567	49,834	54,468	59,923	52,589	115,366
Deposits and other accounts	433,063	391,953	405,832	379,246	369,790	327,064	361,105	319,779
Subordinated debt	7,493	7,495	7,495	7,495	7,495	7,496	7,496	7,497
Deferred tax liabilities	1,194	1,217	1,621	171	-	-	-	-
Other liabilities	16,541	18,625	18,962	18,785	16,930	16,628	15,173	12,995
	511,576	457,947	474,736	459,996	452,488	414,285	440,277	459,377
<b>Net assets</b>	<b>20,592</b>	<b>20,043</b>	<b>20,225</b>	<b>18,035</b>	<b>17,333</b>	<b>15,883</b>	<b>15,826</b>	<b>16,173</b>
<b>Represented by:</b>								
Share capital	10,119	10,119	10,119	10,119	10,119	10,119	10,119	10,119
Reserves	1,991	2,012	1,958	1,854	1,750	1,751	1,764	1,723
Unappropriated profit	6,148	5,864	5,521	5,137	4,828	4,237	4,366	4,829
Surplus / (deficit) on revaluation of assets - net of tax	2,334	2,047	2,627	925	637	(225)	(423)	(498)
	20,592	20,043	20,225	18,035	17,333	15,883	15,826	16,173

Quarterly PBT

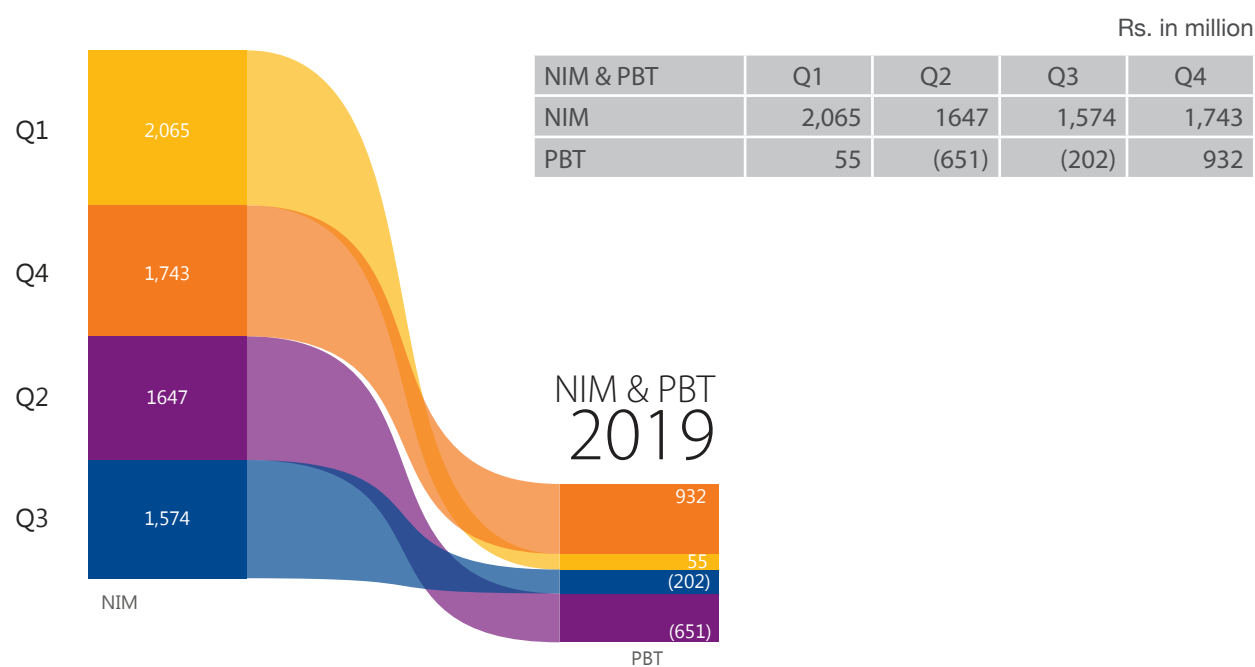
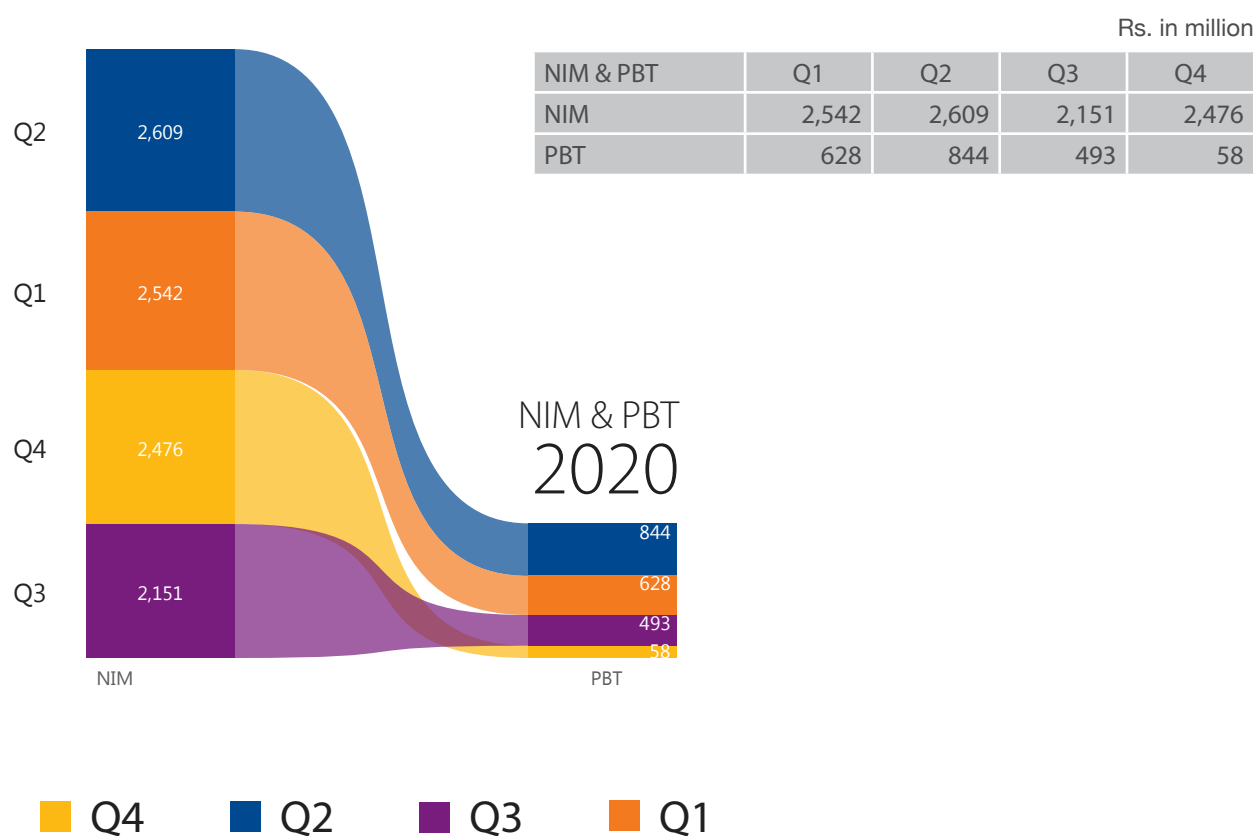


Rs. in million





# Quarterly Analysis of NIM & PBT

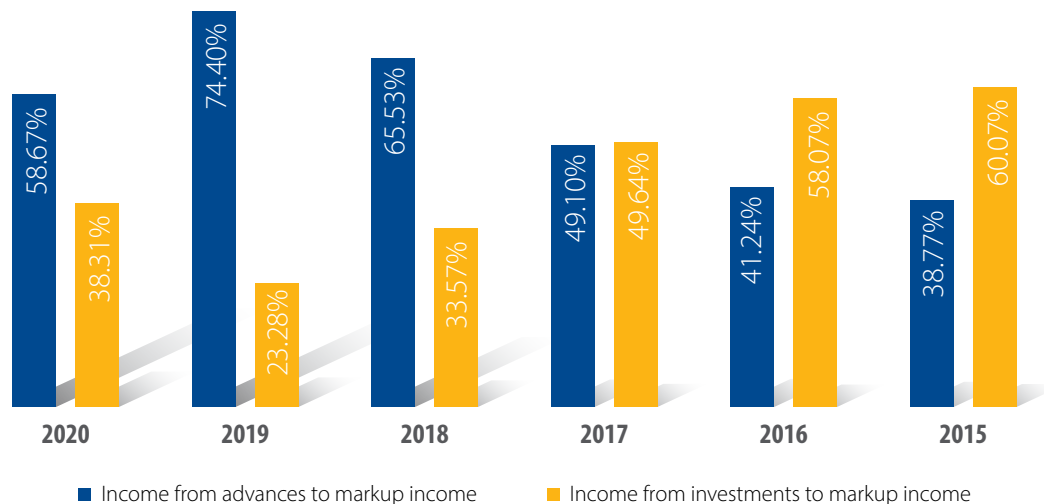


# Markup and Non-Markup Income

	2020	2019	2018	2017	2016	Rs. in million 2015
<b>Markup and Non-Markup Income</b>						
Mark-up/return/interest earned						
Loans and advances	25,288	30,945	19,657	10,007	6,220	5,942
Investments	16,509	9,683	10,071	10,118	8,758	9,207
Lendings to financial institutions	33	53	111	78	1	1
Balances with others banks	10	55	20	4	20	9
Securities purchased under resale agreements	1,259	859	137	174	82	169
	43,099	41,595	29,997	20,381	15,081	15,328
<b>Mark-up/return/interest expensed</b>						
Deposits	29,390	28,415	15,099	11,775	7,531	6,447
Borrowings	1514	1,804	705	401	318	400
Securities sold under repurchase agreements	1,112	2,811	4,976	1,735	1,504	2,891
Sub-ordinated loans	900	1,029	408	228	-	-
Lease liability against right-of-use assets	406	507	-	-	-	-
	33,322	34,566	21,188	14,139	9,353	9,738
Net Markup income	9,777	7,028	8,809	6,242	5,728	5,590
<b>Non-markup / interest income</b>						
Fee and commission income	3,596	2,860	2,669	2,124	1,426	1,124
Dividend income	98	300	109	167	98	85
Foreign exchange income	1,010	963	671	357	313	288
Income from derivatives	29	47	17	94	19	(41)
Gain / (loss) on securities	1,873	(711)	(1,434)	1,234	2,965	1,799
Other income	70	484	109	75	40	35
	6,676	3,943	2,141	4,051	4,861	3,290

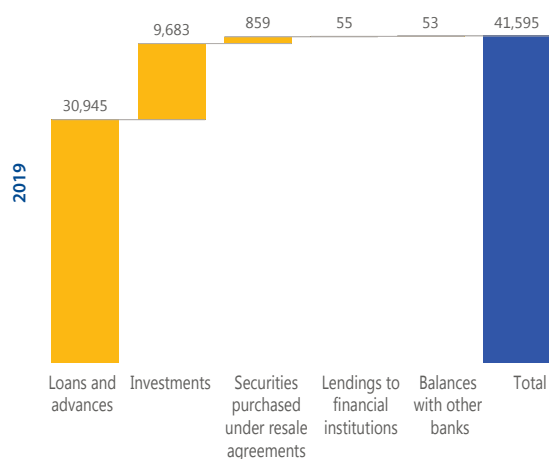
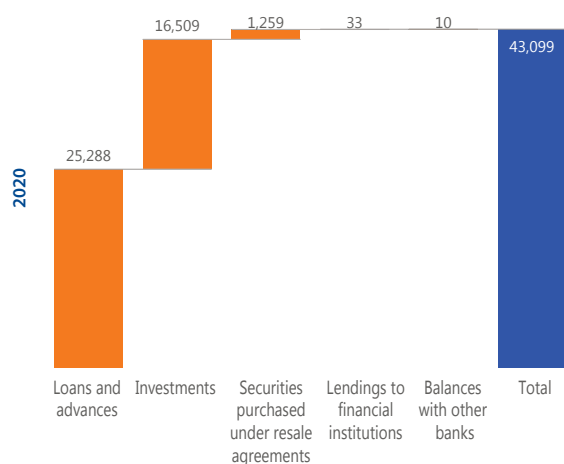
## Markup income from Advances and investments

Rs. in million

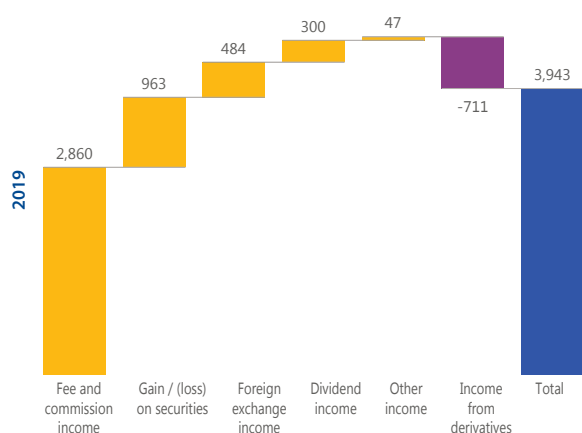
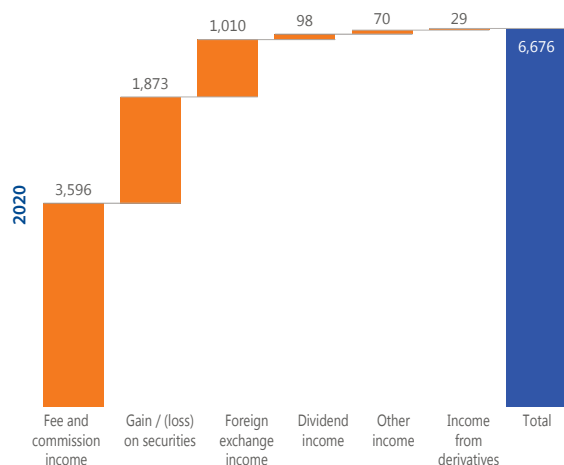


## Markup Income

Rs. in million



## Non-Markup Income



# Market Share Information

Below is a list of some key factors that can influence the share price of JS Bank Limited. Some of the major factors can include the following:

## **Regulatory / Policy Changes**

All policy and regulatory level changes that are directly related to the overall environment within banking industry are likely to influence the bank's stock price. These can include several things such as a change in monetary policy stance of SBP (which directly impacts the yield on investment portfolio of the bank). Furthermore, any change within reserve requirement specifications can also impact the available pool of funds for onward usage as advances and investments by the bank. This can have a positive or negative effect on the overall profitability of the bank which can then lead to changes in stock price.

Additionally new policy initiatives by SBP to encourage initiatives such as those geared towards encouraging digital banking, increasing financial inclusion of the country's population can also affect share price of the bank.

## **Investor and Market Sentiment**

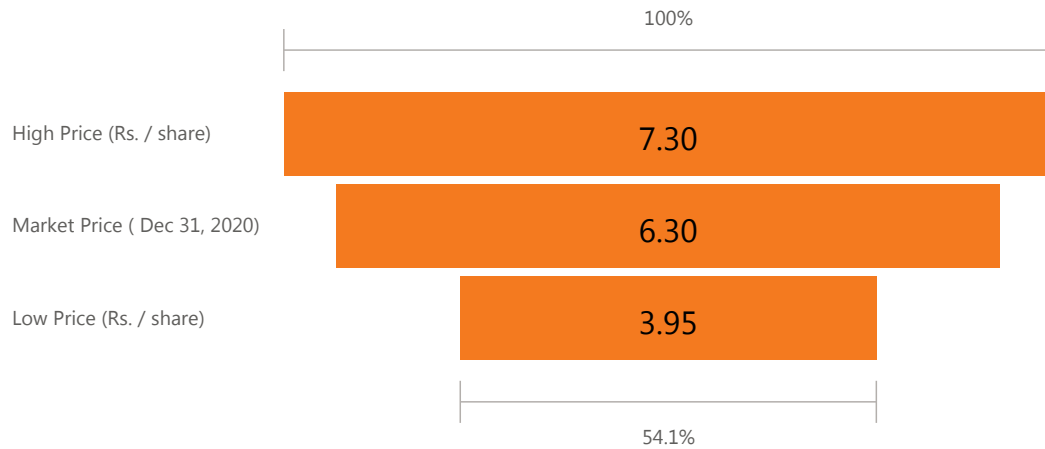
Stock market within Pakistan is largely sentiment driven. There have been several instances where market returns skyrocketed as a result of increased investor interest at PSX. These trends not only impact the overall market dynamics of the stock market but they can also have a dynamo impact on individual shares including JS Bank stock.

Moreover, market dynamics can also change due to new PSX regulations such as those that are pertaining to increasing investor base. For instance, the initiatives of current government to increase interest of expatriates within local market through the Roshan Digital Account framework is an example of one such policy measure which can influence the ongoing market sentiment at PSX thereby affecting individual share prices including JSBL share.

## **Change in Macro Environment**

The macro-economic environment factors including those that affect the ongoing law and order situation within the country, deviations within the political climate, stability in government policies regarding financial markets can also influence share price movements at PSX. JSBL share is also liable to be driven by these macro level changes both in the short and the long term.

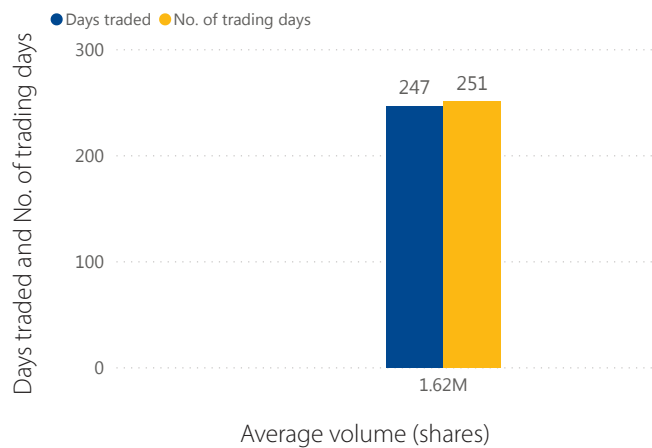
# Share Price Trend



## Share Price Sensitivity

The share price remained fairly sensitive during the calendar year 2020 with share recording high of Rs. 7.30 and low of Rs.3.95 following the overall market fluctuation within PSX. Liquidity within the share was significant as evidenced by 1.6 million shares being traded on average during the year.

## Days traded and No. of trading days by Average volume (shares)



Description	Value
% of days traded	98.40
Average volume (shares)	1,623,512
Days traded	247
High Price (Rs. / share)	7.30
Low Price (Rs. / share)	3.95

# Calendar of Major Events During 2020

Annual Results – 2019  
approved by the Board  
**February 27, 2020**

Annual General Meeting  
**March 27, 2020**

1st Quarter Results – 2020  
approved by the Board  
**May 28, 2020**

Board Meeting for other Matters  
**June 15, 2020**

2nd Quarter Results – 2020  
approved by the Board  
**August 26, 2020**

3rd Quarter Results – 2020  
approved by the Board  
**October 28, 2020**

Budget - 2021  
approved by the Board  
**December 28, 2020**

Corporate Briefing Session  
**December 30, 2020**



# Strategy & Resource Allocation

## Rationale

The central focus of our short and long term strategic objectives has been our customer-centric approach. Utilizing a mix of dedicated service and relationship management, with modern digital solutions, we aim to create a frictionless customer experience across a variety of moments of truth our customers experience with us, every day.

At JS Bank, we are also channeling our energy and resources in building a strong network for a sustainable economy. This is achieved by mobilizing pathways for financial literacy, facilitating short and long term operational needs for small entrepreneurs and mid-sized organizations, and extending our branch and payments footprint across Pakistan.

As an employer, we understand that our people are our strongest asset. The thousands of dedicated and talented members of our team enable this organization to contribute to the lives of our customers and enhance value for the organization.

## Strategic Objectives and KPIs

Short Term Strategic Objectives	Strategy for Meeting Objectives	KPIs
Adopting a customer-first approach, ensuring continuous process optimization to ensure a high level of customer satisfaction.	Adopting a customer-centric approach and minimizing turnaround times for existing processes, while focusing on customer satisfaction.	Net Promoter and Customer Satisfaction Scores  Turn-around times
Developing financial awareness and empowerment through targeted SME lending solutions to maximize impact	Developing a strong range of partnerships that help the Bank utilize SBP, Government of Pakistan and other collaboration partners to maximize scale and make a difference to thousands of lives.	Percentage of SME Loans to total Advances  Estimated number of lives impacted through SME lending
Establishing a strong and sustainable bank serving a offering consumer, agriculture and renewable energy solutions for retail and medium-sized clients.	Diversifying product offering to our valuable customers to meet personal or business requirements through the provision of banking services and financing facilities. Constant research and development on products that can meet gaps in customer needs.	Well-diversified and effective product suite
Maintaining a robust portfolio risk management utilizing conventional and contemporary tools.	Ensuring responsible and prudent expansion in lending through structured onboarding, continuous monitoring and maintaining strong communication with customers.	Asset Quality

Long Term Strategic Objectives	Strategy for Meeting Objectives	KPIs
JS Bank aims to develop a user experience that transcends conventional banking norms and embeds deeply within the financial transaction ecosystem of our customers and economy at large.	Investment in digitization and agile way of work, to help bring more relevant solutions to customers with minimal times to market.	Migration to self-served solutions Time to market Customer satisfaction score
We aspire to creating an organizational culture which harbors innovation, diversity and drive for economic sustainability, built around the needs of our customers and stakeholders.	Encourage gender equality and diversity. Provide opportunities and investing in employees for their career growth. Create a structure that rewards entrepreneurial spirit.	Employee Retention Employee Satisfaction
JS Bank strives to support environmental, social and good governance initiatives for economic growth, social progress and environmental protection.	Promotion of sustainable ventures and community development along with minimizing our carbon footprint.	Measuring impact created in terms of carbon footprint, lives impacted and communities supported through interventions.
We aim to partner with like-minded organizations & entities in strengthening the economy for all stakeholders, with a vision to build an environment of prosperity, security and economic independence for the people of Pakistan.	Building a network of partners across the country to bring value through solutions to our customers, utilizing the benefits of various synergies created between such partnerships.	Lives impacted Wealth creation Economic activity creation

### Strategy to Overcome Liquidity Gap

The Bank's Current, Savings and Term deposit base indicates a stable and sound liquidity position. The Bank has also a reasonable portfolio of marketable securities that can be realized in the event of stress. The Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well above the regulatory requirement. The Bank has a well-defined Liquidity Contingency Plan for liquidity crisis management, and detail aspect of liquidity risks are discussed under risk management section of the report.

**CEO presentation video on the organization's website explaining the business overview, performance, strategy and outlook.**

Web link: <https://jsbl.com/mr-basir-shamsie-president-ceo-js-bank/>



**Alizey Lateef**

I am a self taught artist who's in her final year of MBBS. Illustration and water colour is the perfect medium for me to highlight the details I appreciate in all things around me.

Institute: Ziauddin Medical University

# Identification and Mitigation of Risks and Opportunities

## Credit Risk

**Measurement:** Credit Risk Management function under Risk Management Group identifies, measures, manages, monitors, and mitigates credit risk. Credit Risk is measured and estimated through detailed quantitative financial and qualitative factors analyses, internal and external credit risk ratings including of facility risk ratings, and customers' behavior analysis.

**Monitoring:** Credit Risk function carries out review of counterparties through credit proposals and the Credit Admin Department (CAD) function performs post disbursement monitoring including security documentation and limits monitoring. Business functions continuously remain in contact with customers for updated information about the clients.

**Management:** The Bank has a diversified loan portfolio spread over public and private sectors with different industries. Credit Risk Function ensures to minimize credit risk associated with borrowers. Risk Management Group has a defined structure with credit approving authorities with Central Credit Committee in place to approve large credit exposures. The Bank is in the process of implementing Loan Originating System (LOS) for automated credit approval process in a paperless environment to optimize the Turn Around Time with effective credit and control policies.

To further enhance the credit risk analysis, the Bank has in place Internal Credit Risk Rating (ICRR) model for Obligor Risk Ratings (ORR) and Facility Risk Ratings (FRR) for corporate, commercial, and small & medium enterprise borrowers. In addition to it, the Bank will implement Risk Based Pricing model to augment the credit decisioning.

The Bank has Portfolio Management Committee (PMC) at management level and Board Risk Management Committee (BRMC) at board level for discussions and deliberations on key risk issues on portfolio level. Periodic meetings are conveyed to oversee the risk exposures at portfolio level.

## Market Risk

**Measurement:** The Bank is exposed to market risk through its trading and other investment activities

including derivatives and options. VaR methodologies augmented by sensitivity analyses, notional limits, management action triggers and stop loss triggers at a script and portfolio level, and stress testing are used to capture and report the various aspects of market risk.

**Monitoring:** The Bank has a separate Market Risk Unit under Risk Management Group that ensures market risk limits will not exceed the tolerance levels set by the Board. Assets & Liability Committee (ALCO) is entrusted to monitor the market risk exposures and limits through meetings on a periodic basis.

**Management:** The Bank is following a balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite. Dashboards for money market and foreign exchange exposures are being presented to manage the limits and exposures within defined levels.

## Liquidity Risk

**Measurement:** The Bank measures Liquidity Risk as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is to ensure sufficient liquidity for the Bank under normal and stress conditions.

**Monitoring:** In line with SBP's directives under Liquidity Risk framework and Basel III guidelines, the Bank regularly monitors liquidity monitoring tools along with Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR). The Bank has also in place Early Warning Indicators and Liquidity Risk Analysis tools to trigger any point for management attention.

**Management:** The Bank is following liquidity risk management approach to manage funding sources and intraday liquidity management. The Bank's deposit base indicates fair liquidity position and Bank's NSFR and LCR are well above the regulatory requirement.

ALCO has the responsibility for liquidity management and contingency funding plan. Underlying policies are approved by the Board in respect of liquidity, investment, and treasury.



## Operational Risk

**Measurement:** The Bank has a defined Operational Risk Management Policy and framework in place. In line with, the Bank has a database of operational risks/ losses, and Key Risk Indicators (KRI). The Bank analyzes key risks and controls through Risk and Control Self-Assessment (RCSA) exercise covering all critical functions of the Bank. Analysis of operational loss and results of KRIs and RCSAs help the Bank to mitigate risks.

**Monitoring:** The Bank as a practice to present updates on operational risk and loss events on a periodic basis to senior management and relevant board sub-committee.

**Management:** The Bank has an Operational Risk Management unit under Risk Management Group responsible for managing operational risk tools. There is an Operational Risk Management Committee (ORMC) at management level to oversee various operational risk events. The Bank has initiated awareness programs through workshops and training sessions to build and inculcate risk culture across the Bank.

## Capital Adequacy Risk

**Measurement:** The Bank has a capital base above regulatory limits and Basel requirements and is following the predefined format and criteria mentioned in the Basel II and III guidelines.

**Monitoring:** The Bank assesses current and future capital requirements and ensures that the minimum capital requirements specified by the State Bank are adhered to. Regular assessment of capital enables the Bank to evaluate adequacy of the amount, type and distribution of capital required to cover various risks.

**Management:** The Bank total Capital Adequacy Ratio is above the requirement of 12.50% (including capital conservation buffer of 2.50%). The Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio is also above the requirement of 6%. The Bank maintains a leverage ratio above the regulatory limit of 3.0%. The Bank will continue to retain and accumulate profits to capitalize opportunities in short, medium, and long term.

## Country Risk

**Measurement:** The Bank's Country Risk exposure is assessed against the Bank's cross border trade and treasury activities. Risk Tolerance Limits are set for various countries with different country ratings.

**Monitoring & Management:** Market Risk Unit and ALCO are responsible for regular monitoring of risk exposure. Country Exposure Limits both for Trade and Treasury exposures are in place, which broadly capture direct exposure on sovereigns and foreign domiciled counterparties.

## Information Security Risk

**Monitoring & Management:** The Bank focuses on providing simplified banking solutions to its customers through innovative technology applications security while protecting the client information from vulnerabilities and threats. The Bank has embedded various controls on the information security and consistently developing more controls.

The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk, especially information security risks, properly.

## Regulatory Risk

**Measurement:** The Bank takes into consideration all regulatory risks for effective management of changes in legislature and regulatory requirements that may affect the Bank.

**Monitoring & Management:** Compliance Function of the Bank reviews key regulatory developments to anticipate changes and their potential impact on its performance. The Bank aims to keep continued compliance with regulatory requirements.

## Opportunities

1. Increasing the Bank's advances portfolio with focus on agriculture, SME and other segments through special focus on untapped markets and clients, reducing the process time.
2. Sound equity provides the opportunity of exploring new markets to expand the Bank's business in different products through feasibility studies and market check.
3. Developing new deposit products to strengthen the existing product mix and to take advantage of the growing branchless and digital banking opportunities through automation of various processes and through alliances.

## External

1. Facilitating non-resident Pakistanis to increase the flow of home remittances through new contracts and foreign agents along with exploring new markets to increase customer base.

## Sources of Risk and its Assessment

The Board of Directors carries out continual assessment of the primary risks the Bank is facing to analyze on an on-going basis, including those that would arise and threaten the businesses and/or Bank's performance, solvency or liquidity.

The Bank looks at the following risks after analyzing the external and internal factors:

Factors	Source	Primary Risks
Economic	External	<b>Credit Risk</b> , the risk of loss to the Bank from its borrowers and counterparties in the event of failure to fulfill their obligations, including of whole or partial settlement of principal, mark-up, collateral and other receivables.
	External	<b>Market Risk</b> , the risk of loss arising from potential unfavorable change in the Bank's assets and liabilities from market variables including, but not limited to, interest rates, foreign exchange rates, equity prices, commodity prices, spreads, and market volatilities.
	External/ Internal	<b>Liquidity Risk</b> , the risk that the Bank is unable to offset certain positions at market price or the inability of the Bank to convert assets to cash or obtain funding from other sources.
	External	<b>Capital Adequacy</b> , the risk the Bank has an insufficient capital to support its business activities and to meet the regulatory requirements under normal and stressed situations.
System / Information	External/ Internal	<b>Operational Risk</b> , the risk of loss to the Bank from inadequate or failed processes, systems, people and / or from external events (e.g; fraud or natural disasters).
		<b>Information Security Risk</b> , the risk comprises the impacts to the Bank and its stakeholders that could occur due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems operate.  The Bank mitigates such risks through the selection, implementation, maintenance, and continuous monitoring of preventive, detective, and corrective security controls.
Political	External	<b>Country Risk</b> , the risk of likelihood of a country unable to fulfill its obligations towards one or more foreign lenders/ investors. The Bank engages in international lending and having cross border exposure is exposed to country risk. Political stability plays a vital role in country ratings and may negatively impact the economy if rating is downgraded.
Regulator	External/ Internal	<b>Regulatory Risk</b> , the risk of loss arises due to imposition of any penal action against the Bank in the event of failure to meet the regulatory or contractual obligations.  The Bank foresees the uncertainty in respect of implementation of IFRS-9, which may adversely impact the financial position.
Social	External/ Internal	<b>Reputation Risk</b> , the risk to the earnings and capital arising from negative perception among the stakeholders. This may have an impact on customer base the Bank's ability to capture new markets.



## **Risk Management Framework**

The Bank has a well-defined Risk Management Framework that governs the risk management structure to ensure that the Bank is continuously evaluating and monitoring the associated risks and ensuring the mitigating controls. The Bank always remain committed to ensure appropriate balance between risk and reward throughout the Bank. The following structure is being followed in the Bank;

### **Risk Governance Structure**

- Board of Directors
- Board Risk Management Committee
- Integrated Risk Management Committee
- Management Committees for Risks; including Portfolio Management Committee, ALCO, Operational Risk Management Committee, Remedial Management Committee and ITSC to review IS related matters.
- Risk Management Function under the CRO, which broadly covers Credit Risk Heads including Agri Risk, Market & Basel, Enterprise Risk Management Operational and Environmental Risk, Consumer Risk, Credit Administration, Information Security, Special Assets Management and Strategic Projects and Quantitative Analysis.

The Bank has a well-structured risk management framework which is based on three lines of defense; Business and support functions directly involved in risk taking activities constitute the first line of defense, Risk and Compliance, being the second line of defense, are responsible for ensuring policies, procedures and limits are within strategic objectives and regulatory requirements, and audit function plays an independent part for over sighting as the third line of defense.

### **Inadequacy in the capital structure and plans to address such inadequacy**

The Bank is not facing any kind of inadequacy in the capital structure and has capital adequacy over and above the regulatory requirement.

## **Sensitivity Analysis Due to Foreign Currency Fluctuations**

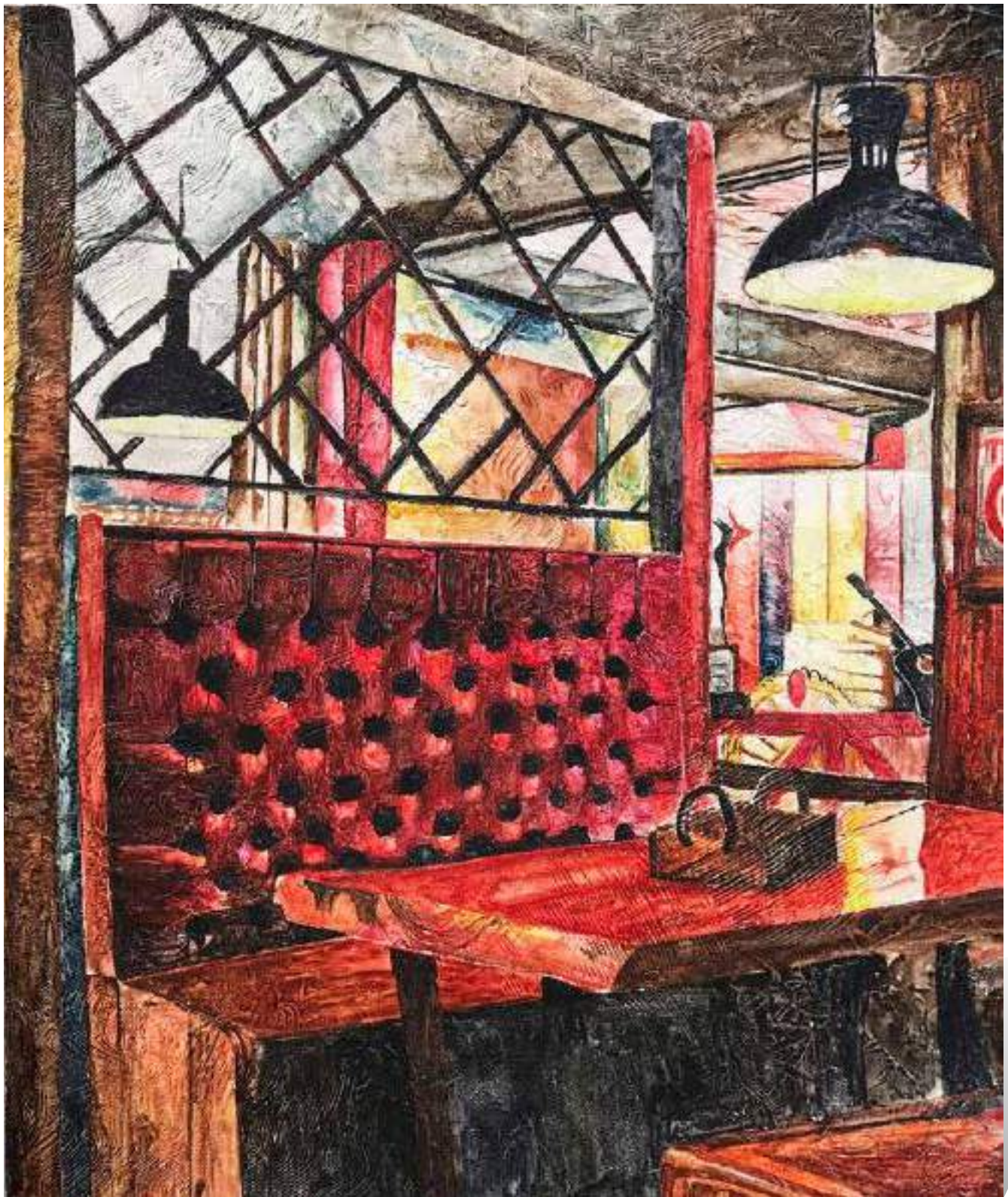
The regional currency trends for the start of the year 2020 showed downward pressure as the COVID-19 took hold and Pak rupee followed course as per SBP avowed goal to let market determine exchange rate. Following the challenging situation in the aftermath of pandemic, the rupee showed volatility and traded in a wide band of 154-168 but since the rebound in economic activity and relative success in dealing with COVID, after reaching a low of 168 in August 2020, we have seen a steady appreciation in Pak Rupee to 159.83 by the end of year. To combat the negative impact of COVID related lockdowns, SBP also reduced SCR requirements to enhance economic activity.

The market has subsequently settled around the 160 level. The astute management of our dealings in foreign currency has ensured no volatility in our earnings. The risk appetite of our bank is determined by the Board and monitored by the risk team. The treasury team proactively manages day to day liquidity, net open positions and Foreign Exchange Exposure Limits (FEEL) of the Bank.

The risk management team ensures adherence to Liquidity Coverage Ratio (LCR) and Net Stability Fund Ratio (NSFR) as per SBP guidelines. The bank ensures full implementation of BASEL III liquidity standards and liquidity ratios.

### **Information about default in payment of any debts and reasons thereof**

There were no default in the payment of any borrowing/ debt during the year. Bank has sufficient liquidity to fulfill all its commitments.



**Ahwar Nasir**

I am a 19 year old aspiring artist who paints to make herself and others happy.  
Painting to me is to communicate love.

Institute: Indus Valley School of Art and Architecture





# Corporate Governance

## Role & Responsibilities of the Board

Role, responsibilities, prohibitions and restrictions relevant to the directors of JS Bank Limited, as contained in the existing laws and regulations have been prepared and approved by the Board as Directors' Handbook.

The Board is responsible for formulating broad goals and strategies for the Bank. It is also responsible to define and determine policies of the Bank regarding the execution of its functions and approve internal rules for their implementation. The formulation of clear objectives and policies supplies a framework for the management to work within defined parameters. The Board also helps to set priorities for the Bank. One of the key functions of the Board is to monitor the performance of senior management and its function.

The Board establishes its sub-committees to discharge its responsibilities. For each sub-committee, the Board adopts a formal Terms of Reference (ToRs) setting out the matters relevant to the composition, roles, functions, responsibilities and administration of such committees. All Board sub-committee meetings are held sufficient number of times in a year to discharge its duties.

The Board presently has the following sub-committees:

1. Board Audit Committee
2. Board Risk Management Committee
3. Board Human Resource, Remuneration and Nomination Committee
4. Board Information Technology Committee

All the Board sub-committees have access to the appropriate external and professional advice if needed to assist the committee in fulfilling its role.

## Annual Evaluation of the Board's Performance

The Board of Directors of JS Bank sets the Bank's strategic direction and ensures that the organization stays true to this direction - enabling it to achieve its long-term objectives while ensuring regulatory compliance. To discharge its fiduciary responsibility of safeguarding the stakeholders' interests, a formal and effective mechanism is put in place for an annual

evaluation of the Board's own performance, members of the Board and of its sub-committees as required by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

The Board of Directors of JS Bank is enriched with skills, core competencies, diversity, experience and knowledge and at the same time committed to strong corporate governance to protect the overall interests of the Bank and its stakeholders. The Board continually reviews the Bank's financial and operational soundness, governance, internal controls and significant policies as per regulatory requirements. Further, Sub-Committees were constituted with a prescribed mandate and respective terms of reference.

In line with the best practices of the corporate governance the Board has conducted self-evaluation exercise on an annual basis by engaging Pakistan Institute of Corporate Governance (PICG) as an external facilitator which is the lead on Corporate Governance and has a team of qualified consultants to conduct board evaluations for companies and banks. The Board of JS Bank in compliance with the SBP's Guidelines on Performance Evaluation of Board of Directors and Listed Companies (Code of Corporate Governance) Regulation, 2019 has conducted its self-evaluation for the year 2020 by engaging PICG. The evaluation covered various aspects of the performance of the Board including but not limited to: Board Composition, Strategic Planning, Control Environment, Committees, CEO & Chairman etc.

The evaluation was carried out using quantitative method, based on subjective assessment and was conducted via questionnaires developed by the consultants. The quantitative technique has the advantage of being specific and measurable. Measurement scale used in the Bank's board evaluation is the summated rating depending on how strongly they agree or disagree with a given statement. The use of this method ensures specific and measurable data that can be benchmarked over time.

## External Consultant's Board Performance Evaluation

The State Bank of Pakistan (SBP), through BPRD

circular no. 11 of 2016 dated August 22, 2016, has mandated that the Board of every bank, must carry out a formal annual performance evaluation of the Board, its Committees, and individual directors. The circular also required performance evaluation to be carried out by an external independent evaluator at least once in every three years. During the year, Pakistan Institute of Corporate Governance carried out performance evaluation of the Board, its Committee and the Directors.

#### **Directors Orientation Courses**

The Board Members are regularly provided with update on new applicable laws, rules and regulations including amendments thereto to apprise them with their powers, duties and responsibilities. At the time of induction of any new director, he/she is provided with the detailed written material in the shape of extracts from relevant laws, rules & regulations on Role, Obligations, Powers and Responsibilities of the Board of Directors.

#### **Directors' Training**

The members of the Board are fully conversant with their duties and responsibilities as directors of the Bank. Out of nine directors, six directors have completed Director's Training Program and two directors of the Bank are exempted from the requirement of Directors' Training Program, as per the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The Bank has effective system to carry out orientation for its directors to acquaint them with the Code, applicable laws and their duties and responsibilities to enable them to effectively govern the affairs of the Bank for and on behalf of shareholders.

#### **Directors' Remuneration Policy**

The Bank has a formal Directors' Remuneration Policy for non-executive directors including independent directors, which has been approved by the shareholders.

The remuneration of directors is fixed in accordance with the applicable laws. The remuneration for attending meetings of the Board and/or Board Committees is within the scale as is reasonably determined by the Board of Directors, provided that

Executive Director shall not be paid any remuneration for attending Board or its sub Committees meetings.

#### **Security Clearance of Foreign Director**

In accordance with the regulatory requirements clearance of foreign director(s) is being obtained from the Interior Ministry, Government of Pakistan.

#### **Governance Practices Exceeding Legal Requirements**

JS Bank's Board always considers and ensures meticulous compliance of applicable laws, rules and regulations. The Board never encourages any sort of noncompliance and considers it as reputational risk.

#### **Board's Policy on Diversity and Inclusion**

We have approved policy to ensure fair representation of females in the workforce and to provide a nurturing and enabling environment to all genders with equal opportunity to contribute and grow within the organization. To achieve this objective the Bank has formulated and implemented following policy;

- All Bank job advertisements that can be applicable to all genders will carry the statement, "We are an equal opportunity employer."
- The language of the advertisement will be gender sensitive.
- Position profiles will be developed to ensure gender concerns are built in.
- Interviews will be conducted in a gender sensitive manner.
- There shall be no gender discrimination on positions, promotions, or salary levels, except for those positions where a particular gender is necessary because of the nature of the job.
- No harassment of any sort will be tolerated, and any such incidents reported will be handled through the Head Office in consultation with the Human Resources Department.
- Commitment of senior management to gender sensitivity issues will be ensured through training, workshops and seminars.
- Reporting will be done of the total number of female employees and those who are in senior management positions.

- Development/mentoring programs for the professional development of female employees will be introduced.
- Opportunities will be explored to directly address some of the new and emerging issues for female employees.

The Bank strongly believes that a diverse and inclusive workplace can earn deeper trust and more commitment from its people. Our emphasis is more on making the numbers count than counting numbers by respecting the unique needs, perspectives, and potential of the teams.

The Bank has embarked on a three-year journey to keep up to its commitment for building a diverse and inclusive organization. This includes multiple initiatives ranging from policy review for inclusiveness, talent attraction and retention targets for leadership team, building organization standing against Global Diversity and Inclusion Benchmarks (GDIB) and concrete measures for communicating organization's commitment to D&I through educational sensitization sessions.

In consideration of the Bank's commitment to build an inclusive organization, an exclusive and elaborate program has been kicked off. This starts from an internship program for persons with disabilities (PWDs) which will include infrastructure readiness, sensitization sessions, building recruitment and retention capabilities that also ensure compliance with Govt. Laws and Regulations and industry benchmarks.

#### **No. of Companies in which the Executive Director is serving as Non-Executive Director**

President & CEO, the Executive Director is not serving as director in any other company.

#### **Board Meetings Outside Pakistan**

Board meetings were not held outside Pakistan during the year.

#### **Policy Disclosure for Conflict of Interest**

The Bank has an effective system in place to deal with conflicts of interest relating to the Board members. Under this mechanism, any director who has a business or other interest in a matter being presented at a Board meeting does not participate in neither the

discussion nor the decision on that matter. The procedure to handle conflict of interest in the Board meetings is followed strictly and no breach was occurred during the year.

#### **Investors' Grievance Policy**

The Bank had strived for a better understanding and committed to provide its customers/investors with the highest level of service quality and satisfaction and has therefore set-up an independent Service Quality function that manages service quality, phone banking, problem resolution, quality assurance and the fair treatment of customers.

As per SBP Consumer Grievances Handling Mechanism the Bank holds surveys aiming to measure its customer's satisfaction with regard to grievance handling mechanism in place at their end. This is done at least once in two years and the report thereof is to the Board and SBP. Remedial steps are taken to address the defective service areas.

Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our Consumer Education and Financial Literacy Program.

To create enhanced visibility of its complaint handling function, the Bank has incorporated awareness messages in several customer's communications such as account statements, ATM screens, and letters sent to the customers. For increased accessibility of the recourse mechanism for the customers, the Bank has made the information available on social media and has send SMS messages and E-Shots to its customers every quarter.

#### **Records Safety Policy**

Safe keeping and retention of official documents is imperative to make records readily available as and when required. The Bank's record retention / destruction policy is in accordance with all the stipulated and applicable laws and for as long as they are required in the conduct of the Bank's business while complying with the regulatory requirements.

Dedicated department is responsible for maintenance of records in form of hard copies at a data storage warehouse built on international standards. Internal policies on how the data is maintained and retrieved is aligned with the guidelines set by the State Bank of Pakistan, The Securities and Exchange Commission of Pakistan, and any other applicable regulatory authority.

The Bank aims to comply with the regulations of State Bank of Pakistan and other regulatory bodies to align its policies for retaining records. Un-necessary records for which the retention period has expired are destroyed as per each department's respective guidelines.

### **Role & Responsibilities of the Chairman**

The Chairman of the Board of Directors is responsible for leadership of the Board of Directors and for ensuring that the Board plays an effective role in fulfilling its responsibilities. The Chairman's role entails the following:

- Preside as the chairman at general meetings of the Bank
- Set the agenda of the Board meetings and ensure that reasonable time is available for discussion of the same
- Ensure that minutes of the meetings truly reflect what transpired during the meeting.
- Ensure that the minutes of the meetings are kept in accordance with the requirements of the law
- Ensure that the Board discharges its role effectively and swiftly in line with the regulatory requirements.

### **Role & Responsibilities of the President & CEO**

The President & CEO's role constitutes an absolutely engaged position, demanding complete involvement and shepherding of the organization. The role entails the following:

- Ensure execution of the strategy approved by the Board.
- Effectively allocate and manage organizational resources and budgets to ensure achievement of short and mid-term objectives that contribute to the achievement of the long-term strategic goals.
- Establish a system of checks and controls to supplement the growth of the Bank.
- Provide liaison between the Board and the Bank's Management to ensure placement of managerial efforts with Board's directives.
- Encourage a culture of professionalism and high ethical standards within the Bank.
- Facilitate an organizational culture of development of innovative products and services to meet the growing needs of a diverse range of customers.

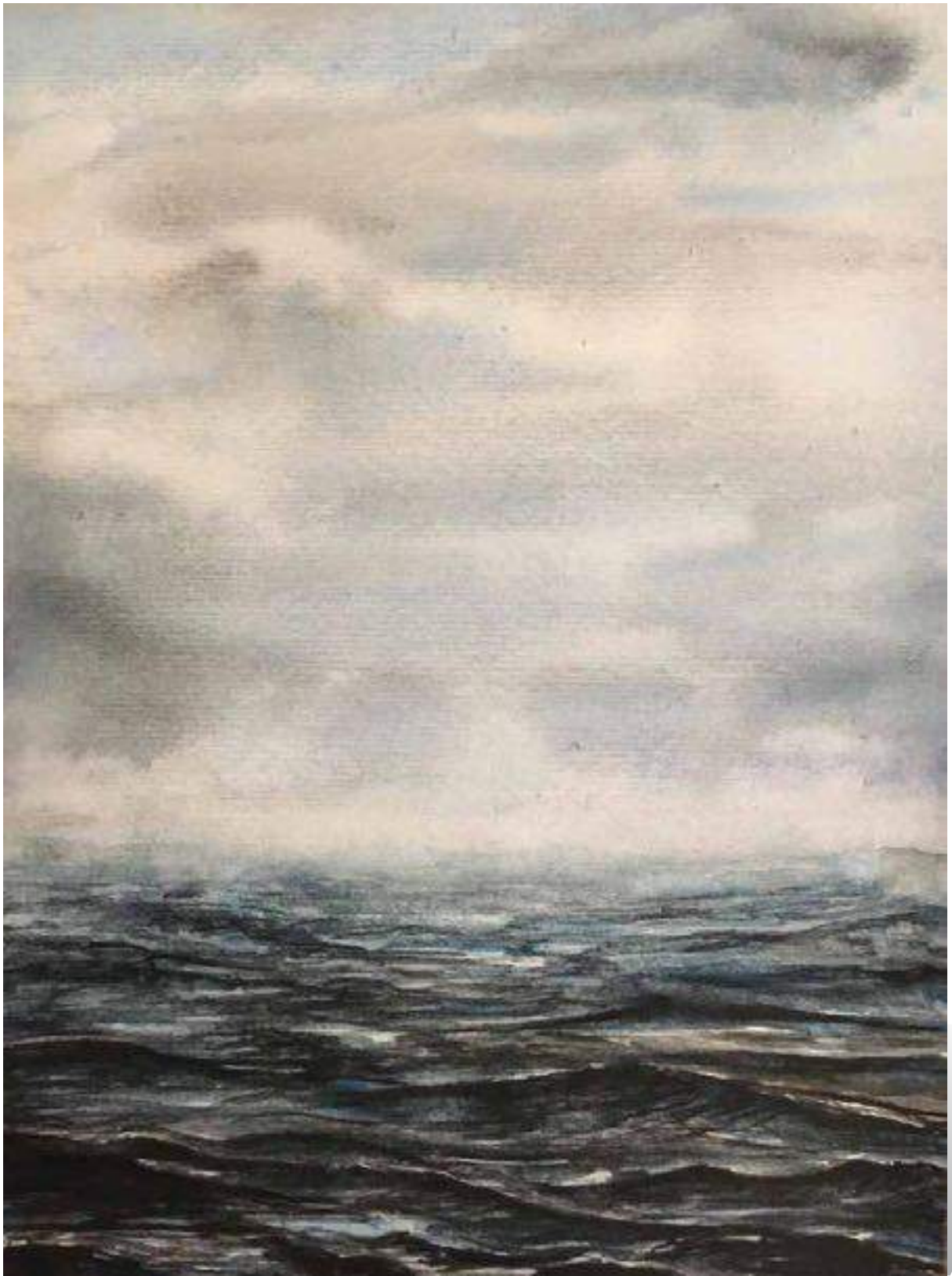
### **Name of external search consultancy that has been used in the appointment of the Chairman or a non-Executive Director**

No external search consultancy has been used in the appointment of the chairman or a Non- Executive Director.



# Management Committees





**Muhammad Kamran**

I believe art is something which cannot be verbally explained but only felt and expressed in your paintings. since art has no boundaries and totally depends upon one's creativeness.

Institute: FAST University



# Salient Features of Board Committees' TOR

## **Board Audit Committee (BAC)**

The Audit Committee shall review the effectiveness of the Bank's internal control and operational controls, integrity and adequacy of financial reporting and appraise the audit efforts of the Bank's external auditors and internal audit function (IAF); and review the Bank's process for monitoring compliance with relevant laws and regulations.

- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
- Consideration of any issue or matter as may be assigned by the Board of Directors.
- Report to the Board any significant matter(s) identified by the IAF / External Auditors that warrant Board's immediate attention.
- Review of BAC performance on annual basis against the defined roles & responsibilities.
- Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- Determination of appropriate measures to safeguard the Bank's assets.
- Determination of compliance with relevant statutory requirements.
- Review the Bank's statement on internal controls prior to endorsement by the Board of Directors.
- Consider and approve the Internal Audit Charter.
- Review and approve Risk Based Annual Audit Plan.
- Review scope and adequacy of IAF and ensure that IAF has adequate resources and is appropriately placed within the Bank.
- The BAC shall ensure that IAF remains equipped with the necessary financial, human, operational, physical, and technological resources to carry out its mandated responsibilities.
- Review major findings of special reviews, internal and external frauds, internal control deficiencies and significant audit issues, and ensure audit

recommendations have been effectively implemented.

- Review action taken by Business and Support Groups for implementation of Audit Committee observations on issues deliberated in Committee meetings.
- The BAC shall formulate and document 'Key Performance Indicators' (KPIs) for CIA and evaluate his/her performance against the set KPIs on annual basis.
- Consider and recommend to the Board regarding promotions, increments and rewards for Chief Internal Auditor (CIA).
- The BAC shall ensure independence of any investigations/disciplinary actions against CIA and Internal Auditors.
- Review quarterly, half-yearly and annual financial statements of the Bank, prior to their approval by the Board of Directors and any announcements to be made in the public domain with regard to these accounts.
- The committee shall review the Related Party transactions and recommend the same for review and approval by the Board of Directors.
- Consider annual review report on the Bank's Internal Controls over Financial Reporting (ICFR) for effectiveness and efficiency of Financial Reporting.
- Recommend to the Board of Directors the appointment of External Auditors and consider any questions of their resignation or removal, audit fees and provision of other services in addition to audit of financial statements.
- Discuss with External Auditors, major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- Review the Management Letter issued by the External Auditors and Management's response thereto.
- Ensure coordination between the Internal and External Auditors of the Bank.

- Compliance Department shall periodically, on quarterly basis, report to the Board Audit Committee on the Bank's management of its compliance risk and identified gaps, in such a manner as to assist the Committee to make an informed judgment on whether the Bank is managing its compliance risk effectively. Compliance Risk to include risks emanating from Money Laundering (ML) / Terrorist Financing (TF), AML/CFT obligations and its allied elements.
- Audit Committee is a committee of Board of Directors of JS Bank Ltd from which it derives its authority and to which it regularly reports. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other experts for this purpose.

#### **Board Human Resource Remuneration & Nomination Committee (BHRRNC)**

- Recommending Human Resource management policies to the Board
- Review and recommend to the Board selection, evaluation, compensation, increments, performance bonuses, succession planning, fringe benefits including service end benefits of the Executive Directors, CEO, Key Executives and any other employee or group of employees institution wide (as required by the Board).
- Consideration and approval on recommendation of CEO on such matters for key management positions who report directly to the Chief Executive Officer or Chief Operating Officer or Deputy Chief Executive Officer.
- The Committee shall assess whether the remuneration policy is aligned with the significant regulatory requirements including Guidelines on Remuneration Practices issued by the State Bank of Pakistan (SBP). The review may focus on the following:
  - Criteria for identification of personnel who may subject the Bank to significant risks i.e. Material Risk Takers (MRTs) and Material Risk Controllers (MRCs).
  - Remuneration principles including concept of fixed and variable remuneration, risk adjusted balanced scorecard mechanism to ensure alignment of remuneration with long-term and short-term business objectives of

the Bank and incorporate necessary risk adjustments.

- Major types of risks and how these are taken into account for determination of risk adjusted compensation.
- Separate structures of remuneration for MRTs and MRCs.
- Review of scorecards for MRTs and MRCs and their performance evaluation mechanisms.
- Criteria for determining the variable portion of remuneration to be deferred, the period of deferral for different types and levels of employees identified as MRTs or MRCs and payout structure of deferred remuneration.
- Ensure that institution wide remuneration policy should take into account all cadres of employees. The remuneration policy should specifically take into account the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the organization.
- Review the Bank-wide program for implementation of Guidelines on Remuneration Practices, including necessary awareness and change management initiatives, review, progress against roadmap for onward reporting to State Bank of Pakistan (SBP).
- Review the remuneration policy and remuneration setting mechanism at least once every three years. Amongst other factors, the review of remuneration framework may include but not limited to the effectiveness of remuneration policy and mechanism.
- Review and obtain approval for fixed and variable compensation pools from the Board of Directors.
- Approve development of a fund for deferred compensation pool management and monitoring progress there against.
- Role of BHRRNC in facilitating enablement of Internal Audit and Compliance role in implementation reviews, as per Guidelines on Remuneration Practices.
- Receive and consider information from the Bank's risk management, compliance and internal audit functions, to assess the appropriateness of the compensation system relative to the organizational goals and risk profile of the Bank.

- Grievance handling & Disciplinary Action Policy
- Guidance for performance management, annual increment and employee recognition programs.
- Monitoring the utilization of training and development budget, and implementation of approved training and development policy.
- Review and approval of Provident Fund, Gratuity Fund policies and any other separation benefits or schemes.
- Those matters wherein ratification/ approval of the Board will be required, the Secretary BHRRNC with the approval of its Chairman shall forward Memoranda to the Company Secretary for placing before the Board of Directors.
- Delegation of powers to the President / CEO & Group Head Risk Management to appoint credit officers, based on their experience and ability to understand associated risks while approving the credits;
- Review any other risk related matters / regulatory changes that warrant discussion at the committee.

#### **Board Risk Management Committee (BRMC)**

The BRMC shall review and recommend the establishment of and revision to the bank's risk governance framework and oversee its implementation by senior management. The BRMC may also constitute different sub-committees to facilitate in difference areas.

- Ensure implementation of all Risk Management Policies approved by the Board and subsequent monitoring thereof and periodically oversee updating of the risk policies (if the same have not already been approved / reviewed by the BOD) based on changing business requirements as well as SBP guidelines.
- Portfolio Reviews including NPLs, remedial actions and strategy for the same.
- To approve / review list of shares and margins to be accepted as collateral for Financing against Shares (FAS). Also to approve / ratify any exceptions to existing FAS requirements as laid down in Credit Policy of the Bank.
- Approve/review Sector / Industry Concentration guidelines for the overall credit portfolio of the Bank.
- To approve / ratify credit bulletins issued by RMG from time to time for effective implementation of Credit Policy / Risk Management Framework.
- To ratify any other urgent matter which has been approved by the management subject to subsequent ratification by the Committee.
- Review the Market / Liquidity limits as recommended by ALCO / IRMC / CCC as when required.

#### **Board Information Technology Committee (BITC)**

The Board IT Committee shall be mainly responsible for advising and reporting to the Board on the status of technology related activities, major IT projects and digital initiatives within JS Bank including but not limited to the following:

- To review IT and Digital strategies and relevant policies before submission to the Board and make recommendations for strategic decisions on IT related matters.
- To review progress and implementation of the IT Strategic Plan and deliberate changes to it, as and when required.
- To ensure the alignment of IT strategy with business strategy, optimization of resources, value delivery and performance measurement to achieve business objectives and effective technology risk management.
- To ensure that risk management strategies are designed and implemented which have the capability to respond to wide-scale disruptions, including cyber-attacks and attacks on multiple critical infrastructure sectors
- To review progress and implementation of various IT projects
- To make recommendations on major IT investment decisions and ensure that investments are aligned with IT Strategy approved by the Board.
- To review and approve cloud-based outsourcing arrangements in line with the policy approved by the Board of Directors.
- To review and approve TORs of IT Steering Committee.



# IT Governance

## IT Governance Policy

Technology governance is an integral part of Bank's corporate governance framework consisting of the leadership and organizational structures to ensure the alignment of IT strategy with business strategy, optimization of resources, value delivery and performance measurement to achieve business objectives and effective technology risk management. It is now recognized that technology plays a pivotal role in improving corporate governance and in this context, the need to govern technology and technology enabled business developments to have never been so greater.

A comprehensive enterprise technology governance framework based on prudent practices can help bank in better development of innovative products and services by enabling them to manage technology issues and identify, measure, mitigate, monitor and report technology-based risks and threats. The

underlying principle for an enterprise technology governance framework is that technology requirements of an institution follow a pre-defined process that begins with a business need and ends with a technology solution that conforms to the policies approved by the board of directors and senior management. As such, technology governance is an ongoing activity that shall not be considered a one-time effort in the fast-changing technology environment.

The purpose of the technology governance framework is to evaluate the current and future use of technology, direct the preparation and implementation of plans and policies to ensure that use of technology meets business objectives and monitor compliance to policies and performance against the plans. The basic principles of strategic alignment of IT and the business, value delivery to businesses, risk management, resource management





(including project management) and performance management shall form the basis of this technology governance framework. Technology governance framework shall be closely aligned with Bank's corporate governance framework and shall cover, among other things, policies and procedures to provide oversight and transparency in the use of technology. Bank is encouraged to adopt relevant aspects of international standards/best practices for effective and efficient enterprise technology governance.

### Scope

Technology governance aims at fully aligning technology and business strategies with each other so that technology risks are identified and controlled as part of the enterprise risk management process. It spans the culture, organizational policies and procedures which provide oversight and transparency to optimize the costs and enable trust, teamwork and confidence in the use of technology itself and the people trusted with technology services. Therefore, the processes for technology governance need to be integrated with the bank's overall corporate governance framework.

The evolving role of technology and automation in the banking services sector has become increasingly complex. Bank employs the advances in technology which drives the efficiency of operations and financial soundness of these institutions by improving overall decision-making process. As technology becomes an integral part of the business and operations of financial institutions, such technology usage and dependence, if not properly managed, may heighten various risks. Bank has developed this policy aimed to enable themselves to keep abreast with the aggressive and widespread adoption of technology.

An IT governance framework comprises definitions, principles and a model for governing IT.

The board should govern IT through two main tasks:

a) Evaluate the current and future use of IT, including strategies, proposals and other arrangements (internal, external, or both).

b) Monitor the performance of IT against plans and business objectives; and, that the use of IT conforms to internal policies and conforms to external obligations (regulatory, legislation, common law, contractual).

This Policy suggests guidelines for defining the roles and responsibilities pertaining to Information Technology throughout the bank.

A comprehensive IT Governance Framework shall enable bank to evaluate the current and future use of IT, direct the preparation and implementation of plans and policies to ensure that use of IT meets business objectives and monitor conformance to policies, and performance against the plans. IT Governance framework entails an IT strategy, organizational structures, roles of the board and senior management and IT policy framework.

Broadly an enterprise IT Governance Framework of the bank shall aim to achieve the following institutional objectives:

Strategic Alignment – Alignment of the strategic direction of IT with the business with respect to services & projects and verifying strategic compliance, i.e. achievement of organizational objectives through strategic IT objectives.

Benefit Realization (Value Delivery) – Ensuring that IT delivers the promised benefits against the strategy, concentrating on optimizing costs & proving the intrinsic value of IT. Bank's IT processes with IT portfolio management shall provide effective and efficient delivery of the IT components of programs and early warning of any deviations from plan, including cost, schedule or functionality that may impact the expected outcomes of the programs. It shall be ensured that the expected business outcomes of technology based investments are understood; that comprehensive and aligned business cases are created and approved by stakeholders; with active management of the benefit realization; and efforts required in objectives are achieved.

### **IT Risk Management**

Ensuring that processes are in place and effective to assess, manage and monitor the associated risks in IT investments, developments and operations. Bank ensure that the IT risks do not exceed the enterprise risk appetite.

**Resource Optimization** – Ensuring that there is an adequate IT capability and infrastructure assessment to support current and expected future business requirements.

**Performance Management** - Reviewing the measurement of IT performance and the contribution of IT to the business (i.e. delivery of promised business value).

**Adequate Policies Framework and its independent assurance** – ensure that the appropriate policy controls are in place and the processes are standardized and documented.

Independent assurance (internal or external) should be acquired about the conformance of IT with relevant laws and regulations, bank's policies, standards and procedures and relevant accepted practices.

To ensure that information technology is properly governed and aligned with business objective, all the bank associates must understand and comply with the responsibilities identified in this document when their duties entail one or more of the roles described below.

**The Technology Policy is strategized under following FOUR (4) sections.**

#### **Planning the IT Environment**

Policies related to this section ensure that the IT Plans are properly aligned with the business goals, objective and Strategies.

#### **Developing and Delivering IT Solutions**

Acquire develop, deliver and maintain new or enhanced business solutions involving IT architecture

to enable the bank to meet its changing business requirements.

### **Enterprise Technology Operations**

This section provides maintenance standards for the operation of the IT Environment while ensuring the availability, confidentiality and integrity of information systems to meet the business requirements.

### **Organizing and Monitoring the IT Processes**

Policies pertaining to this section helps managing the above three sections.

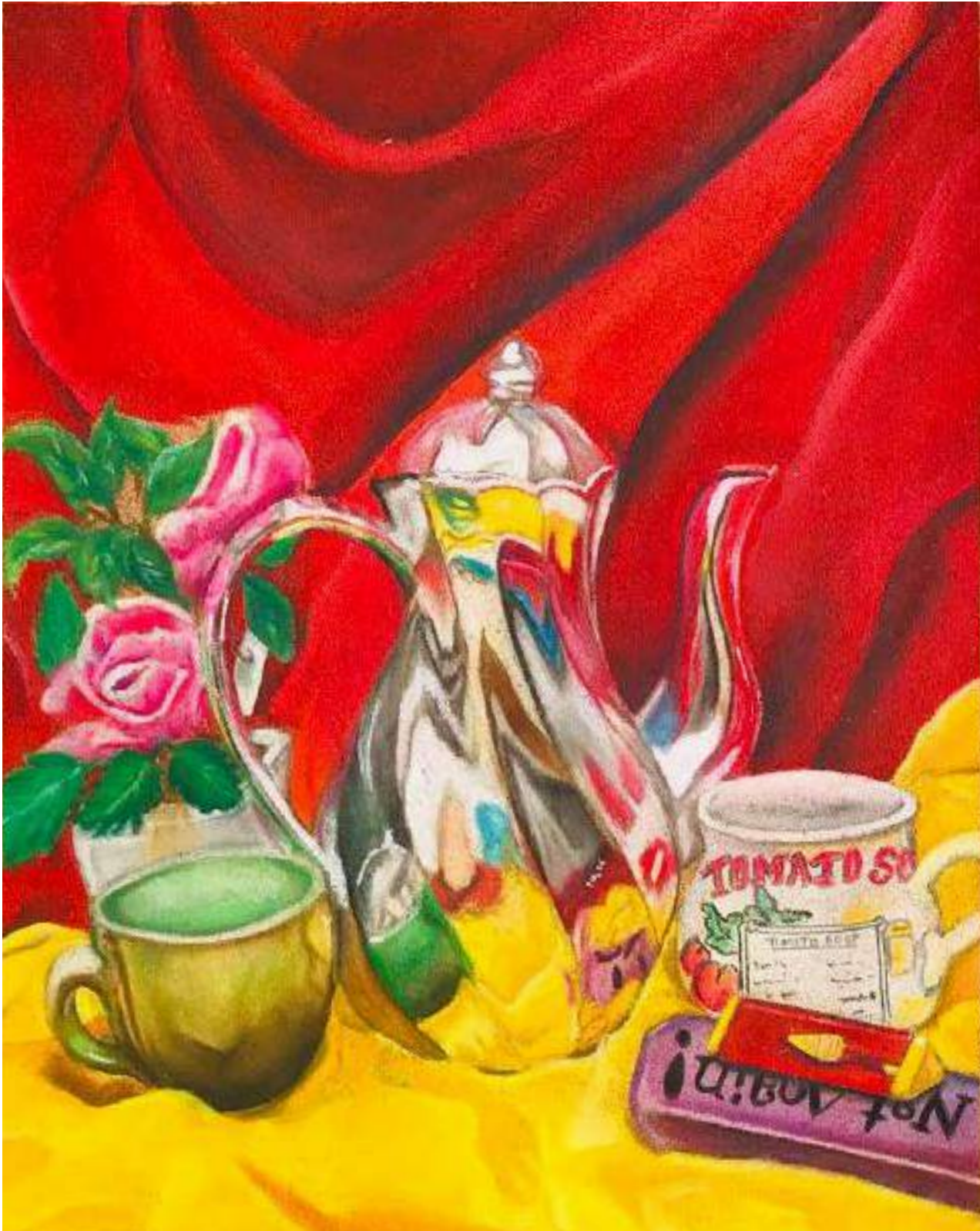
### **Project Management**

Effective project management manages the possibility of loss resulting from inadequate processes, personnel or systems. Losses can result from errors, fraud or an inability to deliver products or services, maintain a competitive position or manage information.

The purpose of this policy is to define a methodology for Management of all technology Projects in the bank's IT Department. The Bank has established Project Management Office (PMO) which works closely with-it project management function, as the key strategic partner to achieve organizational benefits and is charged for delivering continuous incremental improvement in projects and programs success delivery.

### **Independent Audit**

To increase confidence level in the business systems, benefit from global best practices and have an unbiased review of the information technology setup of bank, an independent IT audit is essential. This allows management to take proactive measures for safeguarding the information assets of the bank in view of the emerging threats and to exploit the opportunities as they present themselves.



**Ahwar Nasir**

I am a 19 year old aspiring artist who paints to make herself and others happy.  
Painting to me is to communicate love.

Institute: Indus Valley School of Art and Architecture



# Human Resources Management Policy

At JS Bank, we understand that the right talent is crucial to succeed in today's hyper-competitive and increasingly complex global economy. Hence along with understanding the need to hire, develop, and retain talented people, we understand that we must manage talent as a critical resource to achieve the best possible results.

From day one, we went with the Talent First Approach, where we put our people at the center of all aspects of business infrastructure: its digital and physical spaces, processes, and culture. Our latest Talent Management Framework is a testimony of this, genuinely increasing the talent pool's efficiency levels, expanding the retention rate, and attracting potential leaders.

We believe in developing talent selflessly and believe that everyone has the potential to grow and develop into indispensable talent if provided the right tools and resources. Hence here at JS Bank, we see a distinctive talent pipeline, precise talent gap analyses and talent development roadmaps as the core of our talent management philosophy.

If we spell-out what our Talent Management Framework, job rotation, secondment, succession planning and 360-degree feedback would be the few among the whole lot. We are also adding some specialized tools like Workforce Planning, Talent Development Journeys, and Rapid Talent Audit in our system to match the organization's contemporary talent needs.

Last year we went further ahead and executed an unparalleled five-step succession planning scheme for the most critical leadership positions. Not only this, we engaged our MANCOM as well through international leadership development and coaching program, making sure that real challenges at every level of the organization are addressed through the right interventions.

Moving forward in the year 2021, we are not only aiming to launch a succession planning scheme across second leadership tier and build an internal talent pipeline, we are also striving to launch performance accelerators, leadership huddles, learning clubs and innovation labs. On the strategy front, teams are busy developing EVPs, forward-focused learning paths and a prudent employer branding strategy. Through each action, we ensure that the organization moves towards sustained growth in the years to come.

## Remuneration Policy

The Bank's remuneration framework aims to comply with the revised guidelines on remuneration practices issued by State Bank of Pakistan. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Board Human Resource Remuneration & Nomination Committee (BHRRNC) and approved by the Board of Directors thereafter.

## Staff Remuneration Strategy

The Bank's basic compensation philosophy is to provide a competitive level of total compensation to attract and retain qualified and competent employees who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of the Bank.

The Bank's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the Bank's shareholders. These elements support the achievement of the Bank's objectives, through balancing rewards for both short-term results and long-term sustainable performance. The Bank's reward package on cash awards is comprised of the following key elements:

1. Fixed pay;
2. Benefits; and
3. Annual performance bonus (variable remuneration).

The Bank's remuneration policy, in particular, considers the role of each employee and sets guidance on whether an employee is a "Material Risk Taker (MRT)" and/or a "Material Risk Controller (MRC)" in a business line, control or support function.

An employee is considered as Material Risk Taker if he/she has authority and is a decision maker having appropriate level of power and control related to the products, portfolios, transactions and processes, which may pose serious risks to the Bank. Whereas, an employee is considered Material Risk Controller (MRC) who is primarily tasked with reviewing and assessing the idiosyncratic and systemic risks, and controls pertaining to functions and processes, to determine and recommend the ways to mitigate those risks, and to minimize the probability of occurrence of loss to

the Bank. These employees are not directly involved in business or risk-taking activities of the Bank.

The Bank uses Risk Adjusted Balanced Scorecard to measure the performance of MRTs and MRCs.

### Variable Remuneration

Variable remuneration is performance related and consists of annual performance bonus award which is connected to achievement of operational and financial targets set out at beginning of the year and employees' contribution to delivering the Bank's strategic objectives.

In the framework adopted for determining the variable remuneration pool, the BHRRNC aims to balance the distribution of the Bank's profits between shareholders and employees.

Key performance metrics in Risk adjusted Balanced Scorecard at the Bank level include a combination of short-term and long-term measures, and include profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

The Bank uses a formalized and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay bonuses out of realized and sustainable profits. If the quality of earnings is not strong, the profit base may be adjusted at the discretion of the BHRRNC.

### Remuneration for MRTs

The compensation mix for MRTs is appropriately balanced and the amount of fixed remuneration is sufficiently high in order to ensure that the reduction of the variable remuneration down to zero would be possible.

Further, the variable remuneration of MRTs will be compensated on achieving the pre-determined qualitative and quantitative objectives considering the risk-adjusted performance and long-term health of the bank. The qualitative factors may override the achievements of quantitative factors in order to discourage undue/ excessive risk taking.

### Remuneration for MRCs

The remuneration level of staff in the control and support functions/ MRCs allows the bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favor of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives and is not determined by the financial performance of the business areas they monitor. This compensation structure is designed to ensure that objectivity and independence of these functions is not compromised.

### Deferral of variable remuneration

The variable compensation of all MRTs, MRCs, and in case of Bahrain operations, approved persons (APs) is subject to mandatory deferrals and malus/ claw back in accordance with the below table

Employees	Element of Variable Pay	Constitution	Vesting Period	Malus	Claw Back
MRTs	Upfront cash	70%	Immediate	-	No
MRTs	Deferred cash	30%	3 Years	Yes	No
MRCs	Upfront cash	75%	Immediate	-	No
MRCs	Deferred cash	25%	3 Years	Yes	No
MRTs and APs (Bahrain)*	Upfront cash	40%	Immediate	-	No
MRTs and APs (Bahrain)*	Deferred cash	60%	3 Years	Yes	Yes

\* MRTs and approved persons earning over BHD 100,000 in total compensation.

Deferred variable remuneration is paid proportionately over the three years, even if the person is no more employee of the Bank (subject to the malus provisions).

### **Malus and Claw back**

The Bank has devised malus and claw back provisions in the relevant policies that allows forfeiture / adjustment of paid variable remuneration in certain adverse business situations. Any decision to hold or claw back individual's award can only be made by the BHRRNC of the Bank as per events set out in detail in the Bank's remuneration framework and accountability framework.

### **Whistle Blowing Policy**

Disclosure of Whistle blowing policy was established to receive, handle complaints in a fair and transparent manner and providing protection to the complainant against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.

HR has clear Disciplinary Procedure policy according to which Disciplinary Action Committee explicitly handles all complaints in a fair and transparent manner via a standard process to remove all kinds of biasness and ensure victims and witness's protection. This is also supported by Grievance Redressal and Harassment at Workplace policies.

### **Business Continuity Plan**

The Bank has a Board of Directors' approved Business Continuity Planning Policy ensuring the clear plan is available and maintained for all critical functions of the Bank. Regular periodic testing of BCP has given a confidence to the management that business will continue to work in the event of any disruption occurs.

The Business Continuity Plan (BPC) for the Bank aims to enable it to continue offering critical services in the event of a disruption and to survive a disastrous interruption to their information systems. The main objective of developing a BC Policy and BCP is to ensure "Business Continuity (BC)" at all times by pre-empting or avoiding a crisis and/or managing it in such a manner that it causes the least amount of damage/disruption.

JSBL is committed to ensuring the continuity of its critical business and support functions. The BCP helps the Bank in understanding the criticality of entity's operations and processes under each business,

operations and support unit which enables the entity to plan and develop the relevant backup sites, determine financial resource, manpower, critical documents and system resource commitments.

The core objective of the plan is to ensure that the Bank is prepared to effectively respond to business interruptions by developing a recovery plan which ensures the safety of employees, assets and continuity of business functions in the event of disaster or crisis. Effective business continuity planning is an integral part of the Bank's daily business activities.

# Sustainability and Corporate Social Responsibility

JS Bank remains committed to partnering with industry and other stakeholders to find innovative solutions that open opportunities for economically, socially, and environmentally sustainable solutions. We do this by dedicating a significant number of resources to contribute to the wellbeing of society. JS Bank creates value by contributing to sustainable development and responsible business within our spheres of operation. Some of our key on-going initiatives and past projects include:

## Green Climate Fund (GCF)

GCF is the world's largest dedicated fund helping developing countries reduce their greenhouse gas emissions and enhance their ability to respond to climate change. It was set up by the United Nations Framework Convention on Climate Change (UNFCCC) in 2010. The Fund is unique in its ability to engage directly with both the public and private sectors in transformational climate-sensitive investments. Key investment Themes for GCF include:

- Clean Energy Generation & Access
- Green Transport Solutions
- Empowering/Financing green initiatives

- Mitigating Forest/Land use
- Health, food, water & security
- Livelihoods of people & communities
- Ecosystem services
- Infrastructure and the built environment

## Compliance with State Bank of Pakistan - Green Banking Guidelines (GBG)

Green Banking Guidelines (GBG) acknowledges the responsibility of the financial sector in supporting policy initiatives for aimed at a low carbon and climate resilient economy. As of 2020, the Bank is fully compliant with the GBGs having undertaken:

- Introduction of an Environmental and Social Risk Management (ESRM) Framework to create awareness towards the environmental and social (E&S) risks involved in extension of credit and the procedures and authorities which have been established to manage these risks.
- Means to identify, assess and mitigate environmental risks for clients. While the primary responsibility of ensuring compliance





with environmental laws and regulations rests with the borrowers, JS Bank goes above pre-established standards to create a holistic ecosystem of environmental risk management for all concerned.

- Introduction of carbon reduction measures in self operations. This extensive exercise including measurement of energy (on and off grid power) and paper consumption of all of JS Bank operating locations. Recognition of gaps was followed by a rectification exercise through promulgation of energy efficient appliances (Inverter and LED based), increased usage of solar power (for technical equipment) and process automation to cut down on documentation.

### **Renewables Energy Solutions**

JS Bank has continued its efforts to create environmentally friendly products for its customers. The Bank has been the first to develop specialized products to make solar panels more accessible to citizens across the country. In CY2020 despite COVID, JS Bank has financed over 112 (Rs. 393 Million) solar projects for commercial, residential and agriculture purposes. Collectively the bank has been working aggressively to reduce the carbon footprint and has deployed over 11.8 MW of solar power units in the country.

### **Partnering with World Wind Energy Association**

JS Bank has partnered with World Wind Energy Association – Pakistan (WWEA) under the State Bank of Pakistan's (SBP) renewable energy scheme to improve access to clean energy generation for commercial and residential customers. Based on SBP's scheme, financing for generation of clean energy is offered at a subsidized mark-up rate of 6% per annum.

### **Partnering with Federal Government to Combat Pollution and Landfills**

To support the federal government, initiatives aimed at combating climate change and its impacts, the Federal Minister for Climate Change – Zartaj Gul, Islamabad Capital Territory Administration and JS Bank distributed canvas as an alternative to polythene shopping bags. The amount of plastic waste has been increasing by 10pc each year for the past 20 years, and its accumulation poses grave threats to the well-being of all people worldwide.

### **Partnering with Women Chamber of Commerce**

JS Bank signed a Memorandum of Understanding (MoU) with the Women's Chamber of Commerce and Industry (South) on Women's Equality Day. JS Bank will provide financial tools and resources to women across Pakistan, to help them set up and grow their businesses under the JS Khud-Mukhtar program. This one-window solution provides women with easy access to business loans of up to Rs. 1.5 million, at a subsidized markup rate of 5% per annum, based on State Bank of Pakistan's refinance scheme for women entrepreneurs.

### **Green Office Accreditation – 4 Years and Counting**

JS Bank is one of the few commercial institutions to be Green-Office certified and was the first commercial bank in Pakistan to attain this certification. A practical Environmental Management System developed specifically for office conditions, the Green Office initiative aims to reduce greenhouse gas emissions and decrease the ecological footprint at the workplace by reducing electricity consumption and paper waste. Furthermore, JS Bank continued to play its role in "Tree a thon" - a project by WWF to plant over 1.3 million saplings as part of its Rung Do Pakistan campaign in 2020.

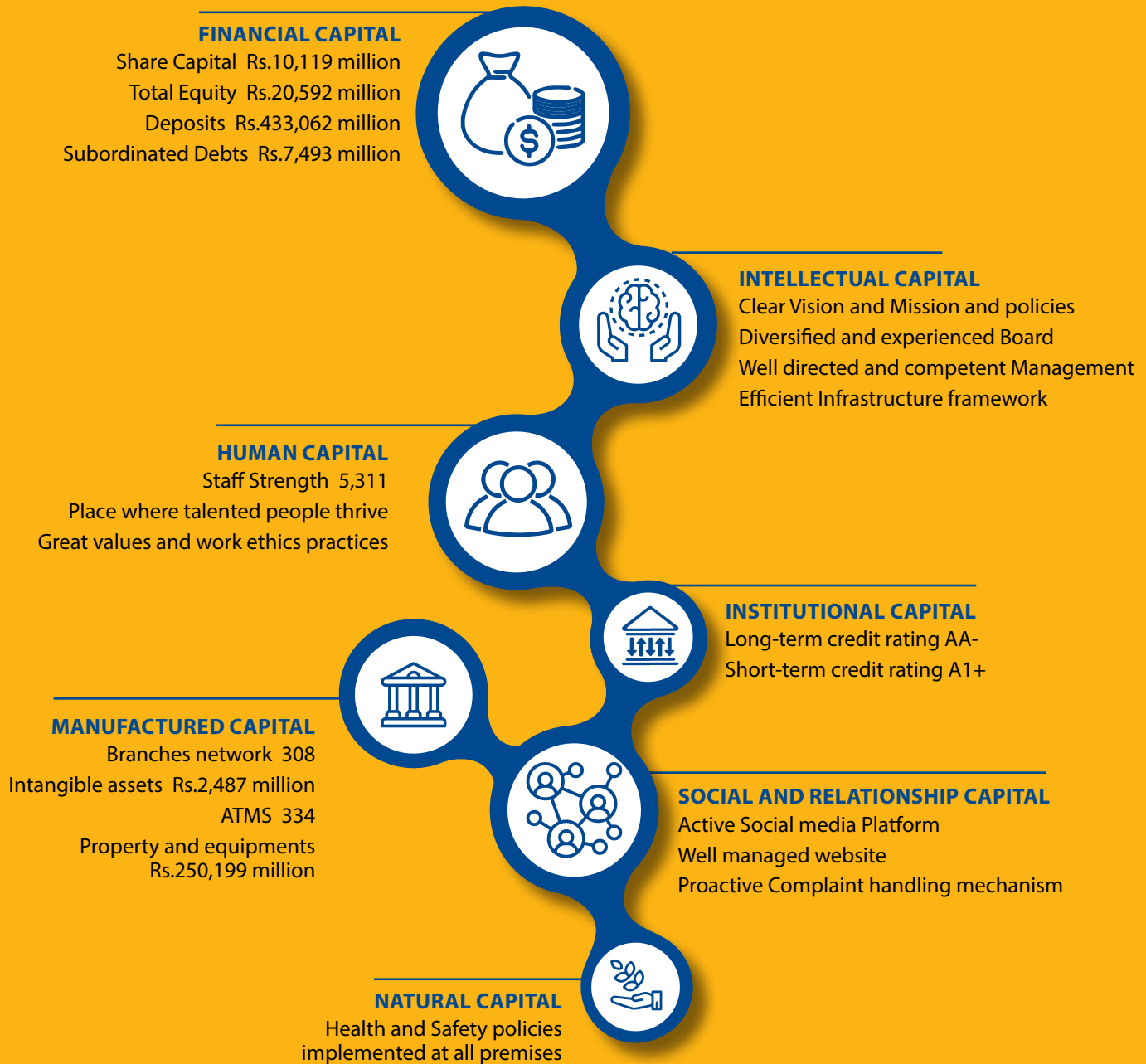
### **Fight Against COVID 2019**

In the wake of the pandemic, JS Bank along with its partners donated over PKR 110 Million to counter and combat the impact of the Corona Virus (COVID-19) in Pakistan. Based on a pledge matching initiative wherein JS Bank equally matched all support pledges made by its partners, this fund was rooted in JS Bank's philanthropic philosophy of collaborative efforts and focused on addressing some of the immediate and long-term issues related to the pandemic. These funds were deployed using a three-tiered strategy centered around on providing immediate relief, pandemic control and future response capacity building.

JS Bank also took the initiative to support the establishment of a Robot operated COVID-19 testing lab in Islamabad. Built in the United Kingdom by Opencell UK, the laboratory is a Biosafety Level 2 plus (BSL-2+) facility built to ISO 15189 standards. The state-of-art lab is specified to meet the requirements for high throughput Covid-19 RT-qPCR testing. Due to the use of 5 liquid handling robots, this lab requires as little as 6 staff members to operate all the shifts and has the ability to process over 2,000 tests per day. The facility was inaugurated by British High Commissioner Dr. Christian Turner.

# Business Model

## Key Inputs



## Business activities

### Our Principles to Operate

### Key Outputs



#### TO SHAREHOLDERS

Profit after tax  
Rs.1,150 million  
Earnings per Share  
Rs. 0.89  
Return on  
Equity 5.6%  
CAR 12.77%  
Return on Assets  
0.32%



#### TO CUSTOMERS

Deposits Growth  
17.11%  
Advances Growth  
3.12%



#### TO SOCIETY

Contribution to CSR  
Rs.118 million  
Customer relations  
Safety and health  
Improving workplace  
culture and  
environment



#### TO HUMAN CAPITAL

Salaries and Benefit  
Rs.6,262 million  
Training and  
Development  
Employees trained in  
service  
Internship programs  
Strong team building  
and motivational  
activities



#### TO REGULATOR

Compliance with  
all regulatory  
requirements  
Good corporate  
governance  
policies and their  
implementation



# Stakeholders Engagement

Shareholders	We engage with our shareholders in several ways. This includes quarterly earnings statements and Director's Reports, annual reports, annual general meetings (AGMs) with shareholders and through our online presence such as our website and on social media.
Regulators	Our principal regulator is the State Bank of Pakistan (SBP). JS Bank is committed to meeting its regulatory compliance obligations in an effective manner and fulfilling the regulators' expectations in this regard. For this purpose, the Bank has a well-structured and comprehensive Compliance Program in place and ensures its effective implementation. The Bank is in constant contact with SBP and is committed to providing them with complete and accurate information as and when required. Our senior management commits a significant amount of their time to meeting with SBP for their guidance and support and to keep them well informed on current market events. The regulator is provided with full access to the Bank's records and information in line with the regulatory framework, and the Bank pro-actively seeks SBP's feedback regarding any clarifications or information that is required. Our other regulators are Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX) and we are also complying with their directives.
Clients/ Customers	<p>We welcome feedback from our customers and use various forums for them to make suggestions so that we can evaluate and improve upon our own performance. The Bank's Complaint Handling Policy and Grievance Redressal Mechanism ensures that complaints are resolved in a timely &amp; fair manner and the recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the JS Bank's branches, 24/7 phone banking center, its website, via email and post mail.</p> <p>The bank performs various exercises such as rolling out SMS &amp; emails to customers and awareness through social media in order to maximize the utilization of these channels to further increase the visibility &amp; accessibility.</p>
Communities	We are committed to the communities where we are present. From providing meals during the Holy Month of Ramadan to supporting social and cultural events to making sure that we live in a cleaner and greener country. JS Bank is an active participant in ensuring that we are responsible community members and global citizens.
Employees	Our most important stakeholders are our employees. We engage with them through town hall forums, bank-wide events and by providing them with learning-and-development opportunities

### **Step to Encourage Minority Shareholders' Participation in AGMs**

JS Bank Limited always provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. To ensure meaningful participation of minority shareholders in AGM, the Bank takes the following measures:

- Notice of AGM is sent to every member of the Bank at least 21 days before the meeting. The notice was published in both English & Urdu newspapers having nationwide circulation.
- Annual Report of the Bank is sent to each member of the Bank on their registered address before AGM in electronic (CD, email) or hard form (on request).
- During AGM, a detailed briefing on the Bank's performance and future plans is given to the shareholders.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

### **Investor's Relations Section on Corporate Website**

Corporate information including quarterly, semiannual and annual reports of the Bank can be accessed on following URL; <https://jsbl.com/knowledge-centre/investor-relations/>

The Company disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, maintained in both English and Urdu Languages under the applicable regulatory framework. The website is updated regularly to provide detailed and latest company information including but not limited to financial highlights, investor information, dividend and other requisite information.

### **Investor Relations Policy**

The Bank has a very proactive and interactive Investor Relations Policy that is driven by the following principles:

1. The Bank reports its financial results and material developments to the Exchange, its shareholders, and other stakeholders in an open and comprehensive manner.

2. The Bank uses its website as an additional primary communications channel.
3. The Bank proactively addresses reports and rumors, to avoid unnecessary speculation in its securities.
4. The Bank endeavors to meet with its shareholders at least once in each fiscal year as to inform them and obtain feedback on the Bank.

Quarterly reports of interim financial results are issued to the Exchange on the day of approval by the Board, in the format required by the Exchange.

The Annual Report is published and distributed to the shareholders. A summary of financial results and other information is announced at PSX. An electronic copy of the Annual Report is also be made available on the Bank's website.

Notice for the Annual General Meeting (AGM) are announced on the Exchange and in a daily newspaper according to the Listing Requirements. The AGM provide an opportunity for shareholders to engage with the Board and senior management, and to gain a fuller understanding of the Bank's affairs.

### **Corporate Briefing Session**

Bank has the practice to conduct annual corporate and investor's briefing session. During the year 2020, an online session was held on Dec 31, 2020. Notice was issued to the stakeholders through Pakistan stock exchange's website to encourage them to attend online session.

JS bank by complying the regulatory requirement has made presentation available on the website <https://jsbl.com/knowledge-centre/investor-information/>.

# Excellence in Corporate Reporting

## **Unreserved Compliance of International Financial Reporting Standards (IFRS)**

The management of the Bank strongly believes in adherence to unreserved compliance with all the applicable International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) for true and fair presentation of financial statements.

Financial statements for the year have been prepared in accordance with the accounting and reporting standards, issued by IASB as are applicable in Pakistan. IFRS adoption status is detailed in note 2 of the unconsolidated financial statements.

## **Adoption and Statement of Adherence with the International Integrated Reporting Framework**

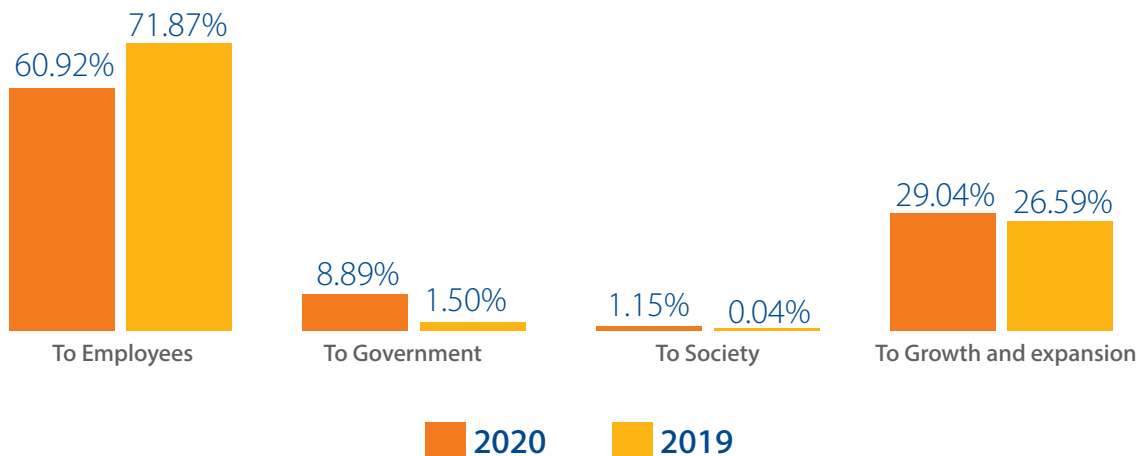
To deliver relevant and useful information to the Bank's stakeholders, the Bank's reporting encompasses its strategic focus and future direction. In order to achieve this the reporting incorporates organizational overview and external environment, governance, risks and opportunities, strategy and resource and allocation including outlook. The adoption of integrated thinking approach has resulted in a periodic and wholistic report by the Bank and its value creation over time. The reporting links financial and non-financial information to give complete view on the Bank's performance for all relevant stakeholders.





# Statement and Distribution of Value Added

	2020		2019	
Value Added	Rs. in million		Rs. in million	
Net mark-up / interest income	9,777		7,028	
Non mark-up / interest income	6,676		3,943	
Operating expenses excluding Staff cost, depreciation, amortization, donation and WWF	(4,895)		(3,776)	
Provision against advances, lending, Investments and others	(1,280)		92	
Value added available for addition	10,279		7,287	
Distribution of Value added				
	2020		2019	
	Rs. in million	%	Rs. in million	%
To Employees				
Remuneration , provident fund and other benefits	6,263	60.92%	5,237	71.87%
To Government				
Worker Welfare Fund	40	0.39%	1	0.01%
Income Tax	873	8.49%	108	1.49%
	913	8.89%	109	1.50%
To Society				
Donations	118	1.15%	3	0.04%
To Growth and expansion				
Depreciation	1,590	15.47%	1,681	23.07%
Amortization	113	1.10%	93	1.28%
Retained Earnings	1,282	12.47%	163	2.24%
	2,986	29.04%	1,938	26.59%
	10,279	100.00%	7,287	100.00%





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## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of JS Bank Limited

**Review Report on the Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 prepared by the Board of Directors of JS Bank Limited for the year ended 31 December 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2020.

Chartered Accountants

Place: Karachi

Date: 06 March 2021

# Statement of Compliance

## with Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulations')

Name of company: **JS Bank Limited (the 'bank')**

Year ended: **December 31, 2020**

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per the following:
  - a. Male: Eight (Including CEO)
  - b. Female: One
2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. G.M. Sikander Ms. Nargis Ghaloo Mr. Sohail Aman
Non-Executive Directors	Mr. Kalim-ur-Rahman - Chairman Mr. Adil Matcheswala Mr. Ashraf Nawabi Mr. Hassan Afzal Mr. Munawar Alam Siddiqui
Executive Director	Mr. Basir Shamsie – President & CEO (Non-elected deemed director)
Female Director	Ms. Nargis Ghaloo (Independent Director)

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the

Companies Act, 2017 (Act) and the Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. Out of nine directors, six directors have completed Director' Training Program and two directors of the Bank are exempted from the requirement of Directors' Training Program in accordance with the Regulations. Whereas, remaining one director will certify himself in due course.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. No new appointment has been made during the financial year except that of CFO. Mr. Hasan Shahid has been appointed CFO of the Bank in place of Mr. Muhammad Yousuf Amanullah w.e.f. July 01, 2020.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below-

### a. Audit Committee:

Ms. Nargis Ghaloo (Independent Director)	Chairperson
Mr. Adil Matcheswala (Non-Executive Director)	Member
Mr. G.M. Sikander (Independent Director)	Member
Mr. Munawar Alam Siddiqui (Non-Executive Director)	Member

**b. HR Remuneration & Nomination Committee:**

Mr. Sohail Aman (Independent Director)	Chairman
Mr. Adil Matcheswala (Non-Executive Director)	Member
Mr. G.M. Sikander (Independent Director)	Member
Mr. Kalim-ur-Rahman (Non-Executive Director)	Member

**c. Risk Management Committee:**

Mr. Ashraf Nawabi (Non-Executive Director)	Chairman
Mr. Munawar Alam Siddiqui (Non-Executive Director)	Member
Ms. Nargis Ghaloo (Independent Director)	Member
Mr. Basir Shamsie (Executive Director and CEO)	Member

**d. IT Committee:**

Mr. Hassan Afzal (Non-Executive Director)	Chairman
Mr. Kalim ur Rehman (Non-Executive Director)	Member
Mr. Sohail Aman (Independent Director)	Member
Mr. Basir Shamsie (Executive Director and CEO)	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings of the committee was as per following:

Committees	Meetings held during the year
Audit Committee	Four
HR Remuneration & Nomination Committee	Seven
Risk Management Committee	Four
IT Committee	Four

15. The Board has set up an effective internal audit function comprising of suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and behalf of the Board

**Basir Shamsie**  
Kalim-ur-Rehman

**President & CEO**  
Chairman

Karachi: February 24, 2021



# **Unconsolidated**

**Financial Statements**



## INDEPENDENT AUDITORS' REPORT

To the members of JS Bank Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed unconsolidated financial statements of **JS Bank Limited** (the Bank), which comprise the unconsolidated statement of financial position as at **31 December 2020**, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except 25 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p><b>1. Provision against non-performing credit exposure (note 10)</b></p> <p>The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operation.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Bank to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Bank's accounting policy (refer note 4.6 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realisability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.6 and 10 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> <li>- We tested Bank's compliance of Prudential Regulations relating to the identification and classification of non-performing loans into various categories including an analysis of downgrading of the classified loans and declassification from non-performing to regular.</li> <li>- We re-computed on test basis, the provision calculated by the Bank, to check compliance with the Prudential Regulations. We also reviewed, on a sample basis, the underlying independent valuations of the collaterals used against the outstanding exposures to calculate the amount of provision.</li> <li>- We also tested internal controls over the approval, recording and monitoring of loans and advances. In addition, we selected a representative sample of borrowers from the financing portfolios and other loans kept by the Bank in the watch list category and performed credit assessments. Our procedures includes review of credit documentation, repayment trends and ageing reports, borrowers financial statements to assess its financial condition, collateral held by the Bank and litigation status, if any.</li> <li>- We also reviewed the adequacy of disclosures made in the accompanying financial statements regarding non-performing loans and provisions in terms of the requirements of Prudential Regulation and applicable reporting framework.</li> </ul>

Key audit matters	How the matter was addressed in our audit
<b>2. Impairment testing of goodwill allocated to a cash generating unit (note 12.4)</b>	
<p>As disclosed in note 12.4 to the accompanying financial statements, the Bank has goodwill of Rs. 1,463.62 million.</p> <p>In accordance with the requirements of International Accounting Standards-36 "Impairment of Assets", the goodwill is required to be tested for impairment on annual basis.</p> <p>Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use based on estimated future cash flows which involve use of various assumptions taking into account the factors such as economic and business conditions of the industry and environment in which entity operates.</p> <p>Due to the involvement of key estimates and judgments in evaluating the recoverable amount of goodwill, we have considered the same as a key audit matter.</p>	<p>We applied a range of audit procedures to address the risk as identified above including the following, by involving our internal specialist:</p> <ul style="list-style-type: none"> <li>- We assessed the reasonableness of cash flow projections and compared key inputs, such as discount and growth rates to externally available industry, economic and financial data and the Bank's historical data and performance.</li> <li>- We evaluated and tested the assumptions, on which the valuation is based, and also assessed that such assumptions are consistent with: <ul style="list-style-type: none"> <li>• the general economic environment, specific industry economic factors, existing market information and the Bank's economic circumstances; and</li> <li>• assumptions made in prior periods, the risks associated with cash flows, including the potential variability in the amount and timing of the cash flows and the related effect on the discount rate.</li> </ul> </li> <li>- We also reviewed the adequacy of disclosures made in the accompanying financial statements in terms of the requirements of applicable reporting framework.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Bank's financial reporting process.



### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

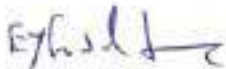
#### **Report on Other Legal and Regulatory Requirements**

**1. Based on our audit, we further report that in our opinion:**

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.**

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.



**Chartered Accountants**

**Place:** Karachi

**Date:** 06 March 2021

# Unconsolidated Statement of Financial Position

As at December 31, 2020

2020	2019		2020	2019	
----- USD in '000 -----			----- Rupees in '000 -----		
			Note		
ASSETS					
190,330	160,099	Cash and balances with treasury banks	6	30,421,231	25,589,349
6,919	2,896	Balances with other banks	7	1,105,969	462,836
145,398	189,700	Lendings to financial institutions	8	23,239,672	30,320,540
1,261,922	891,976	Investments	9	201,698,473	142,568,470
1,565,365	1,519,976	Advances	10	250,199,166	242,944,509
47,546	60,642	Fixed assets	11	7,599,538	9,692,701
15,558	14,211	Intangible assets	12	2,486,725	2,271,360
-	55	Deferred tax assets	18	-	8,756
91,835	101,320	Other assets	13	14,678,428	16,194,444
4,625	2,340	Assets held for sale	11.3	739,200	374,000
3,329,498	2,943,215			532,168,402	470,426,965
LIABILITIES					
31,170	23,803	Bills payable	14	4,981,983	3,804,491
302,209	340,779	Borrowings	15	48,303,412	54,468,283
2,709,445	2,313,582	Deposits and other accounts	16	433,062,593	369,789,964
-	-	Liabilities against assets subject to finance lease		-	-
46,879	46,891	Subordinated debt	17	7,492,800	7,494,800
7,472	-	Deferred tax liabilities	18	1,194,252	-
103,488	109,715	Other liabilities	19	16,541,154	17,536,172
3,200,663	2,834,770			511,576,194	453,093,710
128,835	108,445	NET ASSETS		20,592,208	17,333,255
REPRESENTED BY					
63,311	63,311	Share capital - net	20	10,119,242	10,119,242
12,458	10,947	Reserves		1,991,170	1,749,673
14,603	3,983	Surplus on revaluation of assets	21	2,334,123	636,700
38,463	30,204	Unappropriated profit		6,147,673	4,827,640
128,835	108,445			20,592,208	17,333,255

## CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these unconsolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Unconsolidated Profit and Loss Account

For the year ended December 31, 2020

2020	2019		Note	2020	2019
----- USD in '000 -----				----- Rupees in '000 -----	
<b>269,648</b>	260,236	Mark-up / return / interest earned	24	<b>43,098,990</b>	41,594,699
<b>208,476</b>	216,263	Mark-up / return / interest expensed	25	<b>33,321,699</b>	34,566,342
<b>61,172</b>	43,973	<b>Net mark-up / interest income</b>		<b>9,777,291</b>	7,028,357
<b>NON MARK-UP / INTEREST INCOME</b>					
<b>22,498</b>	17,893	Fee and commission income	26	<b>3,595,952</b>	2,859,942
<b>612</b>	1,880	Dividend income		<b>97,844</b>	300,497
<b>6,321</b>	6,026	Foreign Exchange Income		<b>1,010,345</b>	963,190
<b>184</b>	295	Income from derivatives		<b>29,374</b>	47,120
<b>11,719</b>	(4,449)	Gain / (loss) on securities	27	<b>1,873,047</b>	(711,145)
<b>437</b>	3,026	Other income	28	<b>69,795</b>	483,600
<b>41,771</b>	24,671	<b>Total non mark-up / interest income</b>		<b>6,676,357</b>	3,943,204
<b>102,943</b>	68,644	<b>Total Income</b>		<b>16,453,648</b>	10,971,561
<b>NON MARK-UP / INTEREST EXPENSES</b>					
<b>81,453</b>	67,518	Operating expenses	29	<b>13,019,000</b>	10,791,708
<b>253</b>	7	Workers' welfare fund	30	<b>40,460</b>	1,065
<b>573</b>	861	Other charges	31	<b>91,639</b>	137,643
<b>82,279</b>	68,386	<b>Total non-mark-up / interest expenses</b>		<b>13,151,099</b>	10,930,416
<b>20,664</b>	258	<b>Profit before provisions</b>		<b>3,302,549</b>	41,145
<b>8,006</b>	(575)	Provisions and write offs - net	32	<b>1,279,608</b>	(91,930)
<b>-</b>	-	Extraordinary / unusual items		<b>-</b>	-
<b>12,658</b>	833	<b>PROFIT BEFORE TAXATION</b>		<b>2,022,941</b>	133,075
<b>5,461</b>	678	Taxation	33	<b>872,881</b>	108,422
<b>7,197</b>	155	<b>PROFIT AFTER TAXATION</b>		<b>1,150,060</b>	24,653
<b>----- US Dollar -----</b>					
<b>0.0055</b>	0.0001	<b>Basic and diluted earnings per share</b>	34	<b>0.8864</b>	0.0004
<b>----- Rupee -----</b>					

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these unconsolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman



# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2020

2020	2019		2020	2019
----- USD in '000 -----			----- Rupees in '000 -----	
7,197	155	<b>Profit after taxation</b>	1,150,060	24,653
		<b>Other comprehensive income / (loss)</b>		
		<b>Items that may be reclassified to profit and loss account in subsequent periods</b>		
72	204	Effect of translation of net investment in foreign branch	11,485	32,571
10,562	10,773	Movement in surplus on revaluation of investments - net of tax	1,688,237	1,721,854
499	(366)	Movement in general provision under IFRS 9 - net of tax	79,793	(58,510)
11,061	10,407		1,768,030	1,663,344
11,133	10,611		1,779,515	1,695,915
18,330	10,766		2,929,575	1,720,568
		<b>Items that will not be reclassified to profit and loss account in subsequent periods</b>		
1,821	(70)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	290,980	(11,160)
-	194	Movement in surplus on revaluation of operating fixed assets - net of tax	-	30,985
240	-	Movement in surplus on revaluation of non-banking assets - net of tax	38,398	-
2,061	124		329,378	19,825
20,391	10,890	<b>Total comprehensive income</b>	3,258,953	1,740,393

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these unconsolidated financial statements.

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President and  
Chief Executive Officer

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Chief Financial Officer

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Director

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Director

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Chairman

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Reserves			Surplus/(deficit) on revaluation of			Unappropriated profit	Total
	Share capital	Statutory reserve *	Exchange translation reserve	Investments	Fixed Assets	Non Banking Assets		
	Rupees in '000							
<b>Balance as at December 31, 2018</b>	10,119,242	1,641,237	70,934	(2,180,113)	1,051,666	92,858	4,821,202	15,617,026
Profit after taxation	-	-	-	-	-	-	24,653	24,653
Other comprehensive income / (loss) - net of tax	-	-	32,571	1,663,344	30,985	-	(11,160)	1,715,740
	-	-	32,571	1,663,344	30,985	-	13,493	1,740,393
Transfer to statutory reserve	-	4,931	-	-	-	-	(4,931)	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>								
Fixed assets	-	-	-	-	(21,958)	-	21,958	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	(82)	82	-
<b>Transaction with owners recorded directly in equity</b>								
Preference dividend for the year ended December 31, 2018 @ 12% p.a.	-	-	-	-	-	-	(24,164)	(24,164)
<b>Balance as at December 31, 2019</b>	10,119,242	1,646,168	103,505	(516,769)	1,060,693	92,776	4,827,640	17,333,255
Profit after taxation	-	-	-	-	-	-	1,150,060	1,150,060
Other comprehensive income - net of tax	-	-	11,485	1,768,030	-	38,398	290,980	2,108,893
	-	-	11,485	1,768,030	-	38,398	1,441,040	3,258,953
Transfer to statutory reserve	-	230,012	-	-	-	-	(230,012)	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>								
Fixed assets	-	-	-	-	(16,785)	-	16,785	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	(94)	94	-
Assets held for sale	-	-	-	-	(92,126)	-	92,126	-
<b>Balance as at December 31, 2020</b>	<u>10,119,242</u>	<u>1,876,180</u>	<u>114,990</u>	<u>1,251,261</u>	<u>951,782</u>	<u>131,080</u>	<u>6,147,673</u>	<u>20,592,208</u>

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

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these unconsolidated financial statements.

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

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Chief Financial Officer

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Director

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Director

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Chairman

# Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

2020 ----- USD in '000 -----	2019		Note	2020 ----- Rupees in '000 -----	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
12,658	833	Profit before taxation		2,022,941	133,075
(612)	(1,880)	Less: Dividend income		(97,844)	(300,497)
12,046	(1,047)			1,925,097	(167,422)
<b>Adjustments:</b>					
4,344	4,814	Depreciation		694,312	769,378
18	11	Depreciation on non-banking assets	29	2,862	1,713
5,588	5,695	Depreciation - Right of use assets	29	893,148	910,321
707	584	Amortisation of intangible assets	29	113,052	93,316
2,539	3,174	Mark-up / return / interest expense on lease liability			
998	843	against right-of-use assets	25	405,879	507,361
(5)	16	Charge for defined benefit plan	37.5	159,436	134,712
(95)	(132)	Unrealised (gain) / loss on revaluation of investments classified as held-for-trading - net		(805)	2,618
409	(413)	Unrealised gain on revaluation of derivative instruments - net		(15,148)	(21,126)
8,006	(577)	Unrealised loss / (gain) on revaluation of forward foreign exchange contracts		65,409	(65,955)
253	7	Provisions and write offs - net	32	1,279,608	(92,245)
9	(3,026)	Provision for workers welfare fund	30	40,460	1,065
(6)	-	Loss / (gain) on sale of fixed assets - net	28	1,368	(483,600)
(405)	-	Gain on sale of assets held for sale	28	(1,000)	-
22,360	10,996	Gain on termination of leases	28	(64,805)	-
34,406	9,949			3,573,776	1,757,558
				5,498,873	1,590,136
<b>Decrease / (increase) in operating assets</b>					
44,302	(177,560)	Lendings to financial institutions		7,080,905	(28,380,143)
191,420	(89,046)	Held-for-trading securities		30,595,500	(14,232,574)
(49,734)	54,364	Advances		(7,949,193)	8,689,282
11,815	(33,933)	Other assets (excluding advance taxation)		1,888,368	(5,423,592)
197,803	(246,175)			31,615,580	(39,347,027)
<b>Increase / (decrease) in operating liabilities</b>					
7,367	1,780	Bills payable		1,177,492	284,567
(35,483)	(264,184)	Borrowings		(5,671,449)	(42,225,743)
395,864	302,668	Deposits		63,272,629	48,376,701
(2,075)	17,889	Other liabilities		(331,624)	2,859,250
365,673	58,153			58,447,048	9,294,775
597,882	(178,073)			95,561,501	(28,462,116)
(950)	(641)	Gratuity paid	37.5	(151,882)	(102,494)
(2,013)	(2,129)	Income tax paid		(321,687)	(340,273)
594,919	(180,843)			95,087,932	(28,904,883)
<b>Net cash flow from / (used in) operating activities</b>					
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(526,246)	84,525	Net investments in available-for-sale securities		(84,112,230)	13,509,954
(20,332)	61,670	Net investments in held-to-maturity securities		(3,249,717)	9,857,050
(255)	(133)	Investment in associated companies		(40,828)	(21,239)
612	573	Dividends received		97,844	91,549
(4,675)	(11,494)	Investment in fixed assets		(747,229)	(1,837,181)
(2,055)	(1,219)	Investment in intangible assets		(328,417)	(194,799)
80	8,367	Proceeds from sale of fixed assets		12,839	1,337,287
2,346	-	Proceeds from sale of assets held for sale		375,000	-
72	204	Effect of translation of net investment in foreign branch		11,485	32,571
(550,453)	142,493			(87,981,253)	22,775,192
<b>Net cash flow (used in) / from investing activities</b>					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(7,106)	(6,299)	Payment of lease liability against right of use assets		(1,135,860)	(1,006,797)
(13)	(13)	Subordinated debt		(2,000)	(2,000)
-	(151)	Dividend paid to preference shareholders		-	(24,164)
(7,119)	(6,463)			(1,137,860)	(1,032,961)
<b>Net cash used in financing activities</b>					
37,347	(44,813)			5,968,819	(7,162,652)
159,010	203,823	Increase / (decrease) in cash and cash equivalents		25,415,261	32,577,913
196,357	159,010	Cash and cash equivalents at beginning of the year	35	31,384,080	25,415,261
		Cash and cash equivalents at end of the year			

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these unconsolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 1. STATUS AND NATURE OF BUSINESS

- 1.1** JS Bank Limited (the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 307 (2019: 359) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (2019: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

- 1.2** Jahangir Siddiqui Investment Bank Limited, JSIBL, (formerly Citicorp Investment Bank Limited which was acquired by JSCL on February 01, 1999), and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JSBL was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra-ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

- 1.3** The Bank is the holding company of JS Investments Limited, JS Global Capital Limited and JS ABAMCO Commodities Limited (Indirect subsidiary).

## 2. BASIS OF PRESENTATION

These unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and are accounted for on the basis of direct equity interest rather than on the basis of reported results. The consolidated financial statements of the Bank are being issued separately.

These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank, in that environment as well. The amounts are rounded to nearest thousand except as stated otherwise.

The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs. 159.8344 to 1 US Dollar has been used for 2020 and 2019 as it was the prevalent rate as on December 31, 2020.

### 2.1 Statement of compliance

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

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the SECP from time to time.

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O56(I)/2016 dated January 28, 2016, that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

Through S.R.O. 229 (I)/2019 dated February 14, 2019, the SECP has deferred the applicability of the IFRS 9 'Financial Instruments' for all companies required to prepare their financial statements in accordance with the requirements of IFRS for reporting period/year ending on or after June 30, 2019 (earlier application is permitted). However, SBP has extended the effective date of applicability of IFRS 9 to annual periods beginning on or after January 01, 2021 vide SBP BPRD Circular No.4 dated October 23, 2019. Therefore, the Bank has not considered the impact of IFRS 9 for its Pakistan operations in these unconsolidated financial statements.

Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non-performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime and for this SBP would issue guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

## 2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Bank has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments were 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 judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of standard and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required.
- IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The adoption of the above standards / amendments to accounting standards are not considered to be relevant or did not have any significant effect on the Bank's operations.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2021:

- IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaced 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 Bank has been complying with the requirement of BPRD Circular Letter No. 15 of 2020 to have parallel run of IFRS 9 from July 01, 2020.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to approved accounting standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	January 01, 2004
IFRS 17 – Insurance Contracts	January 01, 2023

## 2.4 Critical accounting estimates and key sources of estimation uncertainty

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

### i) Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## ii) **Provision against non performing loans and advances**

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, the value of securities and the requirements of the Prudential Regulations are considered. For portfolio impairment / provision on consumer advances, the Bank follows requirements set out in Prudential Regulations.

## iii) **Impairment on investments**

The Bank determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in securities price. In addition, impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

## iv) **Income taxes**

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

## v) **Depreciation of fixed assets and amortization of intangible assets**

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the underlying assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

## vi) **Defined benefits plans and other benefits**

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

## vii) **Impairment of Goodwill**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for the periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs.1,464 million. The detailed assumptions underlying impairment testing of goodwill are given in note 12.5 to these unconsolidated financial statements.

## viii) **Lease term**

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised and its recoverable amount which is determined as higher of value-in-use and fair value less cost to sell.

## 3. **BASIS OF MEASUREMENT**

These unconsolidated financial statements have been prepared under the historical cost convention except for:

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are consistent with those of previous financial year.

### 4.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

### 4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

#### (a) Sale under repurchase obligation

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase value is accrued over the period of the contract and recorded as an expense using effective interest rate method.

#### (b) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis in accordance with the requirements of the Prudential Regulations of the SBP.

#### (c) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Bank does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

#### (d) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.3 Investments

### 4.3.1 Initial recognition and measurement

**4.3.1.1** The Management determines the appropriate classification of its investments at the time of purchase in held-for-trading, available-for-sale or held-to-maturity as per SBP guidelines vide BSD circular No. 10 of 2004 dated July 13, 2004. These are initially recognised at cost, being the fair value of the consideration given plus, in the case of investments not held-for-trading, directly attributable acquisition costs.

#### (a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognized in profit and loss account.

#### (b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till maturity. Investments classified as held-to-maturity are carried at amortised cost.

#### (c) Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost. These securities are carried at fair value with any related surplus or deficit on revaluation shall be taken to other comprehensive income.

### 4.3.1.2 Associates

Associate is an entity over which the Bank has significant influence but not control. Investment in associate is carried at cost less accumulated impairment losses, if any.

### 4.3.1.3 Subsidiaries

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

### 4.3.1.4 Regular way contracts

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

### 4.3.1.5 Premium or discount on acquisition of investments

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account using effective yield over the remaining period of the investment.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.3.2 Subsequent measurement

In accordance with the requirements of the SBP, quoted securities other than those classified as 'held-to-maturity' and investment in associates and subsidiaries, are subsequently remeasured on portfolio basis i.e. in case of government securities at PKRV and PKFRV rates whereas in case of other securities at market value. Investments classified as 'held-to-maturity' are carried at amortised cost using the effective interest method (less impairment, if any).

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Bank's held-for-trading investments is taken to the profit and loss account. In case of investments classified as available-for-sale, surplus or deficit is taken directly to equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value in accordance with the requirements of the Prudential Regulations issued by the SBP. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

## 4.3.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available for sale, associates, subsidiaries and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

### (a) Available-for-sale

If an available-for-sale equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit and loss as a reclassification adjustment even though the financial asset has not been derecognised, any further decline in the fair value at subsequent reporting dates is recognised as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, impairment losses recognised in profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit and loss except in case of derecognition.

### (b) Held to maturity, subsidiaries and associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

### (c) Debt Securities

PTCs, TFCs, Sukuk and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of short, medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.4 Financial instruments

### 4.4.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account at the time of de-recognition. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 4.4.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

## 4.5 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

## 4.6 Advances

### 4.6.1 Loan and advances

Advances are stated net of general and specific provisions. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

### 4.6.2 Finance lease receivables

Leases, where the bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

## 4.7 Fixed assets

### 4.7.1 Property and equipment

Operating fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes leasehold land and buildings) are stated at revalued amount less accumulated depreciation and impairment loss, if any.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 11. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is recognised in the profit and loss account in the year the asset is de-recognised.

## 4.7.2 Surplus / deficit on revaluation of fixed assets

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to equity.

## 4.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specified assets as and when assets are available for use.

## 4.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method are reviewed and adjusted, if appropriate, annually.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. However, these are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.9 Non-banking assets acquired in satisfaction of claims

**4.9.1** Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are initially carried at cost and subsequently at revalued amounts at each year-end date of the statement of financial position, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The valuation of properties acquired are conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on operating fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these unconsolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of operating fixed assets in the notes to these unconsolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to operating fixed assets.

## 4.9.2 Surplus / deficit on revaluation of non banking assets

Revaluation of non-banking assets acquired in satisfaction of claims under DPS transactions is carried out under criteria given in regulations for DPS issued by SBP vide BPRD Circular 01 dated January 01, 2016 i.e. valuation of property shall be done on individual property basis and not on portfolio basis, whereas accounting treatment of revaluation is accounted for in accordance with applicable financial reporting standards i.e. International Accounting Standard (IAS) 16 as referred in note no. 4.7.2.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating Bank's Capital Adequacy Ratio and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

## 4.10 Impairment other than investments and deferred tax

At each balance sheet date, the Bank reviews the carrying amounts of its assets (other than investment and deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

## 4.11 Borrowings / Deposits and their cost

Borrowing / deposits are initially recorded at the amount of proceeds received. Borrowing / deposits are recognised as an expense in the period in which these are incurred.

## 4.12 Subordinated debt

Subordinated debt is recorded at the amount of proceeds received. Mark-up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

## 4.13 Taxation

### 4.13.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

### 4.13.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognized on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

## 4.14 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to profit and loss account net of expected recovery.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.15 Staff retirement benefits

### 4.15.1 Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 01, 2007. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 7.1 percent with effect from July 01, 2015 due to change in salary structure. Contribution by the Bank is charged to profit and loss account.

### 4.15.2 Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2020, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

## 4.16 Revenue recognition

Revenue is recognized to the extent that economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognized as follows:

### - Advances and investments

Mark-up income / interest / profit on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract.

Mark-up income / interest / profit on non-performing advances and debt securities is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Interest / returns / mark-up income/ profit on rescheduled / restructured advances and debt securities are recognised as permitted by the State Bank of Pakistan or by the regulatory authorities of the countries where the Bank operates, except where, in the opinion of the management, it would not be prudent to do so.

Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

### - Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (defined as the excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## - Non Mark-up / interest income

- Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.

## 4.17 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except for statutory reserves, are recognised in the financial statements in the periods in which these are approved.

## 4.18 Foreign currencies

### 4.18.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

### 4.18.2 Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

### 4.18.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

### 4.18.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

### 4.18.5 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.19 Goodwill

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units.

## 4.20 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Bank (less preference dividend, if any) by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders of the Bank by dividing the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

## 4.21 Non-current assets held for sale and associated liabilities

The Bank classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the unconsolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

## 4.22 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment.

Segment information is presented as per the Bank's functional structure and the guidance given under International Financial Reporting Standard (IFRS) 8. For management purposes, the Bank has been organised into five operating segments based on products and services, as follows:

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 4.22.1 Business segments

### Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs), specialised financial advice and trading and secondary private placements.

### Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

### Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and agricultural sector. It includes loans, deposits and other transactions with retail customers.

### Commercial banking

This includes loans, deposits and other transactions with corporate customers.

### Others

This includes the head office related activities and other functions which cannot be classified in any of the above segments.

The Executive Management Committee (ManCom) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the unconsolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, along with the gross income and expense.

Transfer prices between operating segments are based on the Bank's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2019 or 2020.

## 4.22.2 Geographical segment

The Bank operates with 307 (December 31, 2019: 359) branches / sub-branches in Pakistan region and one wholesale banking branch in Bahrain (December 31, 2019: one).

## 4.23 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019 except for the following additional considerations due to the COVID-19.

### 5.1 COVID - 19 outbreak and its impact

The COVID-19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system's soundness and to sustain economic activity. These include:

- (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- (ii) increasing the regulatory limit on extension of credit to SMEs by 125 million to Rs 180 million;
- (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent
- (iv) allowing banks to defer clients' payment of principal and profit on financing obligations by one year; and
- (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.
- (vi) Relaxing credit requirements for exporters and importers; and
- (vii) Refinance schemes to support employment to prevent layoff of workers and health sector to combat COVID-19 Pandemic.

COVID 19 has impacted the banks in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. We have discussed below the major aspects of COVID 19 on the Bank's risk management policies.

## 5.1.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

## 5.1.2 Liquidity management

Bank has received applications for deferral of principal and / or restructuring / rescheduling and is expected to receive further such applications. These applications are being reviewed by the Bank as per its established policies. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

## 5.1.3 Equity investments

SBP has given relaxation in recognition of impairment on equity securities in phased manner equally on quarterly basis during calendar year ending on December 31, 2020. The Bank has taken the impact of impairment on the basis of that relaxation in these unconsolidated financial statements.

## 5.1.4 Foreign Exchange Risks

Due to recent economic slowdown, the PKR has devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs.159.8344 as at December 31, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID-19 resolves. The Bank has reviewed its Net Open Position and has had no significant impact on profitability.

## 5.1.5 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP)

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

## 5.1.6 Capital Adequacy Ratio

Under the current scenario, the banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the bank for its tier 2 capital. Further, the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions on its CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

	Note	2020 ----- Rupees in '000 -----	2019
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		6,337,089	5,572,604
Foreign currencies		1,301,503	896,523
		<u>7,638,592</u>	<u>6,469,127</u>
<b>With State Bank of Pakistan in:</b>			
Local currency current account	6.1	16,268,165	13,292,331
Foreign currency current account - non remunerative	6.2	1,086,874	831,532
Foreign currency deposit account - remunerative	6.3	2,261,337	2,566,714
		<u>19,616,376</u>	<u>16,690,577</u>
<b>With National Bank of Pakistan in:</b>			
Local currency current accounts		2,609,635	2,286,205
<b>National Prize Bonds</b>		556,628	143,440
		<u>30,421,231</u>	<u>25,589,349</u>

**6.1** These include local currency current accounts maintained with SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.

**6.2** As per BSD Circular No. 9 dated December 03, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan in deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

**6.3** This represents deposit accounts maintained with SBP under the requirements of BSD Circular No. 14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement of foreign currency accounts under FE-25, as prescribed by the SBP, carrying a mark-up rate 0% (2019: 0.70%) as per specific circular issued by SBP at year end.

## For the year ended December 31, 2020

**7.1** This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount which comes 0% per annum (2019: 1.05% per annum).

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

8.1	Particulars of lendings - gross		
	In local currency	21,003,215	30,037,915
	In foreign currencies	2,237,682	283,887
		<u>23,240,897</u>	<u>30,321,802</u>

**8.3** These are secured short-term lendings to various financial institutions, carrying mark-up rate from 6.75% to 7.40% (2019: 12.00% to 13.60%) per annum. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in note 8.3.1 below.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 8.3.1 Market value of securities held as collateral against Lending to financial institutions

	2020			2019		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	-	-	-	24,252,002	-	24,252,002
Pakistan Investment Bonds	21,160,868	-	21,160,868	2,081,639	3,673,117	5,754,756
	<u>21,160,868</u>	<u>-</u>	<u>21,160,868</u>	<u>26,333,641</u>	<u>3,673,117</u>	<u>30,006,758</u>

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

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	----- Rupees in '000 -----							
<b>9. INVESTMENTS</b>								
<b>9.1 Investments by type</b>								
<b>Held-for-trading securities</b>								
Federal Government Securities	25,002,969	-	805	25,003,774	55,601,087	-	(2,618)	55,598,469
<b>Available-for-sale securities</b>								
Federal Government Securities	127,308,516	-	97,527	127,406,043	47,828,618	-	(809,244)	47,019,374
Shares	2,995,123	(411,955)	1,692,166	4,275,334	2,092,667	(136,589)	20,675	1,976,753
Non Government Debt Securities	3,020,950	(370,051)	(1,142)	2,649,757	3,367,738	(370,051)	(6,461)	2,991,226
Foreign Securities	4,079,070	(122,758)	136,466	4,092,778	2,406	-	-	2,406
	<u>137,403,659</u>	<u>(904,764)</u>	<u>1,925,017</u>	<u>138,423,912</u>	<u>53,291,429</u>	<u>(506,640)</u>	<u>(795,030)</u>	<u>51,989,759</u>
<b>Held-to-maturity securities</b>								
Federal Government Securities	36,109,599	-	-	36,109,599	32,859,882	-	-	32,859,882
<b>Associates</b>	242,067	-	-	242,067	201,239	-	-	201,239
<b>Subsidiaries</b>	1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
<b>Total Investments</b>	<u>200,677,415</u>	<u>(904,764)</u>	<u>1,925,822</u>	<u>201,698,473</u>	<u>143,872,758</u>	<u>(506,640)</u>	<u>(797,648)</u>	<u>142,568,470</u>

9.1.1 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2020				2019			
	Note	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----									
9.2 Investments by segments:									
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills	9.4.1	25,002,969	-	805	25,003,774	55,601,087	-	(2,618)	55,598,469
Pakistan Investment Bonds	9.4.1	-	-	-	-	-	-	-	-
		25,002,969	-	805	25,003,774	55,601,087	-	(2,618)	55,598,469
Available-for-sale securities									
Federal Government Securities:									
Market Treasury Bills	9.5.1	90,027,949	-	20,041	90,047,990	12,071,266	-	(364)	12,070,902
Pakistan Investment Bonds	9.5.1	37,280,567	-	77,486	37,358,053	35,757,352	-	(808,880)	34,948,472
		127,308,516	-	97,527	127,406,043	47,828,618	-	(809,244)	47,019,374
Shares:									
Listed Companies									
Ordinary shares	9.5.2	2,847,534	(275,366)	1,692,166	4,264,334	1,945,078	-	20,675	1,965,753
Preference shares	9.5.2	136,589	(136,589)	-	-	136,589	(136,589)	-	-
Unlisted Companies									
Ordinary shares	9.5.2.3	11,000	-	-	11,000	11,000	-	-	11,000
		2,995,123	(411,955)	1,692,166	4,275,334	2,092,667	(136,589)	20,675	1,976,753
Non Government Debt Securities									
Listed									
Term Finance Certificates	9.5.3.1	305,182	(155,169)	(13)	150,000	305,183	(155,169)	(14)	150,000
Sukuk Certificates	9.5.3.2	308,583	-	(1,129)	307,454	396,750	-	(6,447)	390,303
Unlisted									
Term Finance Certificates	9.5.3.3	1,014,348	(214,882)	-	799,466	1,179,739	(214,882)	-	964,857
Sukuk Certificates	9.5.3.3	1,365,104	-	-	1,365,104	1,458,333	-	-	1,458,333
Preference shares	9.5.3.4	27,733	-	-	27,733	27,733	-	-	27,733
		3,020,950	(370,051)	(1,142)	2,649,757	3,367,738	(370,051)	(6,461)	2,991,226
Foreign Securities									
Government Debt Securities *	9.5.4.1	3,633,601	(120,619)	130,420	3,643,402	-	-	-	-
Non Government Debt Securities *	9.5.4.2	379,654	(2,139)	(3,628)	373,887	-	-	-	-
Ordinary shares	9.5.2	65,815	-	9,674	75,489	2,406	-	-	2,406
		4,079,070	(122,758)	136,466	4,092,778	2,406	-	-	2,406
Held-to-maturity securities									
Federal Government Securities:									
Pakistan Investment Bonds	9.6.1	36,109,599	-	-	36,109,599	32,859,882	-	-	32,859,882
Associates									
Omar Jibran Engineering Industries Limited	9.7	180,000	-	-	180,000	180,000	-	-	180,000
Veda Transit Solutions (Private) Limited	9.7	41,800	-	-	41,800	972	-	-	972
Intercity Touring Company (Private) Limited	9.7	20,267	-	-	20,267	20,267	-	-	20,267
		242,067	-	-	242,067	201,239	-	-	201,239
Subsidiaries									
JS Global Capital Limited	9.7	1,357,929	-	-	1,357,929	1,357,929	-	-	1,357,929
JS Investments Limited	9.7	561,192	-	-	561,192	561,192	-	-	561,192
		1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
Total Investments		200,677,415	(904,764)	1,925,822	201,698,473	143,872,758	(506,640)	(797,648)	142,568,470

\* Provision for diminution against foreign debt securities represents expected credit loss provisioning under IFRS 9 on portfolio pertaining to Bahrain Branch.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2020		2019	
		Cost	Market value	Cost	Market value
		----- Rupees in '000 -----			
<b>9.2.1</b>	<b>Investments given as collateral</b>				
	<b>Held-for-trading securities</b>				
	<b>Federal Government Securities</b>				
	Market Treasury Bills	4,864,464	4,864,680	-	-
	<b>Available-for-sale securities</b>				
	<b>Federal Government Securities</b>				
	Market Treasury Bills	4,902,054	4,902,811	4,453,165	4,452,597
	Pakistan Investment Bonds	-	-	22,232,264	21,475,720
		4,902,054	4,902,811	26,685,429	25,928,317
		<u>9,766,518</u>	<u>9,767,491</u>	<u>26,685,429</u>	<u>25,928,317</u>
				<b>2020</b>	<b>2019</b>
				----- Rupees in '000 -----	
<b>9.3</b>	<b>Provision for diminution in value of investments</b>	Note			
	<b>Opening balance</b>			506,640	851,940
	Charge during the year			276,202	251,675
	Reversal during the year			(836)	(596,975)
	Charge/ (reversal) during the year	32		275,366	(345,300)
	Impairment under IFRS 9 in Bahrain branch			122,758	-
	<b>Closing Balance</b>			<u>904,764</u>	<u>506,640</u>
<b>9.3.1</b>	<b>Particulars of provision against debt securities</b>				
		2020		2019	
		NPI	Provision	NPI	Provision
		----- Rupees in '000 -----			
<b>Domestic</b>					
	Other assets especially mentioned	-	-	-	-
	Substandard	-	-	-	-
	Doubtful	-	-	-	-
	Loss	370,051	370,051	370,051	370,051
		<u>370,051</u>	<u>370,051</u>	<u>370,051</u>	<u>370,051</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 9.4 Quality of Held-for-Trading Securities

Details regarding quality of Held-for-Trading (HFT) securities are as follows:

		2020		2019	
		Cost	Market value	Cost	Market value
<b>9.4.1 Federal Government Securities Government guaranteed</b>	Note	----- Rupees in '000 -----			
Market Treasury Bills	9.4.1.1	<u>25,002,969</u>	<u>25,003,774</u>	<u>55,601,087</u>	<u>55,598,469</u>

### 9.4.1.1 Principal terms of investment in Federal Government Securities

<u>Name of investment</u>	<u>Note</u>	<u>Maturity</u>	<u>Redemption</u>	<u>Coupon</u>
Market treasury bills	9.4.1.2	January 14, 2021 to January 28, 2021	On maturity	On maturity

**9.4.1.2** Market Treasury Bills are for the period of three to twelve months. The effective rates of profit on Market Treasury Bills range from 7.07% to 7.12% per annum (2019: 13.04% to 13.70% per annum).

## 9.5 Quality of Available-for-Sale Securities

Details regarding quality of Available-for-Sale (AFS) securities are as follows:

		2020		2019	
		Cost	Market value	Cost	Market value
<b>9.5.1 Federal Government Securities Government guaranteed</b>	Note	----- Rupees in '000 -----			
Market Treasury Bills		<u>90,027,949</u>	<u>90,047,990</u>	12,071,266	12,070,902
Pakistan Investment Bonds		<u>37,280,567</u>	<u>37,358,053</u>	35,757,352	34,948,472
	8.5.1.1	<u>127,308,516</u>	<u>127,406,043</u>	<u>47,828,618</u>	<u>47,019,374</u>

### 9.5.1.1 Principal terms of investment in Federal Government Securities

<u>Name of investment</u>	<u>Note</u>	<u>Maturity</u>	<u>Redemption</u>	<u>Coupon</u>
Market treasury bills	9.5.1.2	January 14, 2021 to June 03, 2021	On maturity	On maturity
Pakistan investment bonds	9.5.1.3	April 21, 2021 to September 19, 2029	On maturity	Half yearly

**9.5.1.2** Market Treasury Bills are for the period of three to twelve months. The effective rates of profit on Market Treasury Bills range from 6.90% to 11.77% per annum (2019: 13.02% to 13.75% per annum).

**9.5.1.3** Pakistan Investment Bonds (PIBs) are for the period of three to twenty years. The rates of profit ranging from 7% to 12% per annum (2019: 6.40% to 14.27% per annum).

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

9.5.2	Shares	Rating	Industry Sector	Shares		Cost	Market value	Cost	Market value
				2020	2019				
				----- Number -----				----- Rupees in '000 -----	

\* Based on audited accounts as of June 30, 2020

\*\* Based on audited accounts as of December 31, 2019

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

- 9.5.2.1** These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Bank has recognised full impairment on these shares amounting to Rs. 48.236 million (2019: Rs. 48.236 million) due to weak financial position of the company.
- 9.5.2.2** These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs. 88.353 million (2019: Rs. 88.353 million) due to weak financial position of the company.
- 9.5.2.3** Surplus arising due to re-measurement of these shares to the market value has not been recognized as the management believes that the market value may not be realized while selling them in open market.
- 9.5.2.4** In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Bank has received 3,034,603 shares of Rs.10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange (ISE), in lieu of its Membership Card held by the Bank. Further, upon integration of Islamabad Stock Exchange under the "ISE Scheme of Integration" in 2016 TRE Certificates holders of ISE have been issued 1,213,841 shares of "ISE Towers REIT Management Limited".
- 9.5.2.5** The Bank qualified as a member based on the financial contribution to SWIFT for network-based services. The Bank has made an investment as per the requirements of By-Laws of SWIFT, under the Share Re-allocation Process, as a result becoming entitled to invest in for six shares. The participation is mandatory to avail the desired network-based services for financial message transmission for cross-border payments and receipt. Further, the share re-allocation occurs every three years and will result in either an increase, decrease, or a status quo in individual shareholding.

## 9.5.3 Non Government Debt Securities / Preference Shares (Debt Securities)

### Listed

Unrated  
A  
AAA

### Unlisted

AAA  
AA+, AA, AA-  
A+, A, A-  
Unrated

Cost	
2020	2019
----- Rupees in '000 -----	
<b>155,169</b>	155,169
<b>150,013</b>	150,014
<b>308,583</b>	396,750
<b>613,765</b>	701,933
<b>71,429</b>	142,857
<b>200,037</b>	-
<b>1,749,104</b>	1,992,333
<b>386,615</b>	530,615
<b>2,407,185</b>	2,665,805
<b>3,020,950</b>	3,367,738

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Certificates		Rating		2020		2019	
	2020	2019	2020	2019	Cost	Market value	Cost	Market value
<b>9.5.3.1 Term finance certificates - listed *</b>	---- Numbers ----				----- Rupees in '000 -----			
Worldcall Telecom Limited (note 9.5.3.1.2)	90,650	90,650	Unrated	Unrated	155,169	-	155,169	-
Soneri Bank Limited	30,000	30,000	A	A	150,013	150,000	150,014	150,000
					<u>305,182</u>	<u>150,000</u>	<u>305,183</u>	<u>150,000</u>

\* Secured and have a face value of Rs.5,000 each unless specified otherwise.

## 9.5.3.1.1 Other particulars of listed term finance certificates are as follows:

Name of the company	Note	Repayment frequency	Profit rate per annum	Maturity date
Worldcall Telecom Limited	9.5.3.1.2	Semi-annually	6 Month KIBOR ask rate plus 1.60%	September 20, 2026
Soneri Bank Limited		Semi-annually	6 Month KIBOR ask rate plus 2.00%.	December 06, 2028

## 9.5.3.1.2 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

	Certificates		Rating		2020		2019	
	2020	2019	2020	2019	Cost	Market value	Cost	Market value
<b>9.5.3.2 Sukuk certificates - listed</b>	---- Numbers ----				----- Rupees in '000 -----			
Byco Petroleum Pakistan Limited	5,290	5,290	AAA	AAA	308,583	307,454	396,750	390,303
					<u>308,583</u>	<u>307,454</u>	<u>396,750</u>	<u>390,303</u>

## 9.5.3.2.1 Unlisted sukuk certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Byco Petroleum Pakistan Limited (Chief Executive: Mr. Amir Abbassciy)	Quarterly	3 Month KIBOR ask rate plus 1.05%.	January 18, 2022

	Certificate		Rating		Face value per certificate		Cost	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>9.5.3.3 Term finance certificates - unlisted</b>	----- Numbers -----				----- Rupees -----		---- Rupees in '000 ----	
Azgard Nine Limited - related party (note 9.5.3.3.1)	29,998	29,998	Unrated	Unrated	5,000	65,022	65,022	
Agritech Limited (note 9.5.3.3.1)	30,000	30,000	Unrated	Unrated	5,000	149,860	149,860	
Pakistan Water & Power Development Authority (WAPDA)	100,000	100,000	AAA	AAA	5,000	71,429	142,857	
Khushhali Microfinance Bank Limited	-	1,500	-	A	100,000	-	150,000	
Airlink Communication Private Limited	384	384	A-	A-	1,000,000	384,000	384,000	
Secure Logistics Group Private Limited	288	288	Unrated	Unrated	1,000,000	144,000	288,000	
Bank Al Habib Limited	40,000	-	AA-	-	5,000	200,037	-	
						<u>1,014,348</u>	<u>1,179,739</u>	



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**9.5.3.3.1** Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

**9.5.3.3.2** Other particulars of unlisted term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	December 04, 2017
Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	November 29, 2019
Pakistan Water & Power Development Authority (WAPDA) (Chairman: Lieutenant General Muzammil Hussain (Retd.))	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	September 27, 2021
Airlink Communication Private Limited (President & CEO: Mr. Muzaffar Hayat Piracha)	Quarterly	3 Month KIBOR ask rate plus 1.00%.	January 7, 2022
Secure Logistics Group Private Limited (see note 9.5.3.3.2.1) (President & CEO: Mr. Gulraiz A. Khan)	Quarterly	3 Month KIBOR ask rate minus 1.00%.	January 2, 2024
Bank Al Habib Limited (President & CEO: Mr. Mansoor Ali Khan)	Semi-annually	3 Month KIBOR ask rate plus 1.50%.	December 20, 2027

**9.5.3.3.2.1** During the year, the borrower has taken the deferment of payment as per the guidelines of SBP circular letter No. 13 dated March 26, 2020.

	Note	Certificates		Rating		Face value per certificate		Cost	
		2020	2019	2020	2019	2020	2019	2020	2019
<b>9.5.3.3</b>	<b>Sukuk certificates - unlisted</b>	----- Numbers -----				----- Rupees -----		---- Rupees in '000 ----	
	Ghani Gases Limited	9.5.3.3.2.1	2,000	2,000	A	A-	87,500	100,000	108,333
	Pakistan Services Limited	9.5.3.3.2.1	1,350	1,350	A	A	90,000	1,265,104	1,350,000
								<u>1,365,104</u>	<u>1,458,333</u>

**9.5.3.3.1** Other particulars of unlisted sukuk certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Ghani Gases Limited (Chief Executive: Mr. Atique Ahmad Khan)	Quarterly	3 Month KIBOR ask rate plus 1.00%.	February 03, 2023
Pakistan Services Limited (Chief Executive: Mr. Murtaza Hashwani)	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	January 17, 2024

		Certificates		Rating		Face value per certificate		Cost	
		2020	2019	2020	2019	2020	2019	2020	2019
<b>9.5.3.4</b>	<b>Preference shares - unlisted</b>	----- Numbers -----				----- Rupees in '000 -----			
	Intercity Touring Company Private Limited (associated company)	1,848,888	1,848,888	-	-	100,000	100,000	27,733	27,733

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 9.5.4 Foreign Securities

Name of Bond		Rating	Coupon rate per annum	Date of Maturity	2020		2019		
		2020	%		Cost	Market Value	Cost	Market Value	
					----- Rupees in '000 -----				
<b>9.5.4.1 Government debt securities</b>									
The Third Pakistan International Sukuk Co Ltd		B-	5.50%	October 13, 2021	159,186	161,516	-	-	
The Third Pakistan International Sukuk Co Ltd		B-	5.63%	December 5, 2022	163,296	163,443	-	-	
Islamic Republic Of Pakistan		B-	6.88%	December 5, 2027	508,091	498,909	-	-	
Oman Government International Bond		Ba3	6.00%	August 1, 2029	419,735	411,374	-	-	
Republic of Turkey		B+	4.88%	October 9, 2026	158,289	161,350	-	-	
Republic of Turkey		B+	6.13%	October 24, 2028	313,692	340,588	-	-	
Republic of Turkey		B+	7.63%	April 26, 2029	90,973	92,129	-	-	
Arab Republic of Egypt		B	6.59%	February 21, 2028	510,058	525,769	-	-	
Arab Republic of Egypt		B	7.60%	March 1, 2029	350,286	366,718	-	-	
Republic of Kenya		B+	7.25%	February 28, 2028	257,393	268,347	-	-	
Republic of Nigeria		B2	6.50%	November 28, 2027	248,288	257,666	-	-	
Oman Government International Bond		Ba3	5.63%	January 17, 2028	243,815	244,036	-	-	
Republic of Srilanka		Caa1	5.75%	April 18, 2023	210,499	151,557	-	-	
					<u>3,633,601</u>	<u>3,643,402</u>	<u>-</u>	<u>-</u>	
<b>9.5.4.2 Non Government debt securities</b>									
Bank of Ireland		Ba2	-	6.00%	March 1, 2026	39,828	42,502	-	-
Petroleos Mexicanos		Ba2	-	6.84%	October 23, 2029	339,826	331,385	-	-
					<u>379,654</u>	<u>373,887</u>	<u>-</u>	<u>-</u>	

## 9.6 Quality of Held to Maturity Securities

Details regarding quality of Held to Maturity (HTM) securities are as follows

	Cost	
	2020	2019
----- Rupees in '000 -----		
<b>9.6.1 Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	<u>36,109,599</u>	<u>32,859,882</u>

### 9.6.1.1 Principal terms of investment in Federal Government Securities

Security type	Maturity	Redemption	Coupon
Pakistan investment bonds	April 21, 2021 to August 22, 2029	On maturity	Half yearly

**9.6.1.2** Pakistan Investment Bonds (PIBs) having maturity of five to fifteen years. The rates of profits ranging from 7.75% to 12% per annum (2019: 7.75% to 14.69% per annum). The market value of securities as at December 31, 2020 amounted Rs. 35,862.699 million (2019: Rs. 31,341.410 million).

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 9.7 Investment in subsidiary and associated companies

	Note	Shares		Percentage holding		Cost	
		2020	2019	2020	2019	2020	2019
		----- Numbers -----				----- Rupees in '000 -----	
Subsidiary companies							
JS Global Capital Limited	9.7.1	25,525,169	25,525,169	83.53%	83.53%	1,357,929	1,357,929
JS Investments Limited	9.7.2 & 9.7.3	52,236,978	52,236,978	84.56%	84.56%	561,192	561,192
						1,919,121	1,919,121
Associated company - unlisted companies							
Omar Jibran Engineering Industries Limited	9.7.4	7,200,000	7,200,000	9.60%	9.60%	180,000	180,000
Veda Transit Solutions Private Limited	9.7.4 & 9.7.4.1	2,064,187	48,000	9.12%	8.00%	41,800	972
Intercity Touring Company Private Limited	9.7.4	1,351,111	1,351,111	9.12%	9.12%	20,267	20,267
						242,067	201,239

**9.7.1** The Bank acquired effective controlling interest in JS Global Capital Limited (JSGCL) on December 21, 2011, April 15, 2016 and October 01, 2019 of 51.05%, 16.11% and 16.37% respectively. The ownership interest has increased by 32.42%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 shares in April 15, 2016 and 7,450,000 shares in October 02, 2019.

**9.7.2** The Bank acquired effective controlling interest in JS Investments Limited (JSIL) on November 01, 2012, December 22, 2015 and August 31, 2019 of 52.24%, 12.92% and 19.40% respectively. The ownership interest has increased by 32.32% without any change in the cost of investment, due to the fact that JSIL has bought back its 19,828,182 shares in December 22, 2015 and 18,397,562 shares in August 31, 2019.

**9.7.3** The Bank also controls JS ABAMCO Commodities Limited (JSACL) indirectly through its subsidiary JS Investments Limited which has 100% holding in JSACL.

**9.7.4** The investments classified as associate on account of it's significant influence over the investee company.

**9.7.4.1** During the year, Veda Transit Solutions Private Limited, an associate of the Bank, has issued shares against advance subscription of Rs. 40.828 million made by the Bank. Resultantly, shareholding of the Bank increased to 9.12% (2019: 8%). The Bank has classified the investment as associate on account of it's significant influence over the investee company.

**9.7.5** All subsidiaries and associated companies are incorporated in Pakistan.

**9.7.6** The following is summarised audited financial information before inter-company eliminations with other companies in the group.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Subsidiary companies			
	JS Global Capital Limited		JS Investments Limited	
	December 31,	December 31,	December 31,	December 31,
	2020	2019	2020	2019
	----- Rupees' in 000 -----			
Total income / sales	727,409	718,541	348,467	408,539
Profit / (loss) after tax	206,954	47,248	(39,801)	(86,645)
Other comprehensive (loss) / income	5,932	(2,649)	-	-
Total assets	5,390,731	4,091,855	2,305,289	2,562,025
Total liabilities	2,944,292	1,858,302	530,302	747,237
<b>Net assets</b>	<b>2,446,439</b>	<b>2,233,553</b>	<b>1,774,987</b>	<b>1,814,788</b>
Cash flow from / (used in) operating activities	798,327	(308,598)	(18,808)	(158,745)
Cash flow (used in) / from investing activities	(471,364)	427,747	324,209	522,027
Cash flow from / (used in) financing activities	91,523	(487,693)	(309,407)	(372,856)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>418,486</b>	<b>(368,544)</b>	<b>(4,006)</b>	<b>(9,574)</b>
<b>Rating</b>	<b>AA</b>	<b>AA</b>	<b>AM2</b>	<b>AM2</b>

	Associated companies					
	Omar Jibran Engineering Industries Limited		Veda Transit Solutions Private Limited		Intercity Touring Company Private Limited	
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2020	2019	2020	2019	2020	2019
	----- Rupees' in 000 -----					
Total income / sales	1,950,375	2,628,975	785,016	922,200	3,796	290
(Loss) / profit after tax	(137,700)	117,796	19,797	47,436	(38,961)	(21,636)
Other comprehensive income	7,560	343,881	-	-	-	-
Total assets	3,752,367	3,727,961	609,304	688,142	404,028	191,414
Total liabilities	2,043,290	1,888,745	429,690	743,324	302,129	50,879
<b>Net assets</b>	<b>1,709,077</b>	<b>1,839,216</b>	<b>179,614</b>	<b>(55,182)</b>	<b>101,899</b>	<b>140,535</b>
Cash flow from / (used in) operating activities	108,972	(73,759)	85,040	152,254	(2,105)	(62,405)
Cash flow (used in) / from investing activities	(75,100)	(233,038)	(10,237)	(189)	-	(141,183)
Cash flow (used in) / from financing activities	(39,955)	212,791	(54,777)	(137,300)	-	219,994
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(6,083)</b>	<b>(94,006)</b>	<b>20,026</b>	<b>14,765</b>	<b>(2,105)</b>	<b>16,406</b>

# Notes to the Unconsolidated Financial Statements

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10.	ADVANCES	Note	Performing		Non Performing		Total	
			2020	2019	2020	2019	2020	2019
			----- Rupees in '000 -----					
	Loans, cash credits, running finances, etc.	10.1	231,066,384	224,986,858	11,733,555	10,353,164	242,799,939	235,340,022
	Bills discounted and purchased		11,602,390	11,113,114	-	-	11,602,390	11,113,114
	Advances - gross		242,668,774	236,099,972	11,733,555	10,353,164	254,402,329	246,453,136
	Provision against advances							
	General		-	(161,166)	-	-	-	(161,166)
	General provision - under IFRS-9	10.4.4	(21,327)	(7,520)	-	-	(21,327)	(7,520)
	Specific		-	-	(4,181,836)	(3,339,941)	(4,181,836)	(3,339,941)
		10.4	(21,327)	(168,686)	(4,181,836)	(3,339,941)	(4,203,163)	(3,508,627)
	Advances - net of provision		242,647,447	235,931,286	7,551,719	7,013,223	250,199,166	242,944,509

2020				2019			
Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----							

10.1	Particulars of net investment in finance lease								
	Lease rentals receivable	4,923,114	5,173,453	2,318	10,098,885	6,860,218	6,637,949	3,527	13,501,694
	Guaranteed residual value	1,008,381	2,449,909	2,248	3,460,538	1,599,605	2,538,848	10,783	4,149,236
	Minimum lease payments	5,931,495	7,623,362	4,566	13,559,423	8,459,823	9,176,797	14,310	17,650,930
	Finance charges for future periods	(991,822)	(1,286,416)	(1,443)	(2,279,681)	(1,468,867)	(1,098,697)	(259)	(2,567,823)
	Present value of minimum lease payments	4,939,673	6,336,946	3,123	11,279,742	6,990,956	8,078,100	14,051	15,083,107

10.2	Particulars of advances (gross)							
	In local currency					245,005,622	237,733,122	
	In foreign currencies					9,396,707	8,720,014	
						254,402,329	246,453,136	

10.3 Advances include Rs. 11,733.555 million (2019: Rs. 10,353.164 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
Domestic				
Other Assets Especially Mentioned	296,799	394	841,058	1,721
Substandard	1,177,804	156,095	1,159,072	64,681
Doubtful	3,264,335	724,426	2,442,270	426,283
Loss	6,994,617	3,300,921	5,910,764	2,847,256
Total	11,733,555	4,181,836	10,353,164	3,339,941

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 10.4 Particulars of provision against advances

		2020				2019			
		Specific	General	General provision - under IFRS-9	Total	Specific	General	General provision - under IFRS-9	Total
Note		----- Rupees in '000 -----							
Opening balance		3,339,941	161,166	7,520	3,508,627	2,989,888	155,661	10,746	3,156,295
Exchange adjustments		-	-	71	71	-	-	1,095	1,095
Charge for the year		1,087,212	-	13,736	1,100,948	880,994	5,505	-	886,499
Reversals	10.4.1	(245,317)	(161,166)	-	(406,483)	(526,146)	-	(4,321)	(530,467)
		841,895	(161,166)	13,736	694,465	354,848	5,505	(4,321)	356,032
Amounts written off	10.5	-	-	-	-	(4,795)	-	-	(4,795)
Closing balance		4,181,836	-	21,327	4,203,163	3,339,941	161,166	7,520	3,508,627

**10.4.1** This includes reversal of provision of Rs. 8.604 million (2019: Rs. 277.078 million) against non-performing loans of certain borrowers under 'Debt Property Swap' transactions, as disclosed in note 13.2.

## 10.4.2 Particulars of provision against advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	4,181,836	-	4,181,836	3,339,941	161,166	3,501,107
In foreign currency	-	21,327	21,327	-	7,520	7,520
	<b>4,181,836</b>	<b>21,327</b>	<b>4,203,163</b>	<b>3,339,941</b>	<b>168,686</b>	<b>3,508,627</b>

**10.4.3** The Bank, in accordance with BPRD circular letter No. 31 of 2020 dated July 10, 2020, has taken the benefit of general provision to make good the specific provision requirement of the consumer financing portfolio till December 31, 2021.

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

**10.4.5** The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2020, the Bank has availed cumulative benefit of FSV of Rs. 4,655.818 million (2019: Rs. 4,120.009 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs. 3,026.282 million (2019: Rs. 2,678.006 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.



# Notes to the Unconsolidated Financial Statements

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## 10.4.6 Advances - Deferred & Restructured / Rescheduled

The SBP vide BPRD circular letter number 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets). Accordingly, certain exposures as at December 31, 2020 relating to facilities of customers have not been classified as non-performing on account of such relaxation.

		2020	2019
		----- Rupees in '000 -----	
<b>10.5 Particulars of Write Offs</b>			
<b>10.5.1</b>	Against provisions	-	4,795
	Directly charged to profit and loss account	-	315
		<u>-</u>	<u>5,110</u>
<b>10.5.2</b>	Write offs of Rs.500,000 and above - Domestic	-	4,795
	Write offs of below Rs.500,000	-	315
		<u>-</u>	<u>5,110</u>

## 10.6 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1.

	Note	2020	2019
		---- Rupees in '000 ----	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	291,402	138,167
Property and equipment	11.2 & 11.3	4,925,430	5,961,042
Right-of-use assets	11.4	2,382,706	3,593,492
		<u>7,599,538</u>	<u>9,692,701</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		225,220	116,365
Advance for purchase of furniture and fixtures		1,013	290
Advance for purchase of equipment		61,794	21,512
Advance for purchase of vehicle		3,375	-
		<u>291,402</u>	<u>138,167</u>

# Notes to the Unconsolidated Financial Statements

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## 11.2 Property and equipment

Property and equipment		2020						
		Leasehold land	Building on leasehold land	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	Note	----- Rupees in '000 -----						
<b>At January 1, 2020</b>								
Cost / Revalued amount		1,520,254	2,093,587	1,499,313	623,007	3,310,440	131,961	9,178,562
Accumulated depreciation		-	(190,898)	(701,210)	(341,029)	(1,956,984)	(27,399)	(3,217,520)
Net book value		<u>1,520,254</u>	<u>1,902,689</u>	<u>798,103</u>	<u>281,978</u>	<u>1,353,456</u>	<u>104,562</u>	<u>5,961,042</u>
<b>Year ended December 2020</b>								
Opening net book value		1,520,254	1,902,689	798,103	281,978	1,353,456	104,562	5,961,042
Additions		-	-	168,683	49,910	378,028	49	596,670
<b>Disposals</b>								
Cost		-	-	(1,852)	(14,146)	(45,929)	(4,313)	(66,240)
Accumulated Depreciation		-	-	(399)	10,089	40,566	1,777	52,033
		-	-	(2,251)	(4,057)	(5,363)	(2,536)	(14,207)
Depreciation charge		-	(71,747)	(119,046)	(60,398)	(425,702)	(17,419)	(694,312)
<b>Exchange rate adjustments</b>								
Cost		-	-	(885)	(276)	(210)	(152)	(1,523)
Accumulated Depreciation		-	-	280	101	105	58	544
		-	-	(605)	(175)	(105)	(94)	(979)
<b>Write offs</b>								
Cost		-	-	(246,248)	(35,053)	(158,301)	(2,904)	(442,506)
Accumulated Depreciation		-	-	134,307	20,480	104,869	963	260,619
		-	-	(111,941)	(14,573)	(53,432)	(1,941)	(181,887)
<b>Transferred / other adjustments</b>								
Cost		(739,200)	(2,126)	-	-	-	-	(741,326)
Accumulated Depreciation		-	429	-	-	-	-	429
	11.3	(739,200)	(1,697)	-	-	-	-	(740,897)
Closing net book value		<u>781,054</u>	<u>1,829,245</u>	<u>732,943</u>	<u>252,685</u>	<u>1,246,882</u>	<u>82,621</u>	<u>4,925,430</u>
<b>At December 31, 2020</b>								
Cost / Revalued amount		781,054	2,091,461	1,419,011	623,442	3,484,028	124,641	8,523,637
Accumulated depreciation		-	(262,216)	(686,068)	(370,757)	(2,237,146)	(42,020)	(3,598,207)
Net book value		<u>781,054</u>	<u>1,829,245</u>	<u>732,943</u>	<u>252,685</u>	<u>1,246,882</u>	<u>82,621</u>	<u>4,925,430</u>
Rate of depreciation (percentage)		-	1.01 - 4.78	10	12.5	12.5 - 33.3	20	

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2019						
		Leasehold land	Building on leasehold land	Leasehold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
Note		Rupees in '000						
<b>At January 1, 2019</b>								
Cost / Revalued amount		1,457,289	1,920,603	1,285,074	547,573	2,846,077	1,064,359	9,120,975
Accumulated depreciation		-	(167,577)	(591,448)	(286,876)	(1,661,236)	(330,703)	(3,037,840)
Net book value		<u>1,457,289</u>	<u>1,753,026</u>	<u>693,626</u>	<u>260,697</u>	<u>1,184,841</u>	<u>733,656</u>	<u>6,083,135</u>
<b>Year ended December 2019</b>								
Opening net book value		1,457,289	1,753,026	693,626	260,697	1,184,841	733,656	6,083,135
Additions		-	649,228	221,721	78,546	559,189	349,137	1,857,821
Movement in surplus on assets revalued during the year	21.2	62,965	(49,200)	-	-	-	-	13,765
<b>Disposals</b>								
Cost		-	-	(10,382)	(4,034)	(95,467)	(1,282,023)	(1,391,906)
Accumulated Depreciation		-	-	7,444	3,493	87,218	440,064	538,219
Depreciation charge		-	(76,365)	(116,392)	(57,353)	(382,678)	(136,591)	(769,379)
<b>Exchange rate adjustments</b>								
Cost		-	-	2,900	922	641	488	4,951
Accumulated Depreciation		-	-	(814)	(293)	(288)	(169)	(1,564)
		-	-	2,086	629	353	319	3,387
<b>Transferred / other adjustments</b>								
Cost		-	(427,044)	-	-	-	-	(427,044)
Accumulated Depreciation		-	53,044	-	-	-	-	53,044
	11.3	-	(374,000)	-	-	-	-	(374,000)
Closing net book value		<u>1,520,254</u>	<u>1,902,689</u>	<u>798,103</u>	<u>281,978</u>	<u>1,353,456</u>	<u>104,562</u>	<u>5,961,042</u>
<b>At December 31, 2019</b>								
Cost / Revalued amount		1,520,254	2,093,587	1,499,313	623,007	3,310,440	131,961	9,178,562
Accumulated depreciation		-	(190,898)	(701,210)	(341,029)	(1,956,984)	(27,399)	(3,217,520)
Net book value		<u>1,520,254</u>	<u>1,902,689</u>	<u>798,103</u>	<u>281,978</u>	<u>1,353,456</u>	<u>104,562</u>	<u>5,961,042</u>
Rate of depreciation (percentage)		-	1.01 - 4.78	10	12.5	12.5 - 33.3	20	

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	---- Rupees in '000 ----	
<b>11.2.1 The cost of fully depreciated property and equipment still in use</b>		
Leasehold improvements	265,850	323,271
Furniture and fixture	156,677	139,146
Electrical, office and computer equipment	1,135,788	992,625
Vehicles	2,258	11,921
	<u>1,560,573</u>	<u>1,466,963</u>

**11.2.2** The details of disposals of assets to related parties are given in Annexure II to these unconsolidated financial statements.

**11.2.3** The properties of the Bank were revalued by independent professional valuers as at December 31, 2019. The revaluation was carried out by M/s. Tristar International Consultants Pvt Ltd. on the basis of professional assessment of present market values.

Had there been no revaluation, the carrying value of revalued land and building on land as at December 31, 2020 would have been lower by Rs. 505.342 million and Rs. 686.830 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation expense would have been lower by Rs. 951.782 million, Rs. 240.391 million and Rs. 25.823 million respectively.

	Note	2020	2019
		---- Rupees in '000 ----	
<b>11.3 Assets held for sale</b>			
Leasehold land	11.3.1	739,200	-
Building on leasehold land	11.3.2	-	374,000
		<u>739,200</u>	<u>374,000</u>

**11.3.1** In 2020, the Board of Directors accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell a land located at Plot No. 201, situated at Upper Mall, Lahore, Pakistan of the following reasons:

- The property is available for immediate sale and can be sold in its current condition subject to completion of certain legal formalities.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of classification.
- The Bank expects the legal and procedural formalities for the sale to be completed by the end of 2021.

Immediately before the classification of the property as a held for sale, the Property was revalued by independent professional valuer by M/s. Tristar International Consultants (Private) Limited as at December 31, 2020 and resulted no significant change is observed in valuations of the property.

**11.3.2** In 2019, Bank had entered into an agreement to sell the Bank property located at 13th floor of Ocean Tower, plot No. G-3, Khayaban-e-Iqbal, Block 9, KDA Scheme No. 5, Clifton Karachi, Pakistan ("Property") of Rs. 375 million and therefore, measured the property as a non-current asset held for sale. In this respect, during the period end the sale proceeds were realised on August 11, 2020.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2020	2019
		---- Rupees in '000 ----	
<b>11.4 The carrying amounts of right-of-use assets</b>	Note		
Opening balance		<b>3,593,492</b>	4,461,250
Additional impact arised during the year - net		<b>31,080</b>	42,563
Termination impact arised during the year - net		<b>(348,718)</b>	-
Depreciation	29	<b>(893,148)</b>	(910,321)
		<b><u>2,382,706</u></b>	<u>3,593,492</u>

## 12. INTANGIBLE ASSETS

Capital work-in-progress	12.1	<b>213,312</b>	97,744
Computer software	12.2	<b>809,789</b>	709,992
Goodwill	12.2 & 12.4	<b>1,463,624</b>	1,463,624
		<b><u>2,486,725</u></b>	<u>2,271,360</u>

### 12.1 Capital work-in-progress

Advance for purchase of software	<b>213,312</b>	97,744
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	2020		
	Computer software	Goodwill	Total
	----- Rupees in '000 -----		
<b>12.2 Computer software and goodwill</b>			

#### At January 1, 2020

Cost	<b>1,152,900</b>	<b>1,463,624</b>	<b>2,616,524</b>
Accumulated amortisation and impairment	<b>(442,908)</b>	-	<b>(442,908)</b>
Net book value	<b><u>709,992</u></b>	<b><u>1,463,624</u></b>	<b><u>2,173,616</u></b>

#### Year ended December 2020

Opening net book value	<b>709,992</b>	<b>1,463,624</b>	<b>2,173,616</b>
Additions:			
- directly purchased	<b>212,692</b>	-	<b>212,692</b>
Amortisation charge	<b>(113,052)</b>	-	<b>(113,052)</b>

#### Exchange rate adjustments

Cost	<b>230</b>	-	<b>230</b>
Accumulated Amortisation	<b>(73)</b>	-	<b>(73)</b>
	<b>157</b>	-	<b>157</b>

#### Write offs

Cost	<b>68</b>	-	<b>68</b>
Accumulated Amortisation	<b>(68)</b>	-	<b>(68)</b>
	<b>-</b>	-	<b>-</b>

Closing net book value	<b><u>809,789</u></b>	<b><u>1,463,624</u></b>	<b><u>2,273,413</u></b>
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#### At December 31, 2020

Cost	<b>1,365,754</b>	<b>1,463,624</b>	<b>2,829,378</b>
Accumulated amortisation and impairment	<b>(555,965)</b>	-	<b>(555,965)</b>
Net book value	<b><u>809,789</u></b>	<b><u>1,463,624</u></b>	<b><u>2,273,413</u></b>
Rate of amortisation (percentage)	<b>10</b>		
Useful life (year)	<b>10</b>	<b>See note 12.4</b>	

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019		
	Computer software	Goodwill	Total
	----- Rupees in '000 -----		
<b>At January 1, 2019</b>			
Cost	979,872	1,463,624	2,443,496
Accumulated amortisation and impairment	(349,379)	-	(349,379)
Net book value	<u>630,493</u>	<u>1,463,624</u>	<u>2,094,117</u>
<b>Year ended December 2019</b>			
Opening net book value	630,493	1,463,624	2,094,117
Additions: - directly purchased	172,381	-	172,381
Amortisation charge	(93,316)	-	(93,316)
<b>Exchange rate adjustments</b>			
Cost	647	-	647
Accumulated Amortisation	(213)	-	(213)
	434	-	434
Closing net book value	<u>709,992</u>	<u>1,463,624</u>	<u>2,173,616</u>
<b>At December 31, 2019</b>			
Cost	1,152,900	1,463,624	2,616,524
Accumulated amortisation and impairment	(442,908)	-	(442,908)
Net book value	<u>709,992</u>	<u>1,463,624</u>	<u>2,173,616</u>
Rate of amortisation (percentage)	10		
Useful life (year)	10	See note 12.4	

**2020**      2019  
---- Rupees in '000 ----

**12.3 The cost of fully amortised computer software still in use** **160,694**      146,687

**12.4** Goodwill is recorded by the Bank upon the event fully disclose in note 1.2. For impairment testing, goodwill has been allocated to 'Trading and Sales' Segment as Cash Generating Unit (CGU), which is also a reportable segment.

## **12.5 Key assumptions used in value in use calculation**

The recoverable amount of the CGU has been determined based on value in use calculation, using cash flow projections based on business plan approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	<b>2020</b>	2019
	Percentages	
Discount rate	<b>17.41</b>	22.87
Terminal growth rate	<b>12.51</b>	10.00

The calculation of value in use is most sensitive to following assumptions:

### **a) Interest margins**

Interest margins are based on prevailing industry trends and anticipated market conditions.

### **b) Discount rates**

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of the Bank.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## c) Key business assumptions

The assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on the expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

## d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs. 5,345 million (2019: 5,554 million). Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

		Changes required for carrying amount to equal recoverable amount (%)	
		2020	2019
- Discount rate		3.16	4.85
- Terminal growth rate		(4.88)	9.00

		2020	2019
		---- Rupees in '000 ----	
<b>13. OTHER ASSETS</b>	Note		
Income / mark-up accrued in local currency		6,879,923	8,731,263
Income / mark-up accrued in foreign currencies		93,950	48,511
Advances, deposits, advance rent and other prepayments		477,717	446,321
Acceptances		3,603,192	3,221,212
Dividend receivable		-	208,948
Taxation (payments less provision)		84,522	573,873
Defined benefit plan assets - net	37.5	317,581	-
Receivable against bancassurance / bancatakaful		30,660	67,952
Stationery and stamps in hand		22,730	23,290
Receivable in respect of home remittance		30,656	37,139
Due from State Bank of Pakistan		245,310	116,489
Rebates receivable from SBP and others	13.1	305,331	465,965
Non-banking assets acquired in satisfaction of claims	13.2 & 13.3	1,176,143	1,088,682
Mark to market gain on derivative instruments	23.2	175,454	22,899
Mark to market gain on forward foreign exchange contracts		334,735	441,182
Advance for subscription of shares		-	40,828
Inter bank fund transfer settlement		-	14,477
Credit card settlement		140,899	29,924
Insurance		7,636	39,100
Others		628,121	496,226
		<b>14,554,560</b>	<b>16,114,281</b>
Less: Provision held against other assets	13.4	(11,241)	(13,580)
Other assets (net of provisions)		<b>14,543,319</b>	<b>16,100,701</b>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<b>135,109</b>	<b>93,743</b>
Other assets - total		<b>14,678,428</b>	<b>16,194,444</b>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**13.1** This includes an amount of Rs. 297,218 million (2019: Rs. 455,370 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

**13.2** During the year, the Bank acquired a property of Rs. 90.178 million (2019: Rs. 998.848 million) against debt swap transaction with a borrower resulting in reversal of provision of Rs. 8.604 million (2019: 277.078 million) (refer note 10.4.1).

	Note	2020 ---- Rupees in '000 ----	2019
<b>13.3 Market value of non-banking assets acquired in satisfaction of claims</b>		<b>1,311,252</b>	1,182,425
<b>13.3.1 Movement of Non banking assets acquired in satisfaction of claims at market value</b>			
As at January 01		1,182,425	185,290
Addition during the year	13.2	90,178	998,848
Surplus recognised during the year	21.3	41,511	-
Transferred during the year		-	-
Depreciation during the year	29	(2,862)	(1,713)
		<b>1,311,252</b>	1,182,425

**13.3.2** Non-banking assets acquired in satisfaction of claims are carried at revalued amount according to the requirements of the 'Regulation for Debt Property Swap' (the regulations) issued by SBP vide the BPRD Circular No. 1 of 2016, dated January 01, 2016.

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. bfa (Pvt) Ltd. and Engineering Pakistan International (Pvt) Ltd. on the basis of professional assessment of present market values.

Had there been no revaluation, the carrying value of non-banking assets acquired in satisfaction of claims would have been lower by Rs. 135.254 million (2019: Rs. 93.743 million), and surplus on revaluation of assets net, deferred tax liability and depreciation expense would have been lower by Rs. 131.080 million (2019: Rs. 92.776 million), and Rs. 0.145 million (2019: Rs. 0.126 million) respectively.

	Note	2020 ----- Rupees in '000 -----	2019
<b>13.3.3 Particulars of Non banking assets</b>			
Leasehold land		944,946	866,695
Building on leasehold land		231,197	221,987
		<b>1,176,143</b>	1,088,682

## **13.4 Movement in provision held against other assets**

Opening balance		13,580	15,860
Charge for the year		100	-
Reversal for the year		(2,439)	(2,280)
Net charge for the year	32	(2,339)	(2,280)
Closing balance		<b>11,241</b>	13,580

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ---- Rupees in '000 ----	2019
<b>14. BILLS PAYABLE</b>			
In Pakistan		<b>4,752,985</b>	3,583,500
Outside Pakistan		<b>228,998</b>	220,991
		<b>4,981,983</b>	3,804,491
<b>15. BORROWINGS</b>			
<b>Secured</b>			
<b>Borrowings from State Bank of Pakistan under:</b>			
Export Refinancing Scheme (ERF)	15.2.1	<b>21,496,075</b>	17,792,778
Long-Term Finance Facility (LTFF)	15.2.2	<b>1,985,038</b>	1,877,760
<b>Other borrowings</b>			
Financing Facility for Storage of Agricultural Produce (FFSAP)		<b>193,029</b>	166,032
Financing Facility for Renewable Energy Projects		<b>433,085</b>	133,633
Refinance and credit guarantee scheme for women entrepreneurs		<b>32,900</b>	775
Refinance for Wages & Salaries		<b>11,543,118</b>	-
Refinance facility for modernization of Small and Medium Enterprises (SMEs)		<b>96,192</b>	-
Refinance facility for combating COVID-19		<b>229,984</b>	-
Refinance facility for working capital of SMEs		<b>33,901</b>	-
Temporary economic refinance facility (TERF)		<b>51,871</b>	-
	15.2.3	<b>12,614,080</b>	300,440
Repurchase agreement borrowings		<b>-</b>	16,849,097
		<b>36,095,193</b>	36,820,075
<b>Borrowing from financial institutions</b>			
Repurchase agreement borrowings	15.2.4	<b>9,667,181</b>	12,746,732
Refinancing facility for mortgage loans	15.2.5	<b>2,397,468</b>	1,961,128
		<b>12,064,649</b>	14,707,860
<b>Total secured</b>		<b>48,159,842</b>	51,527,935
<b>Unsecured</b>			
Call borrowings		<b>-</b>	2,303,356
Overdrawn nostro accounts		<b>143,570</b>	636,992
<b>Total unsecured</b>		<b>143,570</b>	2,940,348
		<b>48,303,412</b>	54,468,283
<b>15.1 Particulars of borrowings</b>			
In local currency		<b>48,159,842</b>	51,527,935
In foreign currencies		<b>143,570</b>	2,940,348
		<b>48,303,412</b>	54,468,283

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**15.2.1** The Bank has entered into agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and to be matured between July 28, 2020 and February 08, 2027 (2019: January 02, 2020 and February 08, 2027). These carry mark-up at the rate from 1% to 3% (2019: 1% to 3%) per annum.

**15.2.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings will mature between November 30, 2020 and November 18, 2030 (2019: November 30, 2020 and August 08, 2029). These carry mark-up at rates ranging from 2.00% to 3.50% (2019: 2.00% to 3.50%) per annum.

**15.2.3** Other borrowings have been obtained from SBP under various facilities on particulars mentioned below:

	Markup rate	Matured	
	Per annum	From	To
Financing Facility for Storage of Agricultural Produce (FFSAP)	2%	January 1, 2022	October 27, 2027
Financing Facility for Renewable Energy Projects	2%	August 1, 2021	August 29, 2029
Refinance and credit guarantee scheme for women entrepreneurs	0%	October 30, 2021	February 28, 2026
Refinance for Wages & Salaries	0%	October 1, 2022	December 31, 2022
Refinance facility for modernization of Small and Medium Enterprises (SMEs)	0%	October 1, 2022	June 16, 2025
Refinance facility for combating COVID-19	0%	April 1, 2025	October 1, 2025
Refinance facility for working capital of SMEs	0%	September 16, 2021	October 1, 2022
Temporary economic refinance facility (TERF)	1%	November 22, 2025	November 22, 2025

**15.2.4** This represents borrowing against Market Treasury Bills (2019: Market Treasury Bills, Pakistan Investment Bonds and Bai Muajjal) carrying mark-up at the rates ranging upto 6.70% (2019: 12.70% to 13.19%) per annum and will be matured between January 11, 2020 and January 12, 2020 (2019: January 02, 2020 and March 26, 2020). The cost and market value of securities given as collateral of amounting to Rs. 9,767,491 million (2019: Rs. 9,200.503 million) and Rs. Nil (2019: Rs. 9,122.620 million) respectively.

**15.2.5** The Bank has entered into agreement with the Pakistan Mortgage Refinance Company Limited (PMRC) for extending housing finance facilities to the Bank's customers on the agreed terms and conditions. The borrowing carries mark-up rate of 3 years PKRV less 100bps and will be matured on February 28, 2022 and December 09, 2025.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 16. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	90,714,627	9,668,068	100,382,695	70,341,319	6,412,941	76,754,260
Savings deposits	98,103,956	3,944,797	102,048,753	73,442,779	2,898,794	76,341,573
Term deposits	186,691,026	15,203,881	201,894,907	164,602,876	11,409,815	176,012,691
Margin deposits	5,920,595	163	5,920,758	5,455,786	15,234	5,471,020
	<b>381,430,204</b>	<b>28,816,909</b>	<b>410,247,113</b>	<b>313,842,760</b>	<b>20,736,784</b>	<b>334,579,544</b>
<b>Financial Institutions</b>						
Current deposits	1,281,700	435,683	1,717,383	859,151	-	859,151
Savings deposits	12,831,324	-	12,831,324	13,450,440	-	13,450,440
Term deposits	8,266,773	-	8,266,773	20,900,829	-	20,900,829
	<b>22,379,797</b>	<b>435,683</b>	<b>22,815,480</b>	<b>35,210,420</b>	<b>-</b>	<b>35,210,420</b>
	<b>403,810,001</b>	<b>29,252,592</b>	<b>433,062,593</b>	<b>349,053,180</b>	<b>20,736,784</b>	<b>369,789,964</b>
				<b>2020</b>	<b>2019</b>	
				---- Rupees in '000 ----		

### 16.1 Composition of deposits

- Individuals	147,143,479	135,583,867
- Government (Federal and Provincial)	92,317,151	73,503,161
- Public Sector Entities	52,156,536	37,475,517
- Banking Companies	2,950,286	2,926,436
- Non-Banking Financial Institutions	19,865,194	32,283,984
- Private Sector	118,629,947	88,016,999
	<b>433,062,593</b>	<b>369,789,964</b>

**16.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 143,210.503 million (2019: Rs. 87,425.180 million).

		2020	2019
	Note	----- Rupees in '000 -----	
<b>17. SUBORDINATED DEBT</b>			
Term Finance Certificates - First Issue	17.1	2,995,200	2,996,400
Term Finance Certificates - Second Issue	17.2	1,997,600	1,998,400
Term Finance Certificates - Third Issue	17.3	2,500,000	2,500,000
		<b>7,492,800</b>	<b>7,494,800</b>

**17.1** In 2016, the Bank has issued Rs. 3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Issue date:	December 14, 2016
Tenure:	Up to Seven years from the Issue date.
Maturity Date:	December 14, 2023
Rating:	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum;  Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

**17.2** In 2017, the Bank has issued Rs. 2 billion of rated, privately placed and listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 29, 2017
Tenure:	Up to Seven years from the Issue date.
Maturity Date:	December 29, 2024



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Rating:	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum;  Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, with prior approval of SBP.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

**17.3** In 2018, the Bank has issued Rs. 2.5 billion of rated, privately placed and listed, unsecured, subordinated, perpetual and non-cumulative additional Tier I capital term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 31, 2018
Maturity date:	Perpetual
Rating:	A (Single A)
Profit Rate:	Floating rate of return at Base rate + 2.25 percent per annum;  Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Profit payment frequency:	Semi-annually on a non-cumulative basis
Redemption:	Not applicable
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other claims except common shares.
Call Option:	Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

## Loss absorbency clause:

Pre-Specified Trigger ("PST")	<p>Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013 which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:</p> <ul style="list-style-type: none"> <li>- If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWA (if possible);</li> <li>- The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); and</li> <li>- In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer.</li> </ul>
Point of Non-Viability ("PONV")	<p>Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below:</p> <p>The PONV trigger event is the earlier of:</p> <ul style="list-style-type: none"> <li>- A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable;</li> <li>- The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP; and</li> <li>- The maximum number of shares to be issued to TFC holders at the Pre-Specified Trigger and / or Point of Non Viability (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP.</li> </ul>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 18. DEFERRED TAX (ASSETS) / LIABILITIES

		2020			
		Balance as at January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2020
Note		----- Rupees in '000 -----			
<b>Deferred tax debits arising from:</b>					
		(57,149)	-	-	(57,149)
		(132,305)	(155,535)	-	(287,840)
		(3,097)	(40,455)	-	(43,552)
		(2,514)	(390)	-	(2,904)
		23,085	(45,978)	-	(22,893)
		(628,569)	628,569	-	-
		(800,549)	386,211	-	(414,338)
<b>Deferred tax credits arising due to:</b>					
		250,858	(78,296)	-	172,562
		512,268	-	-	512,268
	21	299,034	(58,643)	-	240,391
	21	967	(51)	3,113	4,029
	21	8,145	(2,843)	-	5,302
		(1,218)	1,500	-	282
	21	(278,261)	-	952,017	673,756
		791,793	(138,332)	955,130	1,608,590
		(8,756)	247,879	955,130	1,194,252
2019					
		Balance as at January 01, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2019
		----- Rupees in '000 -----			
<b>Deferred tax debits arising from:</b>					
		(57,149)	-	-	(57,149)
		(34,278)	(98,027)	-	(132,305)
		(124,078)	(504,491)	-	(628,569)
		(36,820)	33,723	-	(3,097)
		(2,246)	(268)	-	(2,514)
		(4,517)	3,299	-	(1,218)
	21	(1,173,907)	-	895,646	(278,261)
		(1,432,995)	(565,764)	895,646	(1,103,113)
<b>Deferred tax credits arising due to:</b>					
		225,855	25,003	-	250,858
		512,268	-	-	512,268
	21	328,079	(11,825)	(17,220)	299,034
	21	1,010	(43)	-	967
		74,177	(51,092)	-	23,085
		4,544	3,601	-	8,145
		1,145,933	(34,356)	(17,220)	1,094,357
		(287,062)	(600,120)	878,426	(8,756)

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,994,596	4,092,845
Mark-up / return / interest payable in foreign currencies		52,729	72,782
Unearned income on guarantees		176,270	99,505
Accrued expenses		669,383	304,086
Acceptances		3,603,192	3,221,212
Unclaimed dividends		4,214	4,214
Mark to market loss on derivative instruments		160,306	491
Mark to market loss on forward foreign exchange contracts		400,144	375,227
Payable in respect of defined benefit obligation - net	37.5	-	151,881
Withholding taxes payable		401,303	414,407
Government challan collection		94,510	66,867
Donation payable	29.2.1	-	1,991
Security deposits against leases, lockers and others		3,490,704	4,172,975
Sindh Workers' Welfare Fund	33.2	114,237	73,777
Payable in respect of home remittance		831,042	446,387
Retention money payable		42,044	34,248
Lease liability against right-of-use assets	19.1	2,583,947	3,696,371
Advance against assets held for sale	11.3.2	-	37,500
Insurance payable		10,137	12,693
Payable to vendors against SBS goods		93,634	185
Debit card settlement		65,855	73,084
Inter bank fund transfer settlement		159,136	-
Others		593,771	183,444
		<b>16,541,154</b>	<b>17,536,172</b>

## 19.1 Lease liabilities

The carrying amounts of lease liabilities and the movements during the year is as below:

<b>Opening balance</b>		<b>3,696,371</b>	4,153,244
Additional impact arised during the year - net		31,080	42,563
Termination impact arised during the year - net		(417,536)	-
Markup on Lease liability against right-of-use assets	25	405,879	507,361
Payments		(1,131,847)	(1,006,797)
<b>Closing balance</b>		<b>2,583,947</b>	<b>3,696,371</b>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 20. SHARE CAPITAL - NET

### 20.1 Authorised capital

#### 20.1.1 Ordinary shares

2020                      2019  
----- Number of shares -----

2,350,000,000    2,350,000,000    Ordinary shares of Rs.10 each

2020                      2019  
----- Rupees in '000 -----

23,500,000    23,500,000

#### 20.1.2 Preference shares

150,000,000    150,000,000    Convertible preference shares of Rs.10 each

1,500,000    1,500,000

### 20.2 Issued, subscribed and paid-up capital

		Ordinary shares		
2020	2019		2020	2019
763,558,965	763,558,965	Fully paid in cash	7,635,590	7,635,590
533,905,297	533,905,297	Issued for consideration other than cash	5,339,053	5,339,053
<u>1,297,464,262</u>	<u>1,297,464,262</u>		<u>12,974,643</u>	<u>12,974,643</u>
-	-	Less: Discount on issue of shares	(2,855,401)	(2,855,401)
<u>1,297,464,262</u>	<u>1,297,464,262</u>		<u>10,119,242</u>	<u>10,119,242</u>

20.3 As at December 31, 2020, Jahangir Siddiqui & Co. Limited (the parent company) held 973,307,324 (December 31, 2019: 973,307,324) ordinary shares of Rs.10 each i.e. 75.02% holding (December 31, 2019: 75.02%).

## 21. SURPLUS ON REVALUATION OF ASSETS

### Surplus / (deficit) on revaluation of

	Note	2020	2019
Available-for-sale securities	9.1 & 21.1	1,925,017	(795,030)
Fixed assets	21.2	1,192,173	1,359,727
Non-banking assets acquired in satisfaction of claims	21.3	135,109	93,743
		<u>3,252,299</u>	<u>658,440</u>

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

Available-for-sale securities	(673,756)	278,261
Fixed assets	(240,391)	(299,034)
Non-banking assets acquired in satisfaction of claims	(4,029)	(967)
	<u>(918,176)</u>	<u>(21,740)</u>
	<u>2,334,123</u>	<u>636,700</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**21.1** This includes general provision under IFRS 9 of Rs. 122.758 million held on foreign bonds (2019: Rs. Nil) by Bahrain branch of the Bank.

	Note	2020 ----- Rupees in '000 -----	2019
<b>21.2 Fixed assets</b>			
Surplus on revaluation as at January 01		1,359,727	1,379,744
Recognised during the year - net		-	13,765
		1,359,727	1,393,509
<b>Less: Transferred to unappropriated profit</b>			
Incremental depreciation during the year		(16,785)	(21,958)
Related deferred tax liability		(9,038)	(11,824)
Realised on disposal of asset classified under held for sale		(92,126)	-
Related deferred tax liability		(49,605)	-
		(167,554)	(33,782)
Surplus on revaluation as at December 31	21.2.1	1,192,173	1,359,727
<b>Less: Related deferred tax liability on</b>			
Surplus on revaluation as at January 01		(299,034)	(328,078)
Recognised / transfered during the year		-	17,220
Transferred to profit and loss account on account of incremental depreciation		9,038	11,824
Realised on disposal of asset classified under held for sale		49,605	-
		(240,391)	(299,034)
		951,782	1,060,693

**21.2.1** This includes Rs. 195.610 million (2019: Rs. 141.731 million) which relates to assets held for sale as disclosed in note 11.3.

	Note	2020 ----- Rupees in '000 -----	2019
<b>21.3 Non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 01		93,743	93,869
Recognised during the year		41,511	-
		135,254	93,869
<b>Less: Transferred to unappropriated profit</b>			
Incremental depreciation during the year		(94)	(82)
Related deferred tax liability		(51)	(44)
		(145)	(126)
Surplus on revaluation as at December 31		135,109	93,743
<b>Less: Related deferred tax liability on</b>			
Surplus on revaluation as at January 01		(967)	(1,011)
Transferred to profit and loss account on account of incremental depreciation		51	44
Recognised during the year		(3,113)	-
		(4,029)	(967)
		131,080	92,776



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>22. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	22.1	<b>58,779,594</b>	45,650,803
Commitments	22.2	<b>65,262,832</b>	76,025,492
		<b>124,042,426</b>	121,676,295
<b>22.1 Guarantees</b>			
Financial guarantees		<b>1,024,422</b>	2,464,411
Performance guarantees		<b>36,678,881</b>	21,483,841
Other guarantees		<b>21,076,291</b>	21,702,551
	22.1.1	<b>58,779,594</b>	45,650,803
<b>22.1.1</b>	Included herein are outstanding guarantees of Rs. 29.054 million (2019: Rs.14.217 million) of related parties.		
	Note	2020 ----- Rupees in '000 -----	2019
<b>22.2 Commitments</b>			
<b>Documentary credits and short-term trade-related transactions</b>			
- letters of credit	22.2.1	<b>21,111,360</b>	13,965,258
<b>Commitments in respect of</b>			
- Forward foreign exchange contracts	22.2.2	<b>38,178,262</b>	55,111,366
- Derivative instruments	22.2.3	<b>5,362,948</b>	6,745,592
- Forward lending	22.2.4	<b>384,230</b>	72,183
<b>Commitments for acquisition of</b>			
- Fixed assets	22.2.5	<b>226,032</b>	131,093
		<b>65,262,832</b>	76,025,492
<b>22.2.1</b>	Included herein are the outstanding letter of credits of Rs. 86.543 million (2019: Rs. 44.368 million) of related parties.		
		2020 ----- Rupees in '000 -----	2019
<b>22.2.2 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		<b>23,137,733</b>	33,104,108
Sale		<b>15,040,529</b>	22,007,258
		<b>38,178,262</b>	55,111,366
The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.			
		2020 ----- Rupees in '000 -----	2019
<b>22.2.3 Commitments in respect of derivative instruments</b>			
Purchase		<b>1,760,637</b>	3,622,107
Sale		<b>3,602,311</b>	3,123,485
		<b>5,362,948</b>	6,745,592
<b>22.2.3.1 Interest rate swaps (notional principal)</b>			
Purchase		<b>1,176,824</b>	2,099,175
Sale		<b>1,176,824</b>	2,100,175
		<b>2,353,648</b>	4,199,350

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>22.2.3.2 Options (notional principal)</b>			
Purchase		582,419	1,023,310
Sale		2,425,487	1,023,310
		<u>3,007,906</u>	<u>2,046,620</u>
<b>22.2.3.3 Commitments in respect of forward securities</b>			
Purchase		<u>1,394</u>	<u>499,622</u>
<b>22.2.4 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	21.2.4.1	<u>384,230</u>	<u>72,183</u>
<b>22.2.4.1</b>	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
<b>22.2.5 Commitments for acquisition of fixed assets</b>		<u>226,032</u>	<u>131,093</u>
<b>22.2.6</b>	Tax related contingencies are disclosed in notes 33.2 to 33.5.		

## 23. DERIVATIVE INSTRUMENTS

Derivative instruments, such as Forward Exchange Contracts, Interest Rate Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Bank.

The Bank has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 45.

Accounting policies in respect of derivative financial instruments are described in note 4.4.2.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2020					
		Interest Rate Swaps		Options		Forward securities	
		Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market
23.1 Product analysis		Rupees in '000					
With Banks for							
Hedging		2,353,648	4,943	3,007,906	10,205	-	-
Market making		-	-	-	-	-	-
With FIs other than banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	1,394	-
Total							
Hedging		2,353,648	4,943	3,007,906	10,205	-	-
Market making		-	-	-	-	1,394	-
		2019					
		Interest Rate Swaps		Options		Forward securities	
		Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market
		Rupees in '000					
With Banks for							
Hedging		4,199,350	13,327	-	8,885	-	-
Market making		-	-	-	-	499,622	196
With FIs other than banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
Total							
Hedging		4,199,350	13,327	-	8,885	-	-
Market making		-	-	-	-	499,622	196

23.1.1 The notional value of options includes Nil (2019: Rs. 1,023.310 million) and the Bank has entered back to back arrangement to close the position at year end.

23.2	Maturity analysis	2020				
	Remaining maturity of Contracts	Number of contracts	Notional principal	Mark to market		
				Positive	Negative	Net
		----- Rupees in '000 -----				
	Upto 1 month	5	669,991	29,685	(28,769)	916
	1 to 3 months	1	317,656	-	(889)	(889)
	3 to 6 months	7	1,345,571	13,001	(5,296)	7,705
	6 months to 1 year	10	2,914,453	121,563	(114,748)	6,815
	1 to 2 years	2	115,277	11,205	(10,604)	601
		25	5,362,948	175,454	(160,306)	15,148

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Remaining maturity of Contracts	2019				
	Number of contracts	Notional principal	Mark to market		
			Positive	Negative	Net
			----- Rupees in '000 -----		
Upto 1 month	-	-	-	-	-
1 to 3 months	1	499,622	196	-	196
6 months to 1 year	4	-	9,376	(491)	8,885
1 to 2 years	3	2,516,330	7,785	-	7,785
2 to 3 years	1	1,683,020	5,542	-	5,542
	9	4,698,972	22,899	(491)	22,408

24. MARK-UP / RETURN / INTEREST EARNED	Note	2020	2019
		----- Rupees in '000 -----	
On:			
Loans and advances		25,287,865	30,944,739
Investments		16,509,138	9,683,494
Lendings to financial institutions		32,855	52,679
Balances with other banks		9,824	54,857
Securities purchased under resale agreements		1,259,308	858,930
		<u>43,098,990</u>	<u>41,594,699</u>

25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		29,390,170	28,414,651
Borrowings	25.1	1,889,363	3,678,116
Subordinated debt		900,310	1,029,228
Cost of foreign currency swaps against foreign currency deposits / borrowings		735,977	936,986
Markup on Lease liability against right-of-use assets	19.1	405,879	507,361
		<u>33,321,699</u>	<u>34,566,342</u>

25.1 Borrowings			
Export Refinancing Scheme (ERF)		357,578	337,916
Long-Term Finance Facility (LTFF)		46,242	35,388
Other Borrowings from State Bank Bank of Pakistan		10,941	3,942
Securities sold under repurchase agreements		1,111,507	2,810,910
Other borrowings		363,095	489,960
		<u>1,889,363</u>	<u>3,678,116</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		240,908	174,723
Consumer finance related fees		39,700	21,098
Card related fees (debit and credit cards)		652,096	594,713
Credit related fees		358,650	328,927
Investment banking fees		97,520	47,997
Commission on trade		671,804	570,108
Commission on guarantees		393,993	266,999
Commission on cash management		4,755	5,966
Commission on remittances including home remittances	26.1	252,078	111,288
Commission on bancassurance		180,460	180,770
Commission on distribution of mutual funds		29,008	117,298
Commission on online Services		372,892	186,396
Postage & Courier income		24,096	22,143
Rebate income		250,355	224,598
Rebate on primary dealership		27,637	6,918
		<u>3,595,952</u>	<u>2,859,942</u>
<b>26.1</b>	This includes Rs.149.305 million (2019: Rs. 82.373 million) in respect of commission income from home remittance services provided by the Bank. The amount is earned from State Bank of Pakistan at the rate of Saudi Riyal 20 (2019: Saudi Riyal 20) per transaction over USD 200 (2019: USD 200) and is shared between the Bank and various exchange companies as per terms of agreement with them.		
	Note	2020 ----- Rupees in '000 -----	2019
<b>27. GAIN / (LOSS) ON SECURITIES</b>			
Realised	27.1	1,872,242	(708,527)
Unrealised - held for trading		805	(2,618)
		<u>1,873,047</u>	<u>(711,145)</u>
<b>27.1 Realised gain / (loss) on</b>			
<b>Federal government securities</b>			
Market treasury bills		76,894	3,518
Pakistan investment bonds		1,379,114	(248,555)
Ijara sukuk certificates		71	633
		<u>1,456,079</u>	<u>(244,404)</u>
<b>Shares</b>			
Listed companies		414,716	(393,203)
<b>Non Government Debt Securities</b>			
Term finance certificates		-	(19)
Sukuk certificates		450	150
		450	131
<b>Mutual fund units</b>			
Foreign currency bonds		4,355	3,272
		<u>(3,358)</u>	<u>(74,323)</u>
		<u>1,872,242</u>	<u>(708,527)</u>
<b>28. OTHER INCOME - NET</b>			
(Loss) / gain on sale of operating fixed assets - net		(1,368)	483,600
Gain on sale of assets held for sale	11.3.2	1,000	-
Gain on termination of leases	28.1	64,805	-
Others		5,358	-
		<u>69,795</u>	<u>483,600</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

**28.1** This represents, gain on termination of leases against closure of fifty one branches under the Bank's branch rationalisation strategy.

	Note	2020 ----- Rupees in '000 -----	2019
<b>29. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	<b>6,262,594</b>	5,237,267
<b>Property expense</b>			
Rent & taxes		24,555	28,522
Insurance		2,638	10,550
Utilities cost		343,963	345,722
Security (including guards)		335,688	295,201
Repair & maintenance (including janitorial charges)		213,589	176,677
Depreciation		190,794	192,757
Depreciation - Right of Use Assets	11.4	893,148	910,321
Depreciation on non banking assets	13.3.1	2,862	1,713
		<b>2,007,237</b>	1,961,463
<b>Information technology expenses</b>			
Software maintenance		749,848	233,349
Hardware maintenance		176,495	166,549
Depreciation		204,326	173,734
Amortisation		113,052	93,316
Network charges		121,682	115,973
		<b>1,365,403</b>	782,921
<b>Other operating expenses</b>			
Directors' fees and allowances		19,950	12,050
Legal & professional charges		166,570	114,265
Insurance		281,757	203,412
Outsourced services costs	36	152,468	131,109
Travelling & conveyance		90,010	93,640
NIFT clearing charges		45,199	40,394
Depreciation		299,192	402,887
Training & development		19,121	33,742
Postage & courier charges		99,622	81,069
Communication		171,275	119,523
Stationery & printing		259,670	271,491
Marketing, advertisement & publicity		452,925	324,628
Donations	29.2	117,841	2,609
Auditors' Remuneration	29.3	13,011	10,804
Staff Auto fuel & maintenance		200,842	220,510
Bank Charges		59,970	63,284
Stamp Duty		17,148	55,533
Online verification charges		18,802	21,870
Brokerage, fee and commission		57,739	33,786
Card related fees (debit and credit cards)		6,906	8,662
CDC and other charges		4,975	5,306
Consultancy fee		55,905	30,949
Deposit protection corporation	29.4	128,144	139,761
Entertainment expenses		73,303	63,921
Repair and maintenance		67,988	66,161
Cash handling charges		239,732	69,625
Fee and Subscription		124,516	65,861
Employees social security		10,556	8,124
Generator fuel & maintenance		76,415	79,858
Others		52,214	35,223
		<b>3,383,766</b>	2,810,057
		<b>13,019,000</b>	10,791,708



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>29.1 Total compensation expense</b>			
Fees and Allowances etc.		<b>180,157</b>	162,077
Managerial Remuneration			
i) Fixed		<b>3,984,843</b>	3,689,496
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.	29.1.1	<b>606,678</b>	306,849
b) Commission		<b>261,352</b>	224,474
Charge for defined benefit plan		<b>159,436</b>	134,712
Contribution to defined contribution plan		<b>229,001</b>	209,871
Leaving indemnity		<b>6,479</b>	4,246
Medical		<b>385,956</b>	357,269
Conveyance		<b>413,648</b>	81,851
Insurance staff		<b>35,044</b>	66,422
		<b>6,262,594</b>	5,237,267

**29.1.1** The Bank operates a short term employee benefit scheme which includes cash awards / special bonus for all employees. Under this scheme, the bonus for all employees, including the Chief Executive Officer (CEO) is determined on the basis of employees' evaluation and the Bank's performance during the year.

	Note	2020 ----- Rupees in '000 -----	2019
<b>29.2 Donations</b>			
Future Trust	29.2.1	<b>112,841</b>	1,991
Hope Uplift Foundation		-	618
Agha Khan Foundation		<b>5,000</b>	-
		<b>117,841</b>	2,609

**29.2.1** This represents donation to a related party, wherein below mentioned persons are trustees. The registered office of the donee is located at 20th Floor, The Centre, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi-74400, Pakistan.

- Mr. Suleman Lalani	Chief Executive Officer of the Jahangir Siddiqui & Co. Ltd. (the parent company)
- Mr. Kalim-ur-Rehman	Chairman of the Bank
- Mr. Hasan Shahid	Chief Financial Officer of the Bank and Director of JS Investments Limited, subsidiary company
- Mr. Najmul Hoda Khan	Chief Financial Officer of the Jahangir Siddiqui & Co. Ltd. (the parent company)
- Mr. Tariq Usman Bhatti	Head of Money Market And Forex of JS Global Capital Limited, subsidiary company

	Note	2020 ----- Rupees in '000 -----	2019
<b>29.3 Auditors' remuneration</b>			
Audit fee - Pakistan		<b>1,794</b>	1,794
Audit fee - Bahrain		<b>1,717</b>	1,640
Half-yearly review		<b>619</b>	619
Fee for audit of employees funds		<b>143</b>	143
Fee for other statutory certifications		<b>1,010</b>	591
Special certification and sundry advisory services		<b>5,413</b>	4,103
Taxation services		<b>270</b>	275
Out of pocket expenses and sales tax on services		<b>2,045</b>	1,639
	29.3.1	<b>13,011</b>	10,804

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>29.3.1 Geographical analysis</b>			
Pakistan		10,406	8,651
Bahrain		2,605	2,153
		<u>13,011</u>	<u>10,804</u>

**29.4** Under the provision of section 5(2) of the Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018, the Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation, a subsidiary company of State Bank of Pakistan, @ 0.16% on eligible deposits as of December 31 of each preceding calendar year.

The Bank's eligible deposits as of December 31, 2019 are amounting to Rs. 87,425.180 million on which total premium is payable of Rs. 139.880 million per annum (Rs. 34.970 million per quarter).

		2020 ----- Rupees in '000 -----	2019
<b>30. WORKERS' WELFARE FUND</b>			
Charge during the year		<u>40,460</u>	<u>1,065</u>

**30.1** Provision held at @ 2% of the higher of profit before tax or taxable income under Sindh Workers' Welfare Act, 2014 and the Punjab Workers' Welfare Fund Act, 2019.

	Note	2020 ----- Rupees in '000 -----	2019
<b>31. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		91,639	131,444
Others		-	6,199
		<u>91,639</u>	<u>137,643</u>

## **32. PROVISIONS AND WRITE OFFS - NET**

Provisions for diminution in value of investments	9.3	275,366	(345,300)
Provisions against loans & advances - specific	10.4	841,895	354,848
Provisions against loans & advances - general	10.4	(161,166)	5,505
Provisions / (reversals) under IFRS-9 - general	32.1	138,345	(105,018)
Fixed assets written off	11.2	181,887	-
Other assets written off		5,620	-
Other reversals	13.4	(2,339)	(2,280)
Bad debts written off directly		-	315
		<u>1,279,608</u>	<u>(91,930)</u>

## **32.1 Provisions / (reversals) under IFRS-9 - general**

### **Charge / (reversal) during the year**

Balances with other banks	384	(71)
Lendings to financial institutions	(79)	(3,434)
Investments	124,303	(97,192)
Advances	13,737	(4,321)
	<u>138,345</u>	<u>(105,018)</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	----- Rupees in '000 -----	
<b>33. TAXATION</b>		
Current	<b>623,291</b>	708,542
Prior years	<b>1,711</b>	-
Deferred	<b>247,879</b>	(600,120)
	<b>872,881</b>	108,422
<b>33.1 Relationship between income tax expense and accounting profit</b>		
<b>Profit before taxation</b>	<b>2,022,941</b>	133,075
Tax on income @ 35% (2019: 35%)	<b>708,029</b>	46,576
Effect of permanent differences	<b>32,074</b>	46,005
Effects of prior year deferred taxation	-	-
Effects of prior year current tax	<b>140,471</b>	20,559
Others	<b>(7,693)</b>	(4,718)
<b>Tax charge for the year</b>	<b>872,881</b>	108,422
<b>33.2 Income Tax</b>		

The income tax returns filed under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2007 through 2020. These returns filed were deemed to have been assessed in terms the provisions prevailing under income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2017. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments in tax year 2008 to tax year 2018, the department had made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010, 2011 & 2012 and tax years 2009, 2012 & 2013 respectively.

In respect of WWF, the Supreme Court of Pakistan has held in Judgement, PLD 2017 SC 28, that the amendments made in the WWF Ordinance through Finance Act, 2006 and 2008 were illegal and without lawful authority i.e. the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay WWF. Therefore based on this, the Bank's contention is mandated and it is likely that its pending appeals in this will be decided favorably. The Bank has obtained appeal effect orders of respective years except 2013 and resultantly no demand is payable in this respect.

As a consequence of the 18th amendment to the Constitution, levy for the WWF was introduced by the Government of Sindh and Punjab through the Sindh WWF Act, 2014 ("the Act") and the Punjab Workers Welfare Fund Act, 2019 respectively. As per the Acts, the Bank is liable to pay WWF in both provinces. However in this respect:

- The Bank has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (SHC) through Constitutional Petition 1546/2017 on grounds that banking companies cannot be considered as industrial establishment and that the Act will be applied to trans-provincial entities to the extent that the obligation under the provincial law is to make distribution to the extent of the proportionate profit of the Sindh Province. The Court has restrained the Sindh Revenue Board to collect / recover Sindh WWF till the next date of hearing.
- The Bank will challenge the recovery of Punjab WWF in the court of law on same grounds in case of SWWF.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

In 2018, Based on decision of the Supreme Court of Pakistan, the Bank had reassessed the provision of WWF which was previously held on the entire operating results of the Bank (including all provinces, part of Pakistan, AJK and Bahrain Operations) and maintained WWF only to the extent of its operations within Sindh Province till 2019. In 2020 after promulgation of Punjab WWF, the Bank has again decided prudently to maintained provision on the entire results of the Bank.

In respect of minimum tax, the Commissioner Inland Revenue-Appeals (the CIR(A)) has the not accepted the Bank's contentions of gross loss position and also decided that non-mark-up income is the fall in the definition of turnover including capital gains and dividend income. As result the demand of Rs. 38.907 million has been payable. The Bank has contested the matter in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing.

For tax year 2008-2018, the Bank has not accepted the amendments of Rs. 6.57 billion and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIR(A)).

CIR(A) has admitted the contention of the Bank in case of tax year 2008 that the amended order is barred by time and decided that any addition made in impugned order is annulled and not required to be further adjudicated. However, the department has filed an appeal against the decision of CIR(A) in ATIR which has been partly heard.

With regard to appeals filed for tax year 2009 to 2017, the CIR(A) has decided the appeals accepting the Bank's contentions in respect of significant issues, and certain disallowance including amortization claim of goodwill have been decided in favor of department in all tax years. However, the Bank and the tax department are contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication.

The tax department passed appeal effect/rectification orders and allowed deleted and set-aside issues in the light of CIR(A) orders for tax year 2008 to 2014. As a result of these orders, the Bank's taxable losses has increased to Rs. 3.464 billion and reduced the demand of Rs. 1.212 billion in relevant tax years after adjustment of these losses.

Further for the tax year 2013, the ATIR has decided appeal filed by tax department in respect of calculating the amount of provisions against advances as allowable under Rule 1(c) of Seventh Schedule to the Income Tax Ordinance, 2001 and has maintained the CIR(A) decision that the allowability of provision for advances to be calculated at 1% of gross amount of advances as against the tax department contention that the same is to be calculated on net advances after deducting the amount of provisions created and allowed against advances.

The matter of allowability of amortization relating to goodwill is contentious issue, therefore based on the opinion of lawyer there are arguments available to contend that goodwill on merger is an allowable deduction for tax purposes. Especially in the recent decision given by the High Court of Sindh in the case of merger of another bank in Pakistan where the Court has ruled in favour of taxpayer that goodwill generated in merger is 'intangible' and amortization relating to goodwill is allowable deduction.

The Sindh High Court has dismissed the Bank's petitions for tax years 2016 through 2019 wherein the Bank alongwith other taxpayers challenged the levy of super tax on constitutional grounds. Based on the opinion of legal counsel, the Bank has appealed before the Supreme Court against the decision of the Sindh High Court. The Supreme Court has allowed interim relief to the taxpayers subject to the payment of 50% of the super tax liability. However, the Bank has adjusted full amount of super tax liability for Tax year 2016 and 2019 against the available tax refunds. Further, the bank has obtained stay from the Sindh High Court on other technical grounds regarding the levy of Super Tax for tax years 2017 and 2018.

## 33.3 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax year 2014-2019. Orders in respect of tax years 2014, 2015 and 2017 has been passed against which appeals have been filed before the CIR(A). CIR(A) has reminded back the matters for rectification in respect of tax years 2014 and 2015 against which rectified orders has been passed and demands have been rectified. Appeal for tax year 2017 has been heard and reserved for order. In respect of tax year 2018 and 2019, proceedings are pending.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 33.4 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs. 48.838 million (besides Rs. 4.440 million is charged as penalty) against the Bank for allegedly non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes' (i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union) on total amounting to Rs. 277.488 million for the tax periods July 2011 to December 2013. An appeal was filed before Commissioner (Appeals) Sindh Revenue Board, CA-SRB against the decision of AC-SRB which was decided in favor of the tax department except tax imposed on FX gain on remittance by Western Union. Thereafter, both the Bank and AC-SRB filed appeals before the Appellate Tribunal SRB against the decision of CA-SRB. Through its Order dated April 18, 2019, the Appellate Tribunal SRB quashed the demand raised by deciding the Bank's appeal in the Bank's favour and dismissing the AC-SRB's appeal. The Bank and tax department have filed appeals before Appellate Tribunal which are pending for hearing.

The management of Bank is confident that the appeals filed in respect of the above matter will be decided in the Bank's favor and accordingly no demand for payment would arise.

## 33.5 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2019 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders are rectified and no additional demand has been raised.

34. BASIC AND DILUTED EARNINGS PER SHARE	Note	2020 ----- Rupees in '000 -----	2019 ----- Rupees in '000 -----
Profit after taxation for the year - attributable to ordinary equity holders of the Bank		1,150,060	24,653
Preference dividend paid for the year December 31, 2018 @ 12% p.a		-	(24,164)
Profit after taxation for the year - attributable to ordinary equity holders of the Bank		<u>1,150,060</u>	<u>489</u>
----- Numbers -----			
Weighted average number of outstanding ordinary shares during the year		<u>1,297,464,262</u>	<u>1,297,464,262</u>
----- Rupee -----			
Basic and diluted earnings per share		<u>0.8864</u>	<u>0.0004</u>

## 35. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	6	30,421,231	25,589,349
Balances with other banks	7	1,106,419	462,904
Overdrawn nostro accounts	15	(143,570)	(636,992)
		<u>31,384,080</u>	<u>25,415,261</u>
Less: General provision under IFRS 9		(450)	(68)
		<u>31,383,630</u>	<u>25,415,193</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	----- Number -----	
<b>36. STAFF STRENGTH</b>		
Permanent	3,773	3,607
On Bank's contract	1,055	825
Bank's own staff strength at the end of the year	4,828	4,432
Third party contract (other guards and janitorial)	483	472
	<b>5,311</b>	4,904
<b>36.1 Geographical segment analysis</b>		
Pakistan	5,304	4,897
Bahrain	7	7
	<b>5,311</b>	4,904

## 37. DEFINED BENEFIT PLAN

### 37.1 General description

The Bank operates a recognized gratuity fund for all employees who opted for this scheme introduced by the management with effect from January 01, 2007.

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

### 37.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

#### - Salary increase risk:

The risk that the final salary at the time of cessation of services is greater than assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

#### - Discount rate risk

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## - Demographic Risks

### - Withdrawal risk:

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

### - Longevity Risk

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

## - Investment risk

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

### 37.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme (gratuity fund) is 3,756 (2019: 3,595).

### 37.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2020 based on the Projected Unit Credit Method, using the following significant assumptions:

		2020	2019
Valuation discount rate for year end obligation	per annum	9.75%	11.75%
Interest cost on defined benefit obligation	per annum	11.75%	13.75%
Interest income on plan assets	per annum	11.75%	13.75%
Future salary increase rate			
- upto one years	per annum	8.00%	8.00%
- from two to three years	per annum	10.00%	10.00%
- more than three years	per annum	9.75%	11.75%
The average duration of the defined benefit obligation	years	10	10
Normal retirement age	years	60	60
Withdrawal rates		Moderate	Moderate
Mortality rates		SLIC 2001-2005, Setback 1 Year	SLIC 2001-2005, Setback 1 Year

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 37.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability / (asset)	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----					
<b>Balance as at January 01, 2020</b>	<b>844,212</b>	649,062	<b>692,331</b>	546,568	<b>151,881</b>	102,494
<b>Included in profit or loss</b>						
Current service cost	148,693	125,676	-	-	148,693	125,676
Past service cost	1,820	2,113	-	-	1,820	2,113
Interest cost / income	97,343	87,892	88,420	80,969	8,923	6,923
	<b>247,856</b>	215,681	<b>88,420</b>	80,969	<b>159,436</b>	134,712
<b>Included in other comprehensive income</b>						
Actuarial gains / losses arising from:						
- financial assumptions	14,025	(8,792)	-	-	14,025	(8,792)
- experience adjustments	(266)	7,956	-	-	(266)	7,956
Return on plan assets	-	-	490,776	(18,005)	(490,776)	18,005
	<b>13,759</b>	(836)	<b>490,776</b>	(18,005)	<b>(477,017)</b>	17,169
<b>Other movements</b>						
Contribution made during the year	-	-	151,881	102,494	(151,881)	(102,494)
Benefits paid during the year	(31,529)	(19,695)	(31,529)	(19,695)	-	-
	<b>(31,529)</b>	(19,695)	<b>120,352</b>	82,799	<b>(151,881)</b>	(102,494)
<b>Balance as at December 31, 2020</b>	<b>1,074,298</b>	844,212	<b>1,391,879</b>	692,331	<b>(317,581)</b>	151,881

## 37.6 The composition of the plan assets at the end of the reporting period for each category, are as follows:

	Cost		Fair value of plan assets			
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000 -----				Percentage	
<b>Cash and cash equivalents</b>						
Cash at Bank	82,793	171,000	82,793	171,000	5.9%	24.6%
Term deposits receipts	150,000	-	161,806	-	11.6%	0.0%
	<b>232,793</b>	171,000	<b>244,599</b>	171,000	<b>17.6%</b>	24.6%
<b>Debt securities</b>						
Pakistan Investment Bonds	388,863	304,064	411,079	297,918	29.5%	42.9%
Market treasury bills	53,815	114,508	53,660	117,399	3.9%	16.9%
Term finance certificates	50,503	100,590	50,370	94,459	3.6%	13.6%
	<b>493,181</b>	519,162	<b>515,109</b>	509,776	<b>37.0%</b>	73.4%
<b>Ordinary Shares of listed companies</b>	<b>448,506</b>	14,929	<b>632,172</b>	13,346	<b>45.4%</b>	1.9%
	<b>1,174,480</b>	705,091	<b>1,391,880</b>	694,122	<b>100%</b>	100%

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 37.7 Maturity profile

**37.7.1** Expected maturity analysis of undiscounted defined benefit obligation (benefit payments) for the gratuity fund is as follows:

	Up to one year	Over 1-2 years	Over 2- 5 years	Over 6-10 years	Over 10 and above years	Total
	Rupees in '000					
<b>Balance as at December 31, 2020</b>	<b>45,445</b>	<b>71,699</b>	<b>268,697</b>	<b>1,245,714</b>	<b>11,997,565</b>	<b>13,629,120</b>
Balance as at December 31, 2019	37,261	44,550	217,395	901,479	14,564,443	15,765,128

## 37.8 Sensitivity analysis

**37.8.1** Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Particulars	Rate	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability / (asset)
		Rupees in '000		
<b>Current results</b>	-	1,074,298	1,391,879	(317,581)
<b>Discount rate</b>				
1% Increase	10.75%	977,544	1,391,879	(414,335)
1% Decrease	8.75%	1,185,787	1,391,879	(206,092)
<b>Salary Rate</b>				
1% Increase	12.75%	1,186,928	1,391,879	(204,951)
1% Decrease	10.75%	974,759	1,391,879	(417,120)
<b>Withdrawal rate</b>				
10% Increase	Moderate + one year	1,046,507	1,391,879	(345,372)
10% Decrease	Moderate - one year	1,104,543	1,391,879	(287,336)
<b>Mortality rate</b>				
One year age set back	Adjusted SLIC 2001- 2005 - one year	1,073,753	1,391,879	(318,126)
One year age set forward	Adjusted SLIC 2001- 2005 + one year	1,074,879	1,391,879	(317,000)

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as applied in calculating the defined benefit obligation liability recognised in this unconsolidated statement of financial position.

## 37.9 Maturity profile

The weighted average duration of the defined benefit obligation works out to 10 years.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 37.10 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

	2020	2019	2018	2017	2016
	----- Rupees in '000 -----				
<b>Particulars</b>					
Defined benefit obligation	1,074,298	844,212	649,062	550,729	367,635
Fair value of plan assets	(1,391,879)	(692,331)	(546,568)	(375,611)	(249,327)
Net defined benefit liability	<u>(317,581)</u>	<u>151,881</u>	<u>102,494</u>	<u>175,118</u>	<u>118,308</u>
Re-measurement loss / (gain) on obligation	13,759	(836)	(52,391)	75,269	56,598
Re-measurement (gain) / loss on plan assets	(490,776)	18,005	25,329	10,273	393
Other comprehensive income	<u>(477,017)</u>	<u>17,169</u>	<u>(27,062)</u>	<u>85,542</u>	<u>56,991</u>

37.11 The average duration of the payment of benefit obligation at December 31, 2020 is within one year.

37.12 The Bank contributes to the gratuity fund as per actuarial's valuation of the year.

37.13 Based on actuarial advice and management estimates, profit and loss account charge in respect of defined benefit obligation for the next one year works out to be Rs.139.866 million. The amount of re-measurements to be recognised in other comprehensive income for year ending December 31, 2020 will be worked out as at the next valuation.

## 38. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 7.1% of the basic salaries (2019: 7.1% of the basic salaries) to the funded scheme every month. Number of employees covered under this plan are 3,164 (2019: 3,092). During the year, the Bank has made a contribution of Rs. 229.001 million (2019: Rs. 209.871 million) to the fund. The employees have also made a contribution of equal amount to the fund.

## 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

39.1 The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President and Chief Executive Officer, Directors and Executives are as follows:

Items	2020				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Non- Executives			
----- Rupees in '000 -----					
Fees and Allowances etc.	2,850	17,100	-	-	-
Managerial Remuneration					
i) Fixed	-	-	39,818	294,664	436,946
ii) Total Variable - Cash Bonus / Awards	-	-	10,500	52,199	66,626
Charge for defined benefit plan	-	-	2,430	17,415	25,824
Contribution to defined contribution plan	-	-	2,827	20,780	24,789
Medical	-	-	3,982	29,466	43,695
Conveyance	-	-	300	654	-
Car allowance	-	-	-	31,715	68,138
Others	-	-	190	5,522	17,748
Total	<u>2,850</u>	<u>17,100</u>	<u>60,047</u>	<u>452,415</u>	<u>683,766</u>
Number of persons	1	7	1	30	85

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Items	2019				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Non- Executives			
	----- Rupees in '000 -----				
Fees and Allowances etc.	1,950	10,100	-	-	-
Managerial Remuneration					
i) Fixed	-	-	32,727	249,705	365,567
ii) Total Variable - Cash Bonus / Awards	-	-	-	-	1,440
Charge for defined benefit plan	-	-	1,934	14,757	20,606
Contribution to defined contribution plan	-	-	3,279	20,306	30,326
Medical	-	-	3,273	24,934	36,557
Conveyance	-	-	667	11,196	32,466
Car allowance	-	-	-	4,924	11,852
Others	-	-	300	912	1,885
Total	<u>1,950</u>	<u>10,100</u>	<u>42,180</u>	<u>326,734</u>	<u>500,699</u>
Number of persons	1	7	1	24	87

**39.1.1** The CEO and deputy CEO are provided with free use of Bank maintained cars in accordance with their entitlement.

**39.1.2** Managerial remuneration includes joining related payments made to certain Executives in line with their terms of employment.

**39.1.3** All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 39.1 to these unconsolidated financial statements.

**39.1.4** The SBP, vide its BPRD Circular No. 01 dated January 25, 2017, issued Guidelines on Remuneration Practices, where the Bank is required to defer a certain portion of variable compensation of the Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) subject to mandatory deferrals for a defined period. In this respect, deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the MRTs and MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award. The deferred portion of the variable remuneration shall be paid to the MRTs and MRCs on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. Details of MRTs and MRCs are given below:

Employees Covered under:	2020	2019
	----- Numbers -----	
Material Risk Takers (MRTs)	66	78
Material Risk Controllers (MRCs)	39	31
	<u>105</u>	<u>109</u>

Movement of deferred remuneration	2020	2019
	----- Rupees '000 -----	
Opening	218	-
Deferred during the year	48,350	218
Paid during the year	(73)	-
Closing	<u>48,495</u>	<u>218</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 39.2 Meeting Fees and Allowances Paid

### Name of Director

	Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Total Amount Paid
1 Mr. Kalim-ur-Rahman	1,500	-	850	-	500	1,350
2 Mr. Adil Matcheswala	1,500	500	850	-	-	1,350
3 Mr. Ashraf Nawabi	1,250	-	-	400	-	400
4 Mr. G.M. Sikander	1,500	500	750	-	-	1,250
5 Mr. Hassan Afzal	1,500	-	-	-	500	500
6 Mr. Munawar Alam Siddiqui	1,500	500	-	500	-	1,000
7 Ms. Nargis Ghaloo	1,500	500	-	500	-	1,000
8 Mr. Sohail Aman	1,500	-	850	-	500	1,350
<b>Total amount paid</b>	<b>11,750</b>	<b>2,000</b>	<b>3,300</b>	<b>1,400</b>	<b>1,500</b>	<b>8,200</b>

2019

### Board Committees

	Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Total Amount Paid
1 Mr. Kalim-ur-Rahman	1,250	-	200	200	300	700
2 Mr. Adil Matcheswala	1,000	300	300	-	-	600
3 Mr. Ashraf Nawabi	1,000	-	-	200	-	200
4 Mr. G.M. Sikander	1,250	300	400	-	-	700
5 Mr. Hassan Afzal	750	-	-	-	300	300
6 Mr. Munawar Alam Siddiqui	1,250	300	300	-	-	600
7 Ms. Nargis Ghaloo	1,250	200	100	200	-	500
8 Mr. Sohail Aman	250	-	-	-	100	100
9 Mr. Shahab Anwar Khawaja	250	100	-	-	-	100
<b>Total amount paid</b>	<b>8,250</b>	<b>1,200</b>	<b>1,300</b>	<b>600</b>	<b>700</b>	<b>3,800</b>

## Meeting Fees and Allowances Paid

### Name of Director

	Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Total Amount Paid
1 Mr. Kalim-ur-Rahman	1,250	-	200	200	300	700
2 Mr. Adil Matcheswala	1,000	300	300	-	-	600
3 Mr. Ashraf Nawabi	1,000	-	-	200	-	200
4 Mr. G.M. Sikander	1,250	300	400	-	-	700
5 Mr. Hassan Afzal	750	-	-	-	300	300
6 Mr. Munawar Alam Siddiqui	1,250	300	300	-	-	600
7 Ms. Nargis Ghaloo	1,250	200	100	200	-	500
8 Mr. Sohail Aman	250	-	-	-	100	100
9 Mr. Shahab Anwar Khawaja	250	100	-	-	-	100
<b>Total amount paid</b>	<b>8,250</b>	<b>1,200</b>	<b>1,300</b>	<b>600</b>	<b>700</b>	<b>3,800</b>



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.6 to the annual unconsolidated financial statements for the year ended December 31, 2020.

The repricing profile, effective rates and maturity are stated in note 45.2.4 to these financial statements.

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

Fair value hierarchy

IFRS 13 requires the Bank to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements using unobservable inputs for the asset or liability.

### 40.1 Valuation techniques used in determination of fair values within level

Item	Valuation approach and input used
<b>Financial Instruments- Level 1</b>	
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
<b>Financial instruments - Level 2</b>	
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV and PKFRV rates (Reuters page).
Debt Securities (TFCs) and Sukuk other than Government	Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Forward foreign exchange contracts	The valuation has been determined by interpolating the foreign exchange revaluation rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

## Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

## Non- financial assets- Level 3

Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers based on their assessment of the market values as disclosed in note 11 and 13 respectively. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Non-banking assets under satisfaction of claims	

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

**40.3** The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
<b>Held-for-trading securities</b>				
Investments				
Federal Government Securities	-	25,003,774	-	25,003,774
<b>Available-for-sale securities</b>				
Investments				
Federal Government Securities	-	127,406,043	-	127,406,043
Shares	4,264,334	-	-	4,264,334
Non Government Debt Securities	-	457,454	-	457,454
Foreign Securities	-	4,017,289	-	4,017,289
	4,264,334	131,880,786	-	136,145,120
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Federal Government Securities	-	36,109,599	-	36,109,599
	4,264,334	192,994,159	-	197,258,493
<b>Non-Financial assets - measured at fair value</b>				
Revalued fixed assets	-	-	2,610,299	2,610,299
Non-banking assets acquired in satisfaction of claims	-	-	1,311,252	1,311,252
	-	-	3,921,551	3,921,551
<b>Off balance sheet financial instruments</b>				
<b>Commitments in respect of:</b>				
<b>Forward foreign exchange contracts</b>				
Purchase	-	22,942,707	-	22,942,707
Sale	-	14,910,910	-	14,910,910
<b>Derivative instruments:</b>				
<b>Forward securities</b>				
Purchase	-	1,394	-	1,394
<b>Interest rate swaps</b>				
Purchase	-	1,120,607	-	1,120,607
Sale	-	1,125,550	-	1,125,550
<b>Options</b>				
Purchase	-	581,042	-	581,042
Sale	-	2,437,068	-	2,437,068

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
<b>Held-for-trading securities</b>				
Investments				
Federal Government Securities	-	55,598,469	-	55,598,469
<b>Available-for-sale securities</b>				
Investments				
Federal Government Securities	-	47,019,374	-	47,019,374
Shares	1,965,753	-	-	1,965,753
Non Government Debt Securities	-	540,303	-	540,303
	1,965,753	47,559,677	-	49,525,430
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Federal Government Securities	-	31,341,410	-	31,341,410
	1,965,753	134,499,556	-	136,465,309
<b>Non-Financial assets - measured at fair value</b>				
Revalued fixed assets	-	-	3,797,180	3,797,180
Non-banking assets acquired in satisfaction of claims	-	-	1,182,425	1,182,425
	-	-	4,979,605	4,979,605
<b>Off balance sheet financial instruments</b>				
<b>Commitments in respect of:</b>				
<b>Forward foreign exchange contracts</b>				
Purchase	-	32,885,546	-	32,885,546
Sale	-	21,722,741	-	21,722,741
<b>Derivative instruments</b>				
<b>Forward securities</b>				
Purchase	-	499,818	-	499,818
<b>Interest rate swaps</b>				
Purchase	-	1,474,016	-	1,474,016
Sale	-	2,738,661	-	2,738,661
<b>Options</b>				
Purchase	-	1,024,638	-	1,024,638
Sale	-	1,030,868	-	1,030,868

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 41. SEGMENT INFORMATION

### 41.1 Segment details with respect to business activities:

	2020					
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
	----- Rupees in '000 -----					
<b>Profit &amp; Loss</b>						
Net mark-up / return / profit / (loss)	-	14,285,475	(8,543,152)	4,034,968	-	9,777,291
Inter segment revenue - net	-	(17,035,715)	16,914,719	120,996	-	-
Non mark-up / return / interest income	93,161	2,905,042	2,349,650	1,258,710	69,794	6,676,357
<b>Total Income</b>	93,161	154,802	10,721,217	5,414,674	69,794	16,453,648
Segment direct expenses	33,286	149,059	6,711,460	1,081,529	314,749	8,290,083
Inter segment expense allocation	-	334,127	2,664,330	1,862,559	-	4,861,016
<b>Total expenses</b>	33,286	483,186	9,375,790	2,944,088	314,749	13,151,099
Provisions	-	344,219	124,158	811,231	-	1,279,608
<b>Profit before tax</b>	59,875	(672,603)	1,221,269	1,659,355	(244,955)	2,022,941
<b>Statement of Financial Position</b>						
Cash & Bank balances	-	20,722,345	10,804,855	-	-	31,527,200
Investments	2,891,836	198,806,637	-	-	-	201,698,473
Net inter segment lending	-	-	129,898,985	109,429,008	11,732,961	251,060,954
Lendings to financial institutions	-	23,239,672	-	-	-	23,239,672
<b>Advances - net</b>						
Advances - performing	-	-	52,152,981	190,515,793	-	242,668,774
Advances - non-performing	-	-	4,760,888	6,972,667	-	11,733,555
Advances - (Provisions)/reversals - Net	-	-	(938,040)	(3,265,123)	-	(4,203,163)
	-	-	55,975,829	194,223,337	-	250,199,166
Others	-	4,590,700	3,570,545	3,315,506	14,027,140	25,503,891
<b>Total Assets</b>	2,891,836	247,359,354	200,250,214	306,967,851	25,760,101	783,229,356
Borrowings	-	12,208,219	1,996,091	34,099,102	-	48,303,412
Subordinated debt	-	7,492,800	-	-	-	7,492,800
Deposits & other accounts	-	-	166,087,049	266,975,544	-	433,062,593
Net inter segment borrowing	2,891,836	227,156,281	21,012,836	-	-	251,060,953
Others	-	502,054	11,154,238	5,893,204	5,167,893	22,717,389
<b>Total liabilities</b>	2,891,836	247,359,354	200,250,214	306,967,850	5,167,893	762,637,147
Equity	-	-	-	-	20,592,208	20,592,208
<b>Total Equity &amp; liabilities</b>	2,891,836	247,359,354	200,250,214	306,967,850	25,760,101	783,229,355
<b>Contingencies &amp; Commitments</b>	-	60,973,417	44,793,723	18,141,644	133,642	124,042,426

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019					
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
	----- Rupees in '000 -----					
<b>Profit &amp; Loss</b>						
Net mark-up / return / profit / (loss)	-	5,005,807	(7,592,022)	9,614,572	-	7,028,357
Inter segment revenue - net	-	(11,813,244)	19,091,812	(7,278,568)	-	
Non mark-up / return / interest income	59,843	437,628	1,996,345	965,788	483,600	3,943,204
<b>Total Income</b>	59,843	(6,369,809)	13,496,135	3,301,792	483,600	10,971,561
Segment direct expenses	115,306	136,150	5,506,958	719,110	852,887	7,330,411
Inter segment expense allocation	-	323,430	2,003,084	1,273,491	-	3,600,005
<b>Total expenses</b>	115,306	459,580	7,510,042	1,992,601	852,887	10,930,416
Provisions	-	(424,361)	(251,729)	584,160	-	(91,930)
<b>Profit before tax</b>	(55,463)	(6,405,028)	6,237,822	725,031	(369,287)	133,075
<b>Statement of Financial Position</b>						
Cash & Bank balances	-	17,153,413	8,898,772	-	-	26,052,185
Investments	-	142,568,470	-	-	-	142,568,470
Net inter segment lending	-	-	202,362,517	-	8,089,077	210,451,594
Lendings to financial institutions	-	30,320,540	-	-	-	30,320,540
<b>Advances - net</b>						
Advances - performing	-	-	94,201,743	141,898,229	-	236,099,972
Advances - non-performing	-	-	3,508,735	6,844,429	-	10,353,164
Advances (Provisions) - Net	-	-	(469,382)	(3,039,245)	-	(3,508,627)
	-	-	97,241,096	145,703,413	-	242,944,509
Others	-	5,206,833	3,925,690	5,017,351	14,391,387	28,541,261
<b>Total Assets</b>	-	195,249,256	312,428,075	150,720,764	22,480,464	680,878,559
Borrowings	-	36,295,878	7,090,687	11,081,718	-	54,468,283
Subordinated debt	-	7,494,800	-	-	-	7,494,800
Deposits & other accounts	-	-	295,347,351	74,442,613	-	369,789,964
Net inter segment borrowing	-	150,619,213	-	59,832,381	-	210,451,594
Others	-	839,365	9,990,037	5,364,052	5,147,209	21,340,663
<b>Total liabilities</b>	-	195,249,256	312,428,075	150,720,764	5,147,209	663,545,304
Equity	-	-	-	-	17,333,255	17,333,255
<b>Total Equity &amp; liabilities</b>	-	195,249,256	312,428,075	150,720,764	22,480,464	680,878,559
<b>Contingencies &amp; Commitments</b>	-	59,810,338	43,939,275	17,795,589	131,093	121,676,295



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 41.2 Segment details with respect to geographical locations

	2020		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
<b>Profit &amp; Loss</b>			
Net mark-up / return / profit	9,442,805	334,486	9,777,291
Inter segment revenue - net	20,830	(20,830)	-
Non mark-up / return / interest income	6,513,962	162,395	6,676,357
Total Income	15,977,597	476,051	16,453,648
Segment direct expenses	12,951,890	199,209	13,151,099
Inter segment expense allocation	-	-	-
Total expenses	12,951,890	199,209	13,151,099
Provisions	1,141,263	138,345	1,279,608
Profit before tax	1,884,444	138,497	2,022,941
<b>Statement of Financial Position</b>			
Cash & Bank balances	29,191,991	2,335,209	31,527,200
Investments	197,608,101	4,090,372	201,698,473
Net inter segment lending	216,780,433	-	216,780,433
Lendings to financial institutions	23,239,672	-	23,239,672
Advances - performing	238,236,892	4,431,882	242,668,774
Advances - non-performing	11,733,555	-	11,733,555
Advances - (Provisions) / reversals - Net	(4,181,836)	(21,327)	(4,203,163)
	245,788,611	4,410,555	250,199,166
Others	25,335,531	168,360	25,503,891
<b>Total Assets</b>	737,944,339	11,004,496	748,948,835
Borrowings	48,211,222	92,190	48,303,412
Subordinated debt	7,492,800	-	7,492,800
Deposits & other accounts	425,531,719	7,530,874	433,062,593
Net inter segment borrowing	214,438,859	2,341,574	216,780,433
Others	22,638,412	78,977	22,717,389
<b>Total liabilities</b>	718,313,012	10,043,615	728,356,627
Equity	19,631,328	960,880	20,592,208
<b>Total Equity &amp; liabilities</b>	737,944,340	11,004,495	748,948,835
<b>Contingencies &amp; Commitments</b>	115,794,298	8,248,128	124,042,426

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2019		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
<b>Profit &amp; Loss</b>			
Net mark-up / return / profit	6,778,252	250,105	7,028,357
Inter segment revenue - net	(21,863)	21,863	-
Non mark-up / return / interest income	3,937,975	5,229	3,943,204
Total Income	10,694,364	277,197	10,971,561
Segment direct expenses	7,157,913	172,498	7,330,411
Inter segment expense allocation	3,600,005	-	3,600,005
Total expenses	10,757,918	172,498	10,930,416
Provisions	13,088	(105,018)	(91,930)
Profit before tax	(76,642)	209,717	133,075
<b>Statement of Financial Position</b>			
Cash & Bank balances	25,973,213	78,972	26,052,185
Investments	142,568,470	-	142,568,470
Net inter segment lending	208,787,632	1,663,962	210,451,594
Lendings to financial institutions	30,037,273	283,267	30,320,540
Advances - performing	232,347,686	3,752,286	236,099,972
Advances - non-performing	10,353,164	-	10,353,164
Advances - (Provisions) / reversals - net	(3,508,627)	-	(3,508,627)
	239,192,223	3,752,286	242,944,509
Others	28,416,470	124,791	28,541,261
<b>Total Assets</b>	674,975,281	5,903,278	680,878,559
Borrowings	53,452,873	1,015,410	54,468,283
Subordinated debt	7,494,800	-	7,494,800
Deposits & other accounts	365,972,359	3,817,605	369,789,964
Net inter segment borrowing	210,203,389	248,205	210,451,594
Others	21,293,138	47,525	21,340,663
<b>Total liabilities</b>	658,416,559	5,128,745	663,545,304
Equity	16,558,722	774,533	17,333,255
<b>Total Equity &amp; liabilities</b>	674,975,281	5,903,278	680,878,559
<b>Contingencies &amp; Commitments</b>	118,862,446	2,813,849	121,676,295

## 42. TRUST ACTIVITIES

The Bank under takes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Category	2020				
	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	
		----- Rupees in '000 -----			
Assets Management Companies	1	23,000	-	-	23,000
Charitable Institutions	1	-	142,000	-	142,000
Companies	13	2,373,860	25,560,800	-	27,934,660
Employees Funds	51	7,194,410	17,927,950	69,000	25,191,360
Individuals	43	919,290	431,500	-	1,350,790
Insurance Companies	8	24,076,000	84,255,700	1,621,500	109,953,200
Others	11	15,370,700	7,882,700	-	23,253,400
Total	128	49,957,260	136,200,650	1,690,500	187,848,410

Category	2019				
	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	
		----- Rupees in '000 -----			
Assets Management Companies	7	320,000	1,843,000	-	2,163,000
Charitable Institutions	1	35,000	-	-	35,000
Companies	15	4,709,075	9,099,300	-	13,808,375
Employees Funds	56	11,200,690	12,887,550	-	24,088,240
Individuals	48	1,135,755	404,400	-	1,540,155
Insurance Companies	10	16,930,900	99,466,700	597,500	116,995,100
Others	12	16,305,465	3,126,200	-	19,431,665
Total	149	50,636,885	126,827,150	597,500	178,061,535

## 43. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, directors and Key Management Personnel and other related parties.

The Banks enters into transactions with related parties in the ordinary course of business and on Arm's Length basis i.e. substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

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

	As at December 31, 2020						As at December 31, 2019					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)											
Statement of Financial Position												
Lendings to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	4,100,000	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	(4,100,000)	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	1,919,121	228,972	1,617,327	-	-	-	1,919,121	180,000	1,964,110
Investment made during the year	-	-	-	-	40,828	4,009,279	-	-	-	-	48,972	1,542,991
Investment redeemed / disposed off during the year	-	-	-	-	-	(2,905,705)	-	-	-	-	-	(1,889,774)
Closing balance	-	-	-	1,919,121	269,800	2,720,901	-	-	-	1,919,121	228,972	1,617,327
Provision for diminution in value of investments	-	-	-	-	-	277,456	-	-	-	-	-	65,022
Advances												
Opening balance	-	-	596,257	-	-	1,946,481	-	5,230	448,575	-	-	2,823,598
Addition during the year	-	58	265,948	193,550	153,128	6,402,913	-	316	322,590	-	-	5,086,823
Repaid during the year	-	(832)	(150,821)	-	(2,235)	(5,488,750)	-	(5,546)	(120,115)	-	-	(6,320,068)
Transfer in / (out) - net	-	122,880	68,271	-	219,875	1,232,786	-	-	(54,793)	-	-	356,128
Closing balance	-	122,106	779,655	193,550	370,768	4,093,430	-	-	596,257	-	-	1,946,481
Fixed Assets												
Purchase of building	-	-	-	-	-	-	-	-	-	607,299	-	-
Cost of disposal	-	-	-	-	-	-	-	-	43,410	-	-	17,657
Accumulated depreciation of disposal	-	-	-	-	-	-	-	-	(12,927)	-	-	(8,002)
WDV of disposal	-	-	-	-	-	-	-	-	30,483	-	-	9,655
Other Assets												
Interest mark-up accrued	-	2,801	6	1,253	954	52,998	-	48	473	-	-	49,640
Receivable against bancassurance / bancatakaful	-	-	-	-	-	28,051	-	-	-	-	-	67,952
Advance for subscription of TFC - unsecured	-	-	-	-	-	-	-	-	-	-	40,828	-
Net defined benefit plan	-	-	-	-	-	317,581	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-	-	-	-	-	97,806
Dividend Receivable	-	-	-	-	-	-	-	-	-	208,948	-	-
Other receivable	-	-	-	-	-	379	-	-	-	6,133	-	1,000
Provision against other assets	-	-	-	-	-	379	-	-	-	-	-	2,438

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	As at December 31, 2020						As at December 31, 2019					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)											
<b>Borrowings</b>												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	4,800,000
Borrowings during the year	-	-	-	-	-	11,105,705	-	-	-	-	-	174,209,491
Settled during the year	-	-	-	-	-	(11,105,705)	-	-	-	-	-	(179,009,491)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>												
Opening balance	271,648	24,444	59,593	1,246,363	23,104	8,622,201	336,515	24,308	74,950	1,606,413	-	9,656,833
Received during the year	5,511,316	511,942	973,685	499,101,485	861,135	160,825,941	4,332,699	160,210	1,437,872	538,270,222	1,023,592	235,460,531
Withdrawn during the year	(5,610,945)	(324,417)	(869,813)	(498,707,020)	(834,486)	(159,215,607)	(4,364,266)	(137,680)	(1,450,123)	(538,630,272)	(1,042,362)	(236,784,614)
Transfer in / (out) - net	-	366	(87,228)	(2,058)	-	132,631	(33,300)	(22,394)	(3,106)	-	41,874	289,451
Closing balance	172,019	212,335	76,237	1,638,770	49,753	10,365,166	271,648	24,444	59,593	1,246,363	23,104	8,622,201
<b>Subordinated debt</b>	-	-	-	-	-	889,432	-	-	-	-	-	889,588
<b>Other Liabilities</b>												
Interest / return / mark-up payable on deposits	-	-	85	-	-	153,374	-	-	114	-	-	286,949
Interest / return / mark-up payable on borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Interest / return / mark-up payable on subordinated debt	-	-	-	-	-	1,308	-	-	-	-	-	2,220
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	-	-	147,885
Others payable	-	-	-	353	-	-	-	-	-	5,638	-	-
<b>Represented By</b>												
Share Capital	9,733,073	19,180	12,223	-	-	45,323	9,733,073	17,330	900	-	-	81,765
<b>Contingencies and Commitments</b>												
Letter of guarantee	-	-	-	-	-	29,054	-	-	-	-	-	14,217
Letter of Credit	-	-	-	-	-	86,543	-	-	-	-	-	44,368
<b>Profit and loss account</b>												
<b>Income</b>												
Mark-up / return / interest earned	-	3,279	42,627	1,851	5,816	178,695	-	212	14,846	-	-	322,478
Fee and commission income	-	11	784	-	-	227,206	-	29	368	-	-	330,904
Dividend income	-	-	-	-	-	90,633	-	-	-	208,948	-	85,332
Gain on sale of securities - net	-	-	-	-	-	242,439	-	-	-	-	-	155,288
Other income	-	-	-	-	-	-	-	-	13,456	-	-	-
<b>Expense</b>												
Mark-up / return / interest paid	46,099	3,490	3,204	156,221	2,600	1,135,034	35,406	2,227	4,309	232,715	2,930	1,383,816
Commission / charges paid	-	-	-	9,215	-	-	-	-	-	4,670	-	-
Preference dividend paid	-	-	-	-	-	-	23,419	161	-	-	-	38
Remuneration paid	-	54,790	414,220	-	-	-	-	-	343,874	-	-	-
Non-executive directors' fee	-	19,950	-	-	-	-	-	11,000	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	-	159,436	-	-	-	-	-	209,871
Net charge / (reversal) for defined benefit plans	-	-	-	-	-	229,001	-	-	-	-	-	134,313
Fee and subscription	-	-	-	-	-	-	9,588	-	-	-	-	-
Donation	-	-	-	-	-	112,841	-	-	-	-	-	-
Rental expense	-	-	-	-	-	195	-	-	-	2,945	-	-
Advisory fee	-	-	-	-	-	-	-	-	-	-	-	15,000
Other expenses	2,036	-	-	-	-	1,899	-	-	-	-	-	2,162
Reimbursement of expenses	-	869	5,679	6,632	-	30,598	1,886	1,240	-	1,145	-	-
<b>Payments made during the year</b>												
Insurance premium paid	-	-	-	-	-	405,171	-	-	-	-	-	345,092
Insurance claims settled	-	-	-	-	-	6,339	-	-	-	-	-	8,036
Defined benefit plans paid	-	-	-	-	-	151,881	-	-	-	-	-	102,494
<b>Other Transactions</b>												
Sale of Government Securities	585,477	1,645	-	-	-	113,055,811	1,605,975	2,968	-	83,216	-	295,412,399
Purchase of Government Securities	-	-	-	-	-	43,560,278	-	1,352	-	25,045	-	12,797,839
Sale of Foreign Currencies	-	-	-	-	-	36,509,253	-	-	-	-	-	26,836,227
Purchase of Foreign Currencies	-	-	-	-	-	60,142,942	-	-	-	-	-	19,213,481

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	----- Rupees in '000 -----	
<b>44. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR)</b>		
Paid-up capital (net of losses)	<b>10,119,242</b>	10,119,242
<b>Capital Adequacy Ratio (CAR)</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	<b>16,227,512</b>	14,619,607
Eligible Additional Tier 1 (ADT 1) Capital	<b>2,251,350</b>	2,500,000
Total Eligible Tier 1 Capital	<b>18,478,862</b>	17,119,607
Eligible Tier 2 Capital	<b>4,621,001</b>	4,306,756
Total Eligible Capital (Tier 1 + Tier 2)	<b>23,099,863</b>	21,426,363
<b>Risk Weighted Assets (RWAs)</b>		
Credit Risk	<b>155,761,884</b>	144,380,673
Market Risk	<b>1,144,972</b>	924,762
Operational Risk	<b>23,981,730</b>	20,468,251
Total	<b>180,888,586</b>	165,773,686
<p>The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for banks to be raised to Rs.10,000 million by the year ending December 31, 2013. The paid-up capital of the Bank as at December 31, 2020 stood at Rs. 10,119.242 million (2019: Rs. 10,119.242 million) and is in compliance with SBP requirements.</p> <p>The Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.5% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.5% and 7.5%, respectively, as at December 31, 2020. As at December 31, 2020 the Bank is fully compliant with prescribed ratios, as the Bank's CAR is 12.77% whereas CET 1 and Tier 1 ratios stood at 8.97% and 10.22% respectively. The Bank has complied with all capital requirements throughout the year.</p> <p>Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.</p>		
	2020	2019
	----- Rupees in '000 -----	
Common Equity Tier 1 Capital Adequacy ratio	<b>8.97%</b>	8.82%
Tier 1 Capital Adequacy Ratio	<b>10.22%</b>	10.33%
Total Capital Adequacy Ratio	<b>12.77%</b>	12.93%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	<b>18,478,862</b>	17,119,607
Total Exposures	<b>605,685,437</b>	501,440,747
Leverage Ratio	<b>3.05%</b>	3.41%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	<b>157,850,263</b>	83,221,592
Total Net Cash Outflow	<b>57,017,766</b>	55,819,412
Liquidity Coverage Ratio	<b>276.84%</b>	149.09%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	<b>357,021,802</b>	308,715,925
Total Required Stable Funding	<b>256,068,898</b>	274,288,642
Net Stable Funding Ratio	<b>139.42%</b>	112.55%

44.1 The link to the full disclosure is available at <https://jsbl.com/knowledge-centre/investor-information/>



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 45. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to ensure that:

- a) The individuals who take or manage risks clearly understand it;
- b) The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
- c) Risk taking decisions are in line with the business strategy and objectives set by BoD;
- d) The expected payoffs compensate for the risks taken;
- e) Risk taking decisions are explicit and clear;
- f) Sufficient capital as a buffer is available to take risk; and
- g) Risk management function is independent of risk taking unit.

The Bank has a comprehensive set of Risk Management policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

### **Risk management framework of the Bank includes:**

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC), Credit Risk Committee (CRC), Operational Risk Management Committee (ORMC), Remedial Management Committee (RMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the Bank and provides guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adheres to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. CRC monitors the advances portfolio, concentrations limits, aggregate limits at business level and various house keeping elements under Credit Administration. ORMC oversees the effectiveness of operational risk management for maintenance and implementation of operational risk management framework. It also monitors the Business Continuity Planning and reviews findings of any other management or board's sub committee. Remedial Management Committee (RMC) oversees the progress of non performing loans and cases under litigation along with the recommendation of transferring of any NPL to Corporate Restructuring Company (CRC). Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the Bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Bank has put in place the following hierarchy of Risk Management:

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Group Head Operations & Technology, Head of Compliance, Chief of Staff, Head of Treasury and Head Internal Audit (guest member).
- Asset - Liability Committee (ALCO) comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Treasurer, Chief Risk Officer, Chief Financial Officer and attended by Other Business Heads.
- Central Credit Committee (CCC) comprising of the President / CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Chief of Staff and Head of Operational and Environmental Risk (for environmental risk only).
- Credit Risk Committee (CRC) comprises of President/CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Regional Credit Heads, Head CAD, Head of Consumer Risk, Head Enterprise Risk Management and Head Internal Audit (guest member).
- Operational Risk Management Committee (ORMC) comprises of the Deputy CEO, Chief Risk Officer, Group Head Operations & Technology, Country Head Branch Banking Operations, Group Head Human Resources Head of Compliance, Head of Service Management, Head Enterprise Risk Management and Head Internal Audit (guest member).
- Remedial Management Committee (RMC) comprises of President/CEO, Deputy CEO, Chief Risk Officer, Chief Operating Officer, Chief Financial Officer, Head of SAM, Credit Risk Heads and Head of Legal.
- IT Steering Committee (ITSC) comprises of President/CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Operations & Technology, Chief Information Officer, Chief Information Security Officer, Chief of Staff, Group Head Investment Banking & Emerging Business, Chief Digital Officer, Country Head Branch Banking Operations and Head Product Development & Consumer Business.
- Risk Management Group (RMG), a dedicated and independent set-up headed by Chief Risk Officer and comprises of Regional Credit Heads, Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office, Consumer Risk, Credit Administration, Special Assets Management, Information Security, Strategic Projects & Quantitative Analysis and Enterprise Risk Management.

RMG is managed by Chief Risk Officer to supervise the following Divisions:

- a) Credit Risk Management (CRM) covering Corporate / Commercial, Agricultural and Retail Banking Risks
- b) Operational Risk Management (ORM)
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Basel II / III Implementation Unit
- f) Credit Administration Department (CAD)
- g) Special Assets Management (SAM)
- h) IS Risk Management
- i) Consumer Risk
- j) Strategic Projects & Quantitative Analysis

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

The Bank's RMG generates the requisite risk reporting for the different tiers of management. These are also subjected to internal audit review.

## Risk Matrix / Categories

The Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

## Risk Appetite

The Bank's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

The Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

### 45.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Bank's strategy is to minimise credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 45.1.1 Credit risk: Standardised approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (retail exposures)	✓	✓	-	-	-
Sovereigns	✓	✓	✓	✓	✓
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP as given below:

### Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and below	CCC+ and below	7

### Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F-1	P-1	A-1+, A-1
S2	A-2	A-2	F-2	P-2	A-2
S3	A-3	A-3	F-3	P-3	A-3
S4	Others	Others	Others	Others	Others

# Notes to the Unconsolidated Financial Statements

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## 45.1.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares, TFCs and Mutual Funds Listed on the Main Index.

Under the Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

Particulars of bank's significant on-balance sheet credit risk in various sectors are analysed as follows:

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
<b>45.1.3 Lendings to financial institutions</b>	----- Rupees in '000 -----					
<b>Credit risk by public / private sector</b>						
Public/ Government	-	-	-	-	-	-
Private	23,240,897	30,321,802	-	-	1,225	1,262
	<u>23,240,897</u>	<u>30,321,802</u>	<u>-</u>	<u>-</u>	<u>1,225</u>	<u>1,262</u>
<b>45.1.4 Investment in debt securities</b>	----- Rupees in '000 -----					
	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
<b>Credit risk by industry sector</b>						
Textile	65,022	65,022	65,022	65,022	65,022	65,022
Chemical and Pharmaceuticals	249,860	258,193	149,860	149,860	149,860	149,860
Power (electricity), Gas, Water, Sanitary	71,429	142,857	-	-	-	-
Refinery	307,454	390,303	-	-	-	-
Transport, Storage and Communication	710,902	854,902	155,169	155,169	155,169	155,169
Financial	4,367,326	300,000	-	-	-	-
Services	1,265,104	1,350,000	-	-	-	-
	<u>7,037,097</u>	<u>3,361,277</u>	<u>370,051</u>	<u>370,051</u>	<u>370,051</u>	<u>370,051</u>
<b>Credit risk by public / private sector</b>						
Public/ Government	3,643,402	-	-	-	-	-
Private	3,393,695	3,361,277	370,051	370,051	370,051	370,051
	<u>7,037,097</u>	<u>3,361,277</u>	<u>370,051</u>	<u>370,051</u>	<u>370,051</u>	<u>370,051</u>

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		Gross Advances		Non-performing Advances		Provision held	
		2020	2019	2020	2019	2020	2019
		----- Rupees in '000 -----					
45.1.5	Advances						
	Credit risk by industry sector						
	Agri finance	7,797,960	5,285,334	433,949	207,192	107,329	397
	Automobile and transportation equipment	3,912,821	3,854,727	117,937	227,878	64,829	69,596
	Brokerage	8,866,882	6,929,558	-	-	-	-
	Cement	2,236,379	2,958,936	-	-	-	-
	Chemical	1,422,319	1,910,636	314,405	314,405	-	-
	Construction	356,077	5,806,032	-	112,803	-	3,236
	Electronics and electrical appliances	823,973	237,458	5,991	35,911	-	-
	Engineering, IT and other services	9,453,353	5,013,829	82,124	38,738	31,683	26,325
	Fertilizer	3,484,915	4,446,138	1,367,103	1,348,824	1,349,130	1,348,943
	Financial	1,635,853	2,110,683	-	-	-	-
	Food / confectionery / beverages	34,253,338	32,353,949	1,057,765	157,010	351,621	63,221
	Individuals	33,122,827	31,512,186	2,041,082	1,533,451	506,898	238,185
	Insurance and security	10,451	176,116	-	-	-	-
	Metal and steel	9,966,050	8,824,579	2,607,092	1,614,845	722,969	339,372
	Mining and quarrying	137,220	159,069	-	-	-	-
	Paper / board / furniture	1,674,874	1,506,878	82,782	8,000	2,608	-
	Petroleum, oil and gas	5,122,089	4,135,890	95,053	80,053	37,160	29,618
	Pharmaceuticals	5,289,290	5,722,234	4,577	4,577	-	-
	Plastic	1,962,424	2,001,738	561,763	538,745	-	483
	Power and water	23,897,355	27,878,617	156,241	159,806	19,130	-
	Real estate	4,203,207	3,493,350	1,306,057	1,300,000	13	-
	Shipbreaking	300,214	1,074,589	-	805,000	-	256,706
	Storage	82,245	103,525	20,000	-	-	-
	Sugar	2,042,589	2,609,984	200,000	200,000	200,000	200,000
	Tele-communication	2,838,926	2,709,181	-	-	-	-
	Textile						
	Composite	7,573,233	6,639,722	322,262	339,310	304,345	303,094
	Ginning	1,281,801	1,612,059	34,539	48,949	9,065	20,157
	Spinning	5,768,619	5,349,247	278,441	278,441	278,441	278,441
	Weaving	8,669,251	9,988,010	47,284	47,284	19,653	3,726
		23,292,904	23,589,038	682,526	713,984	611,504	605,418
	Transportation	35,246,740	39,397,687	73,283	127,290	53,958	53,493
	Trust and non-profit organisations	56,043	475,240	-	-	-	-
	Tyre	267,203	288,551	-	-	-	-
	Wholesale and retail trade	12,161,474	10,671,924	372,302	502,852	106,964	64,928
	Others	18,484,334	9,215,480	151,523	321,800	16,040	40,020
		254,402,329	246,453,136	11,733,555	10,353,164	4,181,836	3,339,941
	Credit risk by public / private sector						
	Public/ Government	52,248,485	56,471,970	-	-	-	-
	Private	202,153,844	189,981,166	11,733,555	10,353,164	4,181,836	3,339,941
		254,402,329	246,453,136	11,733,555	10,353,164	4,181,836	3,339,941

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		Contingencies and commitments	
		2020	2019
		----- Rupees in '000 -----	
<b>45.1.6 Credit risk by industry sector</b>			
Automobile and transportation equipment	2,371,968	2,163,575	
Brokerage	850,500	796,500	
Cement	779,749	247,368	
Chemical	1,126,160	779,205	
Construction	22,694,392	18,350,913	
Electronics and electrical appliances	496,139	190,170	
Engineering, IT and other services	3,293,028	3,033,858	
Fertilizer	2,350,294	4,262,960	
Financial	43,920,788	62,151,629	
Food / confectionery / beverages	2,855,033	3,054,819	
Individuals	592,229	989,889	
Insurance and security	28,234	12,197	
Metal and steel	4,629,296	3,709,350	
Mining and quarrying	-	-	
Paper / board / furniture	808,302	888,015	
Petroleum, oil and gas	656,214	586,136	
Pharmaceuticals	856,079	721,858	
Plastic	715,399	324,356	
Power and water	795,807	495,534	
Real estate	16,516,933	4,299,209	
Shipbreaking	56,758	77,614	
Sugar	8,601	24,301	
Tele-communication	1,172,080	1,460,186	
Textile			
Composite	1,384,271	1,037,819	
Ginning	277,552	369,793	
Spinning	3,497,170	1,485,788	
Weaving	1,532,406	1,118,339	
	6,691,399	4,011,739	
Transportation	30,537	24,896	
Trust and non-profit organisations	116,293	217,780	
Tyre	89,489	9,584	
Wholesale and retail trade	3,320,259	4,328,745	
Others	6,220,466	4,463,909	
	<u>124,042,426</u>	<u>121,676,295</u>	
<b>Credit risk by public / private sector</b>			
Public/ Government	-	-	
Private	124,042,426	121,676,295	
	<u>124,042,426</u>	<u>121,676,295</u>	



# Notes to the Unconsolidated Financial Statements

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## 45.1.7 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 95,329.829 million (2019: Rs. 85,937.967 million) are as following:

	Note	2020 ----- Rupees in '000 -----	2019
Funded	45.1.7.1	<b>64,985,417</b>	65,309,390
Non Funded	45.1.7.2	<b>30,344,412</b>	20,628,577
Total Exposure		<b><u>95,329,829</u></b>	<u>85,937,967</u>

**45.1.7.1** There are no classified advances placed under top 10 exposures.

**45.1.7.2** The sanctioned limits against these top 10 exposures aggregated to Rs. 107,031.73 million (2019: 85,937.967 million).

## 45.1.8 Advances - Province / Region-wise Disbursement & Utilization

2020								
Disbursements	Utilization							
	Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit-Baltistan	Bahrain	
----- Rupees in '000 -----								
Province / Region								
Punjab	87,425,286	87,425,286	-	-	-	-	-	-
Sindh	152,675,348	-	152,675,348	-	-	-	-	-
KPK including FATA	1,055,415	-	-	1,055,415	-	-	-	-
Balochistan	244,399	-	-	-	244,399	-	-	-
Islamabad	16,845,491	-	-	-	-	16,845,491	-	-
AJK including Gilgit-Baltistan	247,017	-	-	-	-	-	247,017	-
Bahrain	8,441,218	-	-	-	-	-	-	8,441,218
Total	<u>266,934,174</u>	<u>87,425,286</u>	<u>152,675,348</u>	<u>1,055,415</u>	<u>244,399</u>	<u>16,845,491</u>	<u>247,017</u>	<u>8,441,218</u>
2019								
Disbursements	Utilization							
	Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit-Baltistan	Bahrain	
----- Rupees in '000 -----								
Province / Region								
Punjab	80,305,925	80,305,925	-	-	-	-	-	-
Sindh	146,330,605	-	146,330,605	-	-	-	-	-
KPK including FATA	1,456,326	-	-	1,456,326	-	-	-	-
Balochistan	111,734	-	-	-	111,734	-	-	-
Islamabad	13,423,194	-	-	-	-	13,423,194	-	-
AJK including Gilgit-Baltistan	197,627	-	-	-	-	-	197,627	-
Bahrain	4,727,124	-	-	-	-	-	-	4,727,124
Total	<u>246,552,535</u>	<u>80,305,925</u>	<u>146,330,605</u>	<u>1,456,326</u>	<u>111,734</u>	<u>13,423,194</u>	<u>197,627</u>	<u>4,727,124</u>

## 45.2 Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of the Bank, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Bank is exposed to in its trading book.

The Bank has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Bank's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

# Notes to the Unconsolidated Financial Statements

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The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk Unit reports directly to Head ERM and is responsible for ensuring the implementation of market risk policy in line with the Bank's strategy.

Risk reporting undertaken by the market risk function includes:

- a) Portfolio Reports
- b) Limit monitoring reports
- c) Sensitivity analysis; and
- d) Stress testing of the portfolio

Currently, the Bank is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

## 45.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances						
with treasury banks	30,421,231	-	30,421,231	25,589,349	-	25,589,349
Balances with other banks	1,105,969	-	1,105,969	462,836	-	462,836
Lendings to financial institutions	23,239,672	-	23,239,672	30,320,540	-	30,320,540
Investments	176,694,699	25,003,774	201,698,473	86,970,001	55,598,469	142,568,470
Advances	250,199,166	-	250,199,166	242,944,509	-	242,944,509
Fixed assets	7,599,538	-	7,599,538	9,692,701	-	9,692,701
Intangible assets	2,486,725	-	2,486,725	2,271,360	-	2,271,360
Deferred tax assets	-	-	-	8,756	-	8,756
Other assets	14,678,428	-	14,678,428	16,194,444	-	16,194,444
Assets held for sale	739,200	-	739,200	374,000	-	374,000
	<b>507,164,628</b>	<b>25,003,774</b>	<b>532,168,402</b>	<b>414,828,496</b>	<b>55,598,469</b>	<b>470,426,965</b>

## 45.2.2 Foreign Exchange Risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Bank lies within the defined appetite of the Bank.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready / spot, forward and swap transactions with SBP and in the interbank market. The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
United States Dollar	20,731,596	28,340,649	7,925,120	316,067
Great Britain Pound	690,248	2,767,203	1,692,641	(384,314)
Euro	2,028,206	1,324,879	(938,258)	(234,931)
Other currencies	542,006	397,092	(96,962)	47,952
	<b>23,992,056</b>	<b>32,829,823</b>	<b>8,582,541</b>	<b>(255,226)</b>

	2019			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
United States Dollar	12,248,588	20,805,267	8,586,023	29,344
Great Britain Pound	879,840	2,696,794	1,778,936	(38,018)
Euro	585,843	901,267	326,018	10,594
Other currencies	41,154	34,019	4,829	11,964
	<b>13,755,425</b>	<b>24,437,347</b>	<b>10,695,806</b>	<b>13,884</b>

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	2,552	-	159
- Other comprehensive income	-	-	-	-

## 45.2.3 Equity position Risk

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Bank mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, and following the guidelines laid down in the Bank's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	221,940	-	105,788	-

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. The gap analysis between the market rate sensitive assets and liabilities as per the table given below:

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account	20,570	235,507	301,595	534,770
- Other comprehensive income	1,033,253	-	248,246	-

# Notes to the Unconsolidated Financial Statements

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Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

2020

	Effective yield interest	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 12 to 24 months	Over 24 to 36 months	Over 36 to 48 months	Over 48 to 60 months	Over 60 to 72 months	Over 72 to 84 months	Over 84 to 96 months	Over 96 to 108 months	Over 108 to 120 months	Non-interest bearing financial instrument
On-balance sheet financial instruments																
<b>Assets</b>																
Cash and balances with treasury banks	-	30,421,231	2,261,337	-	-	-	-	-	-	-	-	-	-	-	-	28,159,894
Balances with other banks	-	1,105,969	-	-	-	-	-	-	-	-	-	-	-	-	-	1,105,969
Lendings to financial institutions	6.56	23,239,672	18,351,972	4,887,700	-	-	-	-	-	-	-	-	-	-	-	-
Investments	8.03	201,698,473	33,368,890	92,486,042	42,987,626	13,795,354	1,386,421	135,586	3,747,419	1,885,879	1,674,415	2,974,156	6,539,744	6,619,149	12,866,729	6,539,744
Advances	8.36	250,199,166	204,905,144	20,326,844	10,212,582	641,483	696,674	2,082,095	5,421,834	2,021,465	2,974,156	55,291,485	12,866,729	12,866,729	12,866,729	12,866,729
Other assets	-	519,531,240	258,887,343	117,700,586	53,210,408	14,436,837	7,505,031	2,082,095	5,421,834	2,021,465	2,974,156	55,291,485	12,866,729	12,866,729	12,866,729	12,866,729
<b>Liabilities</b>																
Bills payable	-	4,981,983	-	-	-	-	-	-	-	-	-	-	-	-	-	4,981,983
Borrowings	2.88	48,303,412	12,866,768	13,316,211	4,720,046	70,980	540,672	2,387,895	1,178,983	2,387,895	1,178,983	108,020,836	1,105,969	1,105,969	1,105,969	1,105,969
Deposits and other accounts	6.94	433,062,593	164,808,483	54,866,725	35,168,621	64,716,449	82,723	3,134,515	3,134,515	3,134,515	3,134,515	3,134,515	3,134,515	3,134,515	3,134,515	3,134,515
Subordinated debt	10.12	7,492,800	7,492,800	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	16,541,154	-	-	-	-	-	-	-	-	-	-	-	-	-	16,541,154
<b>On-balance sheet financial instruments</b>																
Commitments in respect of forward purchase, currency swaps, options and commitments to extent credits	-	24,898,370	8,127,500	11,419,586	3,996,659	1,296,866	57,639	-	-	-	-	-	-	-	-	-
Commitments in respect of forward sale, currency swaps and options contracts	-	(19,642,840)	(10,702,206)	(3,031,387)	(2,619,805)	(2,231,803)	(57,639)	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>																
Total yield / interest risk sensitivity gap	-	6,255,530	(2,574,706)	8,388,199	1,376,854	(934,817)	(7,981,067)	1,458,700	4,242,851	(3,500,945)	2,974,156	(74,252,488)	1,105,969	1,105,969	1,105,969	1,105,969
Cumulative yield / interest risk sensitivity gap	-	71,144,586	129,050,435	143,749,030	92,453,621	85,941,254	84,482,554	85,941,254	85,941,254	85,941,254	85,941,254	85,941,254	85,941,254	85,941,254	85,941,254	85,941,254

Rupees in '000

rate - %

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

		2019										Non-interest bearing financial instrument
Effective yield interest rate - %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
----- Rupees in '000 -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	2,566,714	-	-	-	-	-	-	-	-	23,022,635	
Balances with other banks	0.17	462,836	-	-	-	-	-	-	-	-	365,177	
Lendings to financial institutions	11.80	30,320,540	-	-	128,466	-	-	-	-	-	-	
Investments - net	9.73	142,568,470	41,046,043	582,500	1,656,084	20,378,927	7,910,850	503,646	204,943	-	4,127,252	
Advances - net	12.89	242,944,509	197,864,614	20,967,630	9,393,863	488,932	356,955	494,838	2,397,894	1,256,532	7,013,223	
Other assets	-	14,542,408	-	-	-	-	-	-	-	-	14,542,408	
		456,428,112	296,879,286	62,013,673	9,976,363	2,273,482	20,735,882	8,405,688	2,901,540	1,461,475	49,070,695	
Liabilities												
Bills payable	-	3,804,491	-	-	-	-	-	-	-	-	3,804,491	
Borrowings	9.26	54,468,283	31,977,964	4,683,216	193,571	207,839	2,120,779	1,179,549	1,027,085	-	-	
Deposits and other accounts	8.70	369,789,964	131,156,503	47,296,616	68,670,264	6,673,436	1,515,724	1,722,440	-	-	88,094,431	
Subordinated debt	13.73	7,494,800	-	2,996,400	4,498,400	-	-	-	-	-	-	
Other liabilities	-	17,536,172	60,983	121,966	365,898	731,796	682,219	1,168,857	381,703	-	13,839,801	
		453,093,710	183,195,450	60,486,862	37,543,115	73,728,133	7,613,071	4,070,846	1,408,788	-	100,728,723	
		3,334,402	133,683,836	1,526,811	27,566,752	13,122,811	4,086,966	(1,169,306)	52,687	2,710,028	51,658,028	
On-balance sheet financial instruments												
Commitments in respect of forward purchase contracts and commitments to extend credits		24,679,238	10,902,900	8,103,044	4,037,072	458,398	1,120,185	57,639	-	-	-	
Commitments in respect of forward exchange contracts - sale		(35,203,283)	(10,834,905)	(7,721,576)	(10,450,305)	(5,019,673)	(1,119,185)	(57,639)	-	-	-	
		(10,524,045)	67,995	381,468	(6,413,233)	(4,561,275)	1,000	-	-	-	-	
Off-balance sheet financial instruments												
Total yield / interest risk sensitivity gap												
		133,751,831	1,908,279	(33,979,985)	(76,015,926)	13,123,811	4,086,966	(1,169,306)	52,687	2,710,028	(51,658,028)	
Cumulative yield / interest risk sensitivity gap												
		133,751,831	135,660,110	101,680,125	25,664,199	38,788,010	42,874,976	41,705,670	41,758,357	44,468,385	-	
	2020	2019	----- Rupees in '000 -----									
			Reconciliation to total liabilities									
			Balance as per balance sheet									
			Less: Non financial liabilities									
			Deferred tax liabilities - net									
			1,194,252									
			511,576,194									
			453,093,710									
			510,381,942									
			453,093,710									
Less: Non financial assets												
Fixed assets		9,692,701										
Intangible assets		2,271,360										
Deferred tax assets - net		8,756										
Other assets		1,692,036										
Assets held for sale		374,000										
		13,998,863										
		519,531,240										

## For the year ended December 31, 2020

## Liquidity risk

The Bank's policy to liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions; to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

Treasury is responsible for the managing liquidity risk under the guidance of Asset-Liability Committee of the Bank. The Bank's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding resources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective comprises the maturity profile of our assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

**Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank**

[illegible]



# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019													
	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 to 30 days	Over 30 to 60 days	Over 60 to 90 days	Over 90 to 180 days	Over 180 to 360 days	Over 360 to 540 days	Over 540 to 720 days	Over 720 to 900 days	Over 900 to 1080 days	Over 1080 to 1260 days
Total	25,589,349	28,037,915	28,164,802	1,382,955	23,255	1,547,981	27,132	1,957	-	-	-	-	-
<b>Assets</b>													
Cash and balances with treasury banks	482,836	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	30,320,540	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	142,568,470	-	-	-	-	-	-	-	-	-	-	-	-
Investments	242,944,509	85,571,596	3,941	280	8,756	16,194,444	374,000	-	-	-	-	-	-
Advances	9,692,701	2,271,360	8,756	16,194,444	374,000	-	-	-	-	-	-	-	-
Fixed assets	2,271,360	8,756	16,194,444	374,000	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
	470,425,965	124,749,595	57,980,604	3,577,070	43,171,352	17,388,467	27,139,027	22,025,878	8,289,733	11,797,226	50,315,718	36,240,166	25,831,014
<b>Liabilities</b>													
Bills payable	3,804,491	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	54,468,263	797,376	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	369,789,964	167,415,021	8,265,705	7,047,887	26,021,300	20,516,154	26,780,462	29,670,550	20,422,018	53,719,267	6,673,436	1,515,724	1,722,440
Subordinated debt	7,494,800	-	-	-	-	-	-	600	400	1,000	2,000	2,000	7,488,800
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	17,536,172	12,197	38,187,731	14,229	220,575	9,146,741	585,116	277,733	221,422	801,705	2,334,790	1,769,553	1,741,881
	453,093,710	172,018,921	38,187,731	7,148,040	27,446,711	37,491,820	32,604,382	34,842,099	20,816,187	54,541,196	9,215,065	5,408,056	12,132,670
<b>Net assets</b>	17,333,255	(47,269,326)	19,402,873	(3,570,970)	15,724,641	(20,133,353)	(5,465,905)	(12,616,221)	(12,528,454)	(42,743,970)	41,100,653	30,832,110	13,698,344
Share capital - net	10,119,242	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,749,673	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	636,700	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,827,640	-	-	-	-	-	-	-	-	-	-	-	-
	17,333,255	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2020

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	30,421,231	30,421,231	-	-	-	-	-	-	-	-
Balances with other banks	1,105,969	1,105,969	-	-	-	-	-	-	-	-
Lendings to financial institutions	23,239,672	18,351,972	4,887,700	-	-	-	-	-	-	-
Investments	201,698,473	30,746,866	76,160,154	44,446,234	13,973,553	7,947,713	4,772,925	3,470,764	20,180,264	-
Advances	250,198,166	33,881,197	31,253,743	26,199,571	80,557,471	31,914,264	17,826,671	13,641,989	5,182,115	9,742,145
Fixed assets	7,599,538	104,894	532,695	356,226	673,001	1,198,183	947,931	967,673	668,086	2,150,849
Intangible assets	2,486,725	10,042	233,353	29,820	59,210	117,664	115,429	198,284	259,299	1,463,624
Deferred tax assets - net	-	-	-	-	35,125	-	-	-	-	-
Other assets	14,678,428	13,549,615	559,621	534,067	739,200	-	-	-	-	-
Assets held for sale	739,200	-	-	-	-	-	-	-	-	-
	532,168,402	128,171,786	113,627,266	71,565,918	96,037,560	41,177,824	23,662,956	18,278,710	26,289,764	13,356,618
<b>Liabilities</b>										
Bills payable	4,981,983	4,981,983	-	-	-	-	-	-	-	-
Borrowings	48,303,412	12,866,768	13,316,211	4,720,046	70,979	13,221,857	540,672	2,387,895	1,178,984	-
Deposits and other accounts	433,062,593	54,275,887	61,275,517	43,747,135	80,264,150	18,199,605	13,101,050	162,199,249	-	-
Subordinated debt	7,492,800	-	-	1,000	1,000	2,000	5,493,600	1,995,200	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,194,252	1,913	(73,831)	(35,557)	(77,866)	110,333	176,118	158,819	934,323	-
Other liabilities	16,541,154	385,097	10,827,448	502,414	801,993	1,778,734	1,311,459	827,329	106,680	-
	511,576,194	72,511,648	85,345,345	48,935,038	81,060,256	33,312,529	20,622,899	167,568,492	2,219,987	-
<b>Net assets</b>	<b>20,592,208</b>	<b>55,680,138</b>	<b>28,281,921</b>	<b>22,630,880</b>	<b>14,977,304</b>	<b>7,865,295</b>	<b>3,040,057</b>	<b>(149,289,782)</b>	<b>24,069,777</b>	<b>13,356,618</b>
Share capital - net	10,119,242	-	-	-	-	-	-	-	-	-
Reserves	1,991,170	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,334,123	-	-	-	-	-	-	-	-	-
Unappropriated profit	6,147,673	-	-	-	-	-	-	-	-	-
	20,592,208	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

2019									
Rupees in '000									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
<b>Assets</b>									
Cash and balances with treasury banks	25,589,349	-	-	-	-	-	-	-	-
Balances with other banks	462,836	-	-	-	-	-	-	-	-
Lending to financial institutions	30,320,540	-	-	128,466	-	-	-	-	-
Investments	142,568,470	16,059,413	2,627,054	1,793,932	20,654,625	8,003,353	4,135,006	23,286,861	-
Advances	242,944,509	24,262,803	24,733,994	76,279,419	27,467,362	26,536,887	19,525,477	3,898,657	9,302,930
Fixed assets	9,692,701	116,342	343,568	675,175	1,291,426	1,143,993	1,899,643	1,181,797	2,671,617
Intangible assets	2,271,360	8,386	24,979	49,670	97,819	96,371	176,318	239,677	1,463,624
Deferred tax assets - net	8,756	(1,291)	87,719	386,996	18,223	48,402	12,706	(386,519)	(512,286)
Other assets	16,194,444	503,350	-	95,457	789,263	411,160	81,864	1,191,757	-
Assets held for sale	374,000	-	374,000	-	-	-	-	-	-
	470,426,965	48,071,118	28,458,401	79,409,115	50,318,718	36,240,166	25,831,014	29,412,230	12,925,885
									0.01
<b>Liabilities</b>									
Bills payable	-	-	-	-	-	-	-	-	-
Borrowings	3,804,491	13,069,280	4,693,216	193,571	207,839	21,20,779	1,179,549	1,027,085	-
Deposits and other accounts	54,468,283	52,175,941	36,130,812	81,513,876	18,875,634	12,491,223	123,982,995	-	-
Subordinated debt	369,789,964	-	-	1,400	2,000	2,000	7,488,800	-	-
Liabilities against assets subject to finance lease	7,494,800	-	600	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-
Other liabilities	17,536,172	9,731,857	277,733	1,023,127	2,334,790	1,769,553	1,741,881	408,197	-
	453,093,710	74,976,078	41,102,361	82,731,974	21,420,263	16,383,555	134,393,225	1,435,282	-
<b>Net assets</b>	<b>17,333,255</b>	<b>(26,904,960)</b>	<b>(12,643,960)</b>	<b>(3,322,859)</b>	<b>28,898,455</b>	<b>19,856,611</b>	<b>(108,562,211)</b>	<b>27,976,948</b>	<b>12,925,885</b>
Share capital - net	10,119,242	-	-	-	-	-	-	-	-
Reserves	1,749,673	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	636,700	-	-	-	-	-	-	-	-
Unappropriated profit	4,827,640	-	-	-	-	-	-	-	-
	<u>17,333,255</u>	<u>(26,904,960)</u>	<u>(12,643,960)</u>	<u>(3,322,859)</u>	<u>28,898,455</u>	<u>19,856,611</u>	<u>(108,562,211)</u>	<u>27,976,948</u>	<u>12,925,885</u>

**45.4.3 To identify the behavioural maturities of non-contractual assets and liabilities, the Bank has used the following methodology:**

For determining the core portion of non contractual liabilities (non-volatile portion), the bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 45.5 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operational Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management framework across the bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

Bank's operational risk management process involves a structured and uniform approach across the Bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators (KRIs) and Risk & Control Self-Assessment (RCSA) activities for key operational risks. In order to build a robust operational risk monitoring mechanism, an Operational Risk Management Committee (ORMC) has been constituted to effectively address operational risk issues.

The bank has implemented a comprehensive "Operational Risk Management Policy" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Policy is aimed at laying out clearly defined roles and responsibilities of individuals / units across different functions of the Bank that are involved in performing various operational risk management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This policy has been devised to explain the various building blocks of the operational risk management functions and their inter-relationships. The policy also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the Bank.

The ORM Unit conducts operational risk assessment for all major functions of the Bank and assists various functions of the Bank in developing RCSA and KRIs which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operational risk incidents and loss data collection is governed by Bank's Operational Risk Management Policy and process documents which have been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The Bank's Business Continuity (BCP) Policy includes risk management strategies to mitigate inherent risks and prevent interruption of mission critical services caused by disaster events. The resilience of BCP is tested and rehearsed on an annual basis by the Bank.

## 46. DERIVATIVE RISK

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The nature, scope and purpose of derivatives business, for trading purposes or hedging purpose and the types of derivative in which they deal.

The overall responsibility for offering derivative products and sustaining profitability lies with the Treasurer and in his absence with his delegate. The Market Risk Unit / Treasury Middle Office of the Bank responsible for measurement & monitoring of the market risk exposures, analysis of present and potential risk factors.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

The Market Risk Unit also monitors associated Credit, Market and Liquidity Risk in line with Board of Directors approved limit framework. The unit coordinates with the business regarding approvals for derivatives risk limits and produces various reports / analysis for ALCO / BRMC on periodic basis. These reports provide details of outstanding un-hedged positions, profitability and status of compliance with limits. Treasury Operations records derivatives activity in the Bank's books and is responsible for reporting to the SBP.

The derivative transaction such as Cross Currency Swaps carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The Bank can hedge its risk by taking on & off-balance sheet position in interbank market, where available.

## 47. CUSTOMER SATISFACTION AND FAIR TREATMENT

The Bank is committed to providing its customers with the highest level of service quality and satisfaction. The Bank has established an independent Customer Experience function that oversees customer care, branch services, contact centre, customer insights and business conduct. The Bank's Complaint Handling Policy and Grievance Redressal Mechanism ensure that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the Bank's branches, contact center, the Bank's website or via email.

The complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our Branches, contact centre, the Bank's website and via email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable and resolution of complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, the Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens and SMS messages. Complete grievance redressal mechanism, touchpoints and online feedback forms have been made available through the Bank's website, and email broadcasts have been sent to the customers for customer education and awareness.

Fair Treatment of Customers is an integral part of our corporate culture. The Bank has institutionalized a 'Consumer Protection Framework'. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our consumer education and Financial Literacy Program.

# Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

## 48. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions to enhance comparability with the current period's financial statements, which are as follows:

		Reclassified		Rs. in '000
		From	To	
Statement of financial position	Other liabilities		Other assets	
	Others		Credit card settlement	32,027
	Others		Inter bank fund transfer settlement	(91,642)
	Others		Others	290,068
Statement of financial position	Other assets		Other liabilities	
	Mark to market gain on derivative instruments		Mark to market loss on derivative instruments	(491)
	Mark to market gain on forward foreign exchange contracts		Mark to market loss on forward foreign exchange contracts	(375,227)
Cashflow Statement		Cash Flow from Operating Activities		
	Other liabilities		Other assets	(1,748,987)

## 49. GENERAL

49.1 These unconsolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 2 dated January 25, 2018 and related clarifications / modifications.

49.2 The figures in these unconsolidated financial statements have been rounded off to the nearest thousand.

## 50. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on February 24, 2021.

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman





**Muhammad Alee Raput**

Write Up: A 23 year old artist for whom Art is a representation and exploration of the human condition and the attempt to experience a deeper understanding of life.

Institute: Indus Valley School of Art & Architecture





# **Consolidated**

**Financial Statements**

# Directors' Report on Consolidated Financial Statement

## For the year ended December 31, 2020

On behalf of the Board of Directors, we are pleased to present the Annual Report on the audited consolidated financial statements of JS Bank Limited (the 'Bank') and its subsidiaries and the auditors' report thereon for the year ended December 31, 2020.

## Consolidated financial highlights

	2020 (PKR million)	2019
Profit/(Loss) before taxation	2,169	(86)
Taxation	(1,060)	171
Profit/(Loss) after taxation	1,108	(257)
Profit/(Loss) attributable to non-controlling interest	(2)	11
Profit/(Loss) attributable to equity holders of the Bank	1,110	(245)
Profit/(Loss) per share - Basic (Rupees)	0.8558	(0.2077)
Investments – net	201,808	143,125
Total assets	536,077	473,213
Deposits	431,424	368,544
Shareholders' equity	22,916	19,481

## Pattern of Shareholding

The pattern of shareholding as of December 31, 2020 is included in the Annual Report.

## Subsidiary Companies

### JS Global Capital Limited

JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in Pakistan with a leadership position in the domestic capital markets. It is in the business of equity, fixed income, currencies and commodities brokerage and investment banking. It was incorporated in Pakistan on June 28, 2000 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited. JS Bank has 83.5% ownership in the company.

JS Global has a paid-up capital of PKR 305.570 million and shareholder equity of PKR 2,446 million as at December 31, 2020. It is listed on the Pakistan Stock Exchange.

PACRA has assigned long-term and short-term entity ratings to JS Global of "AA" (Double A) and "A1+" (A One plus), respectively. The ratings denote a very low expectation of credit risk emanating from very strong

capacity for timely payment of financial commitments.

## Summarized results of the company are set out below:

	PKR million	
Particulars	December 31, 2020 (Audited)	December 31, 2019 (Audited)
Profit Before Tax	290	107
Profit After Tax	207	47
EPS (Rupees)	6.77	1.31

### JS Investments Limited

JS Investments has a paid-up capital of PKR 617,742 million and shareholder equity of PKR 1,775 million as on December 31, 2020. It is listed on the Pakistan Stock Exchange. JS Bank has 84.56% ownership in the company.

The company is a licensed Investment Adviser and Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, JSIL also has

a license for Pension Fund Manager under the Voluntary Pension System Rules 2005 and the Private Equity & Venture Capital Fund Management Services license from the Securities and Exchange Commission of Pakistan.

**Summarized results of the Company are set out below:**

PKR million

Particulars	December 31,2020 (Audited)	December 31,2019 (Audited)
Loss before tax	(23)	(59)
Loss after tax	(40)	(87)
EPS (Rupees)	(0.64)	(1.17)

**JS ABAMCO Commodities Limited (Sub-Subsidiary)**

The company has not commenced commercial operations with source of income being realized from short term investment in Collective Investment Schemes (CIS) and saving account interest.

**Summarized results of the company are set out below:**

PKR million

Particulars	December 31,2020 (Audited)	December 31,2019 (Audited)
Profit before tax	5.0	5.1
Profit after tax	4.2	4.2
EPS (Rupees)	1.11	1.13

For and on behalf of the Board,

**Basir Shamsie**  
President & CEO

**Kalim-ur-Rahman**  
Chairman

February 24, 2021

## JS ABAMCO کموڈیٹیز لمیٹڈ (سب-سیڈیری)

کمپنی نے ابھی تک اپنے تجارتی آپریشنز کا آغاز نہیں کیا ہے۔ مجموعی سرمایہ کاری کے منصوبوں (CIS) میں مختصر مدت کی سرمایہ کاری اور بینک سیونگ اکاؤنٹ کمپنی کی آمدنی کا واحد ذریعہ ہے۔

کمپنی کی طرف سے ترتیب دیے گئے مختص کردہ نتائج درج ذیل ہیں:

مندرجات	31 دسمبر 2020 (آڈیٹڈ)	31 دسمبر 2019 (آڈیٹڈ)
قبل از ٹیکس منافع	5.0	5.1
بعد از ٹیکس منافع	4.2	4.2
ای پی ایس (روپے)	1.11	1.13

منجانب بورڈ

کلیم الرحمان  
چیئرمین

باصر شمس  
پریزیڈنٹ اور سی ای او

کراچی: 24 فروری 2021

Stearns جہانگیر صدیقی لمیٹڈ کے سیکورٹی برنس کے جانشین ہیں۔ جے ایس بینک کی کمپنی میں ملکیت 83.5 فیصد ہے۔

جے ایس گلوبل کا 31 دسمبر 2020 تک ادا شدہ سرمایہ 305.57 ملین روپے اور ایکویٹی شیئر 2,446 ملین روپے ہے جو پاکستان اسٹاک ایکسچینج پر درج ہے۔

PACRA نے جے ایس گلوبل کے "AA" (ڈبل اے) اور "A1+" (اے ون پلس) کی بالترتیب طویل المدتی اور قلیل مدتی ریٹنگ کو مقرر کیا ہے۔ ریٹنگز نے کریڈٹ کے اس خطرے کی بہت کم امید ظاہر کی ہے جو فنانشل کٹ منٹس کی بروقت ادائیگی کے لئے شدید گنجائش سے پیدا ہوتا ہے۔

کمپنی کی طرف سے ترتیب دیے گئے مختص کردہ نتائج درج ذیل ہیں:

مندرجات	31 دسمبر 2020 (آڈیٹڈ)	31 دسمبر 2019 (آڈیٹڈ)
قبل از ٹیکس منافع	290	107
بعد از ٹیکس منافع	207	47
ای پی ایس (روپے)	6.77	1.31

جے ایس انویسٹمنٹ لمیٹڈ

جے ایس انویسٹمنٹ کا 31 دسمبر 2020 تک ادا شدہ سرمایہ 617,742 ملین روپے اور ایکویٹی شیئر 1,775 ملین روپے ہے جو پاکستان اسٹاک ایکسچینج پر درج ہے۔ جے ایس بینک کی کمپنی میں ملکیت 84.5 فیصد ہے۔

کمپنی انویسٹمنٹ کے مشیر اور اثاثہ جات کی انتظامی کمپنی، جس کے تحت غیر بینکنگ فنانس کمپنیوں (قیام و ضوابط) کے قوانین، 2003 (این بی ایف سی قواعد) اور غیر بینکنگ فنانس کمپنیوں اور مطلع شدہ اداروں کے قوانین، 2008 (این بی ایف سی ضوابط) کے تحت لائسنس کا اختیار رکھتا ہے۔ اس کے علاوہ رضا کارانہ پنشن اسکیم کا نظام چلانے کیلئے JSIL رضا کارانہ پنشن نظام 2005 کے قوانین کے تحت لائسنس یافتہ پنشن فنڈ منظم بھی ہے۔

کمپنی کی طرف سے ترتیب دیے گئے مختص کردہ نتائج درج ذیل ہیں:

مندرجات	31 دسمبر 2020 (آڈیٹڈ)	31 دسمبر 2019 (آڈیٹڈ)
قبل از ٹیکس منافع	(23)	(59)
بعد از ٹیکس منافع	(40)	(87)
ای پی ایس (روپے)	(0.64)	(1.17)

## مجموعی فنانشل اسٹیٹمنٹس کی ڈائریکٹرز رپورٹ

### 31 دسمبر 2020 کو ختم ہونے والے سال کے لئے

بورڈ آف ڈائریکٹرز کی جانب سے ہم JS بینک لمیٹڈ (بینک) کی مجموعی آڈٹ شدہ مالیاتی اسٹیٹمنٹس پر سالانہ رپورٹ اور اس کی آڈیٹرز رپورٹ مسرت کے ساتھ پیش کر رہے ہیں۔

#### مجموعی فنانشل سرخیاں

2019	2020	
	ملین پاکستانی روپے	
(86)	2,169	قبل از ٹیکس منافع / (نقصان)
171	(1,060)	ٹیکس
(257)	1,108	بعد از ٹیکس منافع / (نقصان)
11	(2)	ناقابل ضبط سود سے منسوب منافع / (نقصان)
(245)	1,110	بینک کے ایکویٹی ہولڈرز سے منسوب منافع / (نقصان)
(0.2077)	0.8558	فی شیئر آمدنی - - بنیادی (روپے) / (نقصان)
143,125	201,808	سرمایہ کاری
473,213	536,077	کل اثاثہ
368,544	431,424	ڈیپازٹس
19,481	22,916	شیئر ہولڈرز کی ایکویٹی

#### شیئر ہولڈنگ کا پٹرن

31 دسمبر 2020 تک کا شیئر ہولڈنگ کا پٹرن بھی سالانہ رپورٹ میں شامل ہے۔

#### سبسڈری کمپنیز

#### جے ایس گلوبل کیپٹل لمیٹڈ

جے ایس گلوبل کیپٹل لمیٹڈ، پاکستان کی ڈومیسٹک کیپٹل مارکیٹ میں سیکوریٹی پروکریج اور انویسٹمنٹ بینکنگ کے اداروں میں ایک رہنما کا درجہ رکھتا ہے۔ یہ ایکویٹی برنس، فلسفہ آمدنی، کرنسی اور اشیاء کی بروکریج اور انویسٹمنٹ بینکنگ ہے۔ اس کی تشکیل 28 جون 2000 کو پاکستان میں ہوئی اور یہ جہانگیر صدیقی اینڈ کمپنی اور Bear



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Fax: +9221 3568 1965  
ey.kh@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT

To the members of JS Bank Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the annexed consolidated financial statements of JS Bank Limited (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>- Provision against non-performing credit exposure (note 10)</b>	
<p>The Group's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operation.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Group to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Group's accounting policy (refer note 4.6 to the financial statements), the Group determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realisability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non-performing advances are included in note 4.6 and 10 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> <li>• We tested Group's compliance of Prudential Regulations relating to the identification and classification of non-performing loans into various categories including an analysis of downgrading of the classified loans and declassification from non-performing to regular.</li> <li>• We re-computed on test basis, the provision calculated by the Group, to check compliance with the Prudential Regulations. We also reviewed, on a sample basis, the underlying independent valuations of the collaterals used against the outstanding exposures to calculate the amount of provision.</li> <li>• We also tested internal controls over the approval, recording and monitoring of loans and advances. In addition, we selected a representative sample of borrowers from the financing portfolios and other loans kept by the Group in the watch list category and performed credit assessments. Our procedures includes review of credit documentation, repayment trends and ageing reports, borrowers financial statements to assess its financial condition, collateral held by the Group and litigation status, if any.</li> <li>• We also reviewed the adequacy of disclosures made in the accompanying financial statements regarding non-performing loans and provisions in terms of the requirements of Prudential Regulation and applicable reporting framework.</li> </ul>

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Key audit matters	How the matter was addressed in our audit
<b>- Impairment testing of goodwill allocated to a cash generating unit (note 12.6)</b>	
<p>As disclosed in note 12.6 to the accompanying financial statements, the Group has goodwill of Rs. 1,463.62 million.</p> <p>In accordance with the requirements of International Accounting Standards-36 "Impairment of Assets", the goodwill is required to be tested for impairment on annual basis.</p> <p>Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use based on estimated future cash flows which involve use of various assumptions taking into account the factors such as economic and business conditions of the industry and environment in which entity operates.</p> <p>Due to the involvement of key estimates and judgments in evaluating the recoverable amount of goodwill, we have considered the same as a key audit matter.</p>	<p>We applied a range of audit procedures to address the risk as identified above including the following, by involving our internal specialist:</p> <ul style="list-style-type: none"> <li>- We assessed the reasonableness of cash flow projections and compared key inputs, such as discount and growth rates to externally available industry, economic and financial data and the Group's historical data and performance.</li> <li>- We evaluated and tested the assumptions, on which the valuation is based, and also assessed that such assumptions are consistent with: <ul style="list-style-type: none"> <li>• the general economic environment, specific industry economic factors, existing market information and the Group's economic circumstances; and</li> <li>• assumptions made in prior periods, the risks associated with cash flows, including the potential variability in the amount and timing of the cash flows and the related effect on the discount rate.</li> </ul> </li> <li>- We also reviewed the adequacy of disclosures made in the accompanying financial statements in terms of the requirements of applicable reporting framework.</li> </ul>

#### Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

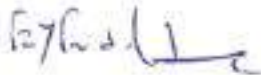
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.



**Chartered Accountants**

**Place:** Karachi

**Date:** 06 March 2021

# Consolidated Statement of Financial Position

As at December 31, 2020

2020	2019		2020	2019	
----- USD in '000 -----			----- Rupees in '000 -----		
			Note		
ASSETS					
190,332	160,104	Cash and balances with treasury banks	6	30,421,531	25,590,173
7,058	2,980	Balances with other banks	7	1,128,135	476,302
145,398	189,700	Lendings to financial institutions	8	23,239,672	30,320,540
1,262,605	895,456	Investments	9	201,807,654	143,124,623
1,566,969	1,522,109	Advances	10	250,455,534	243,285,308
56,476	66,906	Fixed assets	11	9,026,764	10,693,945
15,738	14,405	Intangible assets	12	2,515,549	2,302,474
-	787	Deferred tax assets	18	-	125,857
104,753	109,641	Other assets	13	16,743,107	17,524,249
4,625	2,340	Assets held for sale	11.3	739,200	374,000
3,353,954	2,964,428			536,077,146	473,817,471
LIABILITIES					
31,170	23,803	Bills payable	14	4,981,983	3,804,491
302,209	340,779	Borrowings	15	48,303,412	54,468,283
2,699,193	2,305,784	Deposits and other accounts	16	431,423,822	368,543,603
-	-	Liabilities against assets subject to finance lease		-	-
46,879	46,891	Subordinated debt	17	7,492,800	7,494,800
6,779	-	Deferred tax liabilities	18	1,083,590	-
124,353	125,286	Other liabilities	19	19,875,838	20,024,982
3,210,583	2,842,543			513,161,445	454,336,159
143,371	121,885	NET ASSETS		22,915,701	19,481,312
REPRESENTED BY					
63,311	63,311	Share capital - net	20	10,119,242	10,119,242
12,458	10,947	Reserves		1,991,169	1,749,672
20,318	8,187	Surplus on revaluation of assets	21	3,247,593	1,308,531
43,978	36,260	Unappropriated profit		7,029,251	5,795,596
140,065	118,705			22,387,255	18,973,041
3,306	3,180	Non-controlling interest		528,446	508,271
143,371	121,885			22,915,701	19,481,312

## CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these consolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Consolidated Profit and Loss Account

For the year ended December 31, 2020

2020 ----- USD in '000 -----	2019		Note	2020 ----- Rupees in '000 -----	2019
<b>270,230</b>	260,842	Mark-up / return / interest earned	24	<b>43,192,069</b>	41,691,587
<b>208,224</b>	215,830	Mark-up / return / interest expensed	25	<b>33,281,347</b>	34,497,048
<b>62,006</b>	45,012	<b>Net mark-up / interest income</b>		<b>9,910,722</b>	7,194,539
<b>NON MARK-UP / INTEREST INCOME</b>					
<b>27,365</b>	21,348	Fee, commission and brokerage income	26	<b>4,373,942</b>	3,412,160
<b>845</b>	1,241	Dividend income		<b>135,120</b>	198,432
<b>6,321</b>	6,026	Foreign exchange income		<b>1,010,345</b>	963,208
<b>107</b>	295	Income from derivatives		<b>17,045</b>	47,210
<b>12,016</b>	(4,167)	Gain / (loss) on securities	27	<b>1,920,510</b>	(665,997)
<b>(95)</b>	26	Share of (loss) / profit from associates		<b>(15,257)</b>	4,180
<b>684</b>	3,161	Other income	28	<b>109,306</b>	505,189
<b>47,243</b>	27,930	<b>Total non mark-up / interest income</b>		<b>7,551,011</b>	4,464,382
<b>109,249</b>	72,942	<b>Total Income</b>		<b>17,461,733</b>	11,658,921
<b>NON MARK-UP / INTEREST EXPENSES</b>					
<b>86,973</b>	73,587	Operating expenses	29	<b>13,901,226</b>	11,761,773
<b>291</b>	(413)	Workers' welfare fund	30	<b>46,472</b>	(65,991)
<b>573</b>	861	Other charges	31	<b>91,639</b>	137,643
<b>87,837</b>	74,035	<b>Total non-mark-up / interest expenses</b>		<b>14,039,337</b>	11,833,425
<b>21,412</b>	(1,093)	<b>Profit / (loss) before provisions</b>		<b>3,422,396</b>	(174,504)
<b>7,843</b>	(555)	Provisions / (reversals) and write offs - net	32	<b>1,253,585</b>	(88,703)
<b>-</b>	-	Extraordinary / unusual items		<b>-</b>	-
<b>13,569</b>	(538)	<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>2,168,811</b>	(85,801)
<b>6,634</b>	1,069	Taxation	33	<b>1,060,376</b>	170,807
<b>6,935</b>	(1,607)	<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>1,108,435</b>	(256,608)
<b>Attributable to:</b>					
<b>6,947</b>	(1,536)	Equity holders of the Bank		<b>1,110,373</b>	(245,285)
<b>(12)</b>	(71)	Non-controlling interest		<b>(1,938)</b>	(11,323)
<b>6,935</b>	(1,607)			<b>1,108,435</b>	(256,608)
----- US Dollar -----					
<b>0.0054</b>	(0.0013)	<b>Basic and diluted earnings / (loss) per share</b>	34	<b>0.8558</b>	(0.2077)
----- Rupee -----					

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these consolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

2020	2019		2020	2019
----- USD in '000 -----			----- Rupees in '000 -----	
6,935	(1,607)	<b>Profit / (loss) after tax</b>	1,108,435	(256,608)
		<b>Other comprehensive income / (loss)</b>		
		<b>Items that may be reclassified to profit and loss account in subsequent periods</b>		
72	204	Effect of translation of net investment in foreign branch	11,485	32,571
11,959	10,934	Movement in surplus on revaluation of investments - net of tax	1,911,420	1,747,631
499	(366)	Movement in general provision under IFRS 9 - net	79,793	(58,510)
(14)	-	Share of other comprehensive loss from associated companies - net of tax	(2,316)	-
12,444	10,568		1,988,897	1,689,121
		<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
1,821	(70)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	290,980	(11,160)
471	2,252	Movement in surplus on revaluation of operating fixed assets - net of tax	75,356	359,994
240	-	Movement in surplus on revaluation of non-banking assets - net of tax	38,398	-
8	199	Share of other comprehensive income from associated companies - net of tax	1,216	31,797
2,540	2,381		405,950	380,631
15,056	13,153	<b>Total other comprehensive income</b>	2,406,332	2,102,323
21,991	11,546	<b>Total comprehensive income</b>	3,514,767	1,845,715
		<b>Attributable to:</b>		
21,787	12,155	Equity holders of the Bank	3,482,182	1,943,070
204	(609)	Non-controlling interest	32,585	(97,355)
21,991	11,546		3,514,767	1,845,715

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these consolidated financial statements.

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to shareholders of the Bank									Total
	Share capital	Reserves		Surplus / (Deficit) on revaluation of			Unappropriated profit	Sub-total	Non-controlling interest	
		Statutory reserve *	Exchange translation	Investments	Fixed assets	Non banking assets				
	Rupees in '000									
<b>Balance as at December 31, 2018</b>	10,119,242	1,641,236	70,934	(2,080,364)	1,164,974	92,858	5,825,742	16,834,622	1,604,197	18,438,819
Loss after taxation	-	-	-	-	-	-	(245,285)	(245,285)	(11,323)	(256,608)
Other comprehensive income / (loss) - net of tax	-	-	32,571	1,714,569	452,297	-	(11,082)	2,188,355	(86,032)	2,102,323
	-	-	32,571	1,714,569	452,297	-	(256,367)	1,943,070	(97,355)	1,845,715
Transfer to statutory reserve	-	4,931	-	-	-	-	(4,931)	-	-	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>										
Fixed assets	-	-	-	-	(35,721)	-	35,721	-	-	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	(82)	82	-	-	-
<b>Transaction with owners recorded directly in equity</b>										
Preference dividend paid for the year ended December 31, 2018 @ 12% p.a.	-	-	-	-	-	-	(24,164)	(24,164)	-	(24,164)
Buy-back of shares by subsidiary from NCI	-	-	-	-	-	-	-	-	(1,001,653)	(1,001,653)
Interim cash dividend to non-controlling interest by subsidiary company @ Rs. 4 per share	-	-	-	-	-	-	-	-	(38,152)	(38,152)
Gain arising on buy back of shares by subsidiary	-	-	-	-	-	-	219,513	219,513	41,234	260,747
<b>Balance as at December 31, 2019</b>	10,119,242	1,646,167	103,505	(365,795)	1,581,550	92,776	5,795,596	18,973,041	508,271	19,481,312
Profit / (loss) after taxation	-	-	-	-	-	-	1,110,373	1,110,373	(1,938)	1,108,435
Other comprehensive income / (loss) net of tax	-	-	11,485	1,956,690	76,572	38,398	288,664	2,371,809	34,523	2,406,332
	-	-	11,485	1,956,690	76,572	38,398	1,399,037	3,482,182	32,585	3,514,767
Transfer to statutory reserve	-	230,012	-	-	-	-	(230,012)	-	-	-
<b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b>										
Fixed assets	-	-	-	-	(40,378)	-	40,378	-	-	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	(94)	94	-	-	-
Assets held for sale	-	-	-	-	(92,126)	-	92,126	-	-	-
Pre-acquisition surplus (net) on available-for-sale investments realised during the year	-	-	-	-	-	-	(67,968)	(67,968)	(12,410)	(80,378)
<b>Balance as at December 31, 2020</b>	10,119,242	1,876,179	114,990	1,590,895	1,525,618	131,080	7,029,251	22,387,255	528,446	22,915,701

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

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these consolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Consolidated Cash Flow Statement

For the year ended December 31, 2020

2020	2019		2020	2019
----- USD in '000 -----			----- Rupees in '000 -----	
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
13,569	(538)	Profit / (loss) before taxation	2,168,811	(85,801)
(845)	(1,241)	Less: Dividend income	(135,120)	(198,432)
95	(26)	Add / (less): Share of loss / (profit) from associates	15,257	(4,180)
12,819	(1,805)		2,048,948	(288,413)
		<b>Adjustments:</b>		
4,888	5,356	Depreciation	781,330	856,131
18	11	Depreciation on non-banking assets	2,862	1,713
5,970	6,166	Depreciation - right of use assets	954,275	985,498
738	613	Amortisation of intangible assets	118,032	97,968
998	843	Charge for defined benefit plan	159,436	134,712
		Unrealised gain on revaluation of investments classified as held-for-trading - net	(14,202)	(8,368)
(89)	(52)	Unrealised loss / (gain) on revaluation of forward foreign exchange contracts	65,409	(65,955)
409	(413)	Unrealised gain on revaluation of derivative instruments - net	(2,819)	(21,126)
(18)	(132)	Provisions and write offs - net	1,253,585	(89,018)
7,843	(557)	Provision for workers welfare fund	46,472	(65,991)
291	(413)	Mark-up / return / interest expense on lease liability against right-of-use assets	451,047	580,610
2,822	3,633	Gain on sale of fixed assets - net	(10,682)	(493,680)
(67)	(3,089)	Gain on sale of assets held for sale	(1,000)	-
(6)	-	Gain on termination of leases	(64,805)	-
(405)	-		3,738,940	1,912,494
23,392	11,966		5,787,888	1,624,081
36,211	10,161			
		<b>Decrease / (increase) in operating assets</b>		
44,302	(177,560)	Lendings to financial institutions	7,080,905	(28,380,143)
194,164	(85,463)	Held-for-trading securities	31,034,008	(13,659,848)
(49,206)	54,217	Advances	(7,864,762)	8,665,682
7,142	(31,024)	Other assets (excluding advance taxation)	1,141,538	(4,959,078)
196,402	(239,830)		31,391,689	(38,333,387)
		<b>Increase / (decrease) in operating liabilities</b>		
7,367	1,780	Bills payable	1,177,492	284,567
(35,483)	(264,184)	Borrowings	(5,671,449)	(42,225,743)
393,409	304,920	Deposits and other accounts	62,880,219	48,736,751
4,873	14,273	Other liabilities	778,760	2,281,258
370,166	56,789		59,165,022	9,076,833
602,779	(172,880)	Gratuity paid	96,344,599	(27,632,473)
(950)	(641)	Income tax paid	(151,882)	(102,494)
(2,593)	(2,790)		(414,455)	(445,904)
599,236	(176,311)		95,778,262	(28,180,871)
		<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(525,318)	83,861	Net investment in available-for-sale securities	(83,963,914)	13,403,936
(20,332)	61,670	Net investment in held-to-maturity securities	(3,249,717)	9,857,050
(255)	(133)	Investment in associated companies	(40,828)	(21,239)
838	1,241	Dividend received	134,017	198,432
(9,643)	(8,651)	Investments in fixed assets	(1,541,230)	(1,382,668)
(2,072)	(1,234)	Investments in intangible assets	(331,107)	(197,157)
227	8,458	Proceeds from sale of fixed assets	36,312	1,351,903
2,346	-	Proceeds from sale of assets held for sale	375,000	-
72	204	Effect of translation of net investment in foreign branch	11,485	32,571
(554,137)	145,416		(88,569,982)	23,242,828
		<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
-	(151)	Dividend paid on preference shares	-	(24,164)
(7,691)	(8,852)	Payment of lease liability against right of use assets	(1,229,285)	(1,414,882)
(13)	(13)	Subordinated debt	(2,000)	(2,000)
-	(239)	Dividend paid to non-controlling interest	-	(38,152)
-	(4,635)	Shares bought back from non-controlling interest	-	(740,906)
(7,704)	(13,890)		(1,231,285)	(2,220,104)
37,395	(44,785)		5,976,995	(7,158,147)
159,099	203,884	<b>Increase / (decrease) in cash and cash equivalents</b>	25,429,551	32,587,698
196,494	159,099	Cash and cash equivalents at beginning of the year	31,406,546	25,429,551
		Cash and cash equivalents at end of the year		

The annexed notes from 1 to 50 and annexure I & annexure II form an integral part of these consolidated financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Chairman
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# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

1.1.1 Holding Company: JS Bank Limited

JS Bank Limited (the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on March 15, 2006. The Bank is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL) and its shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank commenced its banking operations on December 30, 2006 and its registered office is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 307 (2019: 359) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (2019: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

1.1.2 Jahangir Siddiqui Investment Bank Limited, JSIBL, (formerly Citicorp Investment Bank Limited which was acquired by JSCL on February 01, 1999), and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JSBL was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra-ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

The ultimate parent of the Group is Jahangir Siddiqui & Co. Limited which holds 75.02% shares of the Bank.

### 1.1.3 Composition of the Group

	Ownership interest and voting power held by			
	2020		2019	
	The Group	NCI	The Group	NCI
<b>Subsidiary</b>				
JS Global Capital Limited	83.53%	16.47%	83.53%	16.47%
JS Investment Limited	84.56%	15.44%	84.56%	15.44%
JS ABAMCO Commodities Limited	84.56%	15.44%	84.56%	15.44%

### 1.1.4 Composition of the Associated Companies

	Ownership interest and voting power held by Bank	
	2020	2019
<b>Associates</b>		
Omar Jibran Engineering Industries Limited	9.60%	9.60%
Veda Transit Solutions (Private) Limited	9.12%	8.00%
Intercity Touring Company (Private) Limited	9.12%	9.12%

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 1.1.5 Subsidiary Companies

### JS Global Capital Limited (JSGCL)

JS Global Capital Limited is principally owned by the Bank, holding 83.53% of its equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011, April 15, 2016 and October 03, 2019 of 51.05%, 16.11% and 16.37% respectively. The ownership interest has increased by 32.42%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 19,443,000 ordinary shares out of its 50 million ordinary shares. JSGCL is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984. The shares of the JSGCL are listed on Pakistan Stock Exchange (PSX). Further, the JSGCL is a corporate member of PSX and member of Pakistan Mercantile Exchange. The principal business of the JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of the Company is situated at 17th Floor, The Centre, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi, Pakistan. The Company has eight branches (2019: ten) in seven cities of Pakistan.

### JS Investments Limited (JSIL)

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

The JSIL has obtained the license of an "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, JSIL has also obtained registration to act as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

JSIL is an asset management company of the following funds:

#### Open end funds:

- JS Value Fund
- JS Growth Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Fund of Funds
- JS Islamic Income Fund
- JS Cash Fund
- JS Large Cap. Fund
- JS Islamic Hybrid Fund of Funds (JSIHFOF)
- JS Islamic Hybrid Fund of Funds -2 (JSIHFOF2)
- JS Islamic Hybrid Fund of Funds -3 (JSIHFOF3)
- JS Islamic Dedicated Equity Fund
- JS Islamic Daily Dividend Fund

#### Private Equity & Venture Capital fund:

- JS Motion Picture Fund

#### Pension funds:

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## JS ABAMCO Commodities Limited (JSACL)

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

### 1.1.6 Associated Companies

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

The Bank has invested in the shares of Omar Jibran Engineering Industries Limited (OJEIL), a public unlisted company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. OJEIL was incorporated on June 25, 1987 in Pakistan as an unquoted public limited company under the repealed Companies Ordinance, 1984. The registered office of the OJEIL is situated at DSU-10, Pakistan Steel Industries Estate Bin Qasim, Karachi. The OJEIL is mainly engaged in the manufacture and sale of automotive parts and armoring of vehicles.

#### Veda Transit Solutions (Private) Limited

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

#### Intercity Touring Company (Private) Limited

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

## 2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements include financial statements of JS Bank Limited and its subsidiary companies, (the "Group") and share of the profit / reserves of associates.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Holding Company operates and functional currency of the Holding Company, in that environment as well. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs. 159.8344 to 1 US Dollar has been used for 2019 and 2020 as it was the prevalent rate as on December 31, 2020.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 2.2 Statement of Compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O56(I)/2016 dated January 28, 2016, that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

Through S.R.O. 229 (I)/2019 dated February 14, 2019, the SECP has extended the applicability of the IFRS 9 'Financial Instruments' for all companies required to prepare their financial statements in accordance with the requirements of IFRS for reporting period/year ending on or after June 30, 2019 (earlier application is permitted). However, SBP has further extended the effective date of applicability of IFRS 9 from annual period beginning on or after January 01, 2021 vide SBP BPRD Circular No.4 dated October 23, 2019. Therefore, the Group has not considered the impact of IFRS 9 for its Pakistan operations in these consolidated financial statements.

Further, the Holding Company considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime and for this SBP would issue guidance and instruction on the application of IFRS 9 for the Holding Company sector of Pakistan.

## 2.3 BASIS OF CONSOLIDATION

### 2.3.1 Subsidiary

- The consolidated financial statements include the financial statements of the Bank (The Holding Company) and its subsidiary companies together - "the Group".

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

- Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee except investment in mutual funds established under trust structure where IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure.
- These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.
- The financial statements of the subsidiary companies are prepared for the same reporting year as the holding company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the holding company.
- Material intra-group balances and transactions are eliminated.

## 2.3.2 Associate

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method.

## 2.3.3 Acquisition of business not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the bank to the former owners of the acquiree and the equity interests issued by the bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill on acquisition after July 01, 2009 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at proportionate share of net assets of the acquiree at the date of the acquisition.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 2.3.4 Acquisition of business under common control

Acquisition of business under common control are accounted for under 'pooling of interest method'. The assets and liabilities of the combining businesses for the period in which the combination occurs are merged on the date of combination at their respective book values. Appropriate adjustments are made to the book values to reflect application consistent accounting policies in the combining businesses. Any difference between the amount of net assets merged and consideration transferred in form of cash or other assets are adjusted against equity.

Expenditure incurred in relation to the business combination are recognized as expenses in the period in which they are incurred.

## 2.4 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Holding Company has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments were 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 judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
- IFRS 14 'Regulatory Deferral Accounts' permits an entity to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of standard and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required.
- IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The adoption of the above standards / amendments to accounting standards are not considered to be relevant or did not have any significant effect on the Holding Company's operations.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2021:

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

- IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaced 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 Holding Company has been complying with the requirement of BPRD Circular Letter No. 15 of 2020 to have parallel run of IFRS 9 from July 01, 2020.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to approved accounting standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	January 01, 2004
IFRS 17 – Insurance Contracts	January 01, 2023

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 2.6 Critical accounting estimates and key sources of estimation uncertainty

The preparation of these consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

### i) Classification of investments

- In classifying investments as 'held-for-trading' the Group has determined securities which are acquired with an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- In classifying investments as 'held-to-maturity' the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

### ii) Provision against non performing loans and advances

The Holding Company reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, the value of securities and the requirements of the Prudential Regulations are considered. For portfolio impairment / provision on consumer advances, the Bank follows requirements set out in Prudential Regulations.

### iii) Impairment on investments

The Group determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in securities price. In addition, impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

### iv) Income taxes

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

### v) Depreciation of fixed assets and amortization of intangible assets

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the underlying assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## vi) **Defined benefits plans and other benefits**

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

## vii) **Impairment of Goodwill**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for the periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs.1,464 million. The detailed assumptions underlying impairment testing of goodwill are given in note 12.7 to these consolidated financial statements.

## viii) **Lease term**

The Group applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised and its recoverable amount which is determined as higher of value-in-use and fair value less cost to sell.

## 3. **BASIS OF MEASUREMENT**

These consolidated financial statements have been prepared under the historical cost convention except for:

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

## 4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those of previous financial year.

### 4.1 **Cash and cash equivalents**

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

### 4.2 **Landings to / borrowings from financial institutions**

The Group enters into transactions of landings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

#### (a) **Purchase under resale obligation**

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Bank does not obtain control over the securities. Amount paid under these agreements is included in landings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## **(b) Other lendings**

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis in accordance with the requirements of the Prudential Regulations of the SBP.

## **(c) Sale under repurchase obligation**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase value is accrued over the period of the contract and recorded as an expense using effective interest rate method.

## **(d) Other borrowings**

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

## **4.3 Investments**

### **4.3.1 Initial recognition and measurement**

**4.3.1.1** The Management determines the appropriate classification of its investments at the time of purchase in held-for-trading, available-for-sale or held-to-maturity as per SBP guidelines vide BSD circular No. 10 of 2004 dated July 13, 2004. These are initially recognised at cost, being the fair value of the consideration given plus, in the case of investments other than held-for-trading, directly attributable acquisition costs.

#### **(a) Held-for-trading**

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognized in profit and loss account.

#### **(b) Held-to-maturity**

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till maturity. Investments classified as held-to-maturity are carried at amortised cost.

#### **(c) Available-for-sale**

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost. These securities are carried at fair value with any related surplus or deficit on revaluation shall be taken to other comprehensive income.

### **4.3.1.2 Associates**

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Under the equity method, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses, share of other comprehensive income or loss and share of the post acquisition movement in other reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

## 4.3.1.3 Regular way contracts

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

## 4.3.1.4 Premium or discount on acquisition of investments

Premium or discount on acquisition of investments is capitalised and amortised through the consolidated profit and loss account using effective yield over the remaining period of the investment.

## 4.3.2 Subsequent measurement

In accordance with the requirements of the State Bank of Pakistan, SBP, quoted securities other than those classified as 'held-to-maturity' and investment in associates and subsidiaries, are subsequently remeasured on portfolio basis i.e. in case of Government securities at PKRV and PKFRV rates whereas in case of other securities at market value. Investments classified as 'held-to-maturity' are carried at amortised cost using the effective interest method (less impairment, if any).

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Group's held-for-trading investments is taken to the profit and loss account. In case of investments classified as available-for-sale, surplus or deficit is taken directly to equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value in accordance with the requirements of the Prudential Regulations issued by the SBP. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

## 4.3.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available for sale, associates, subsidiaries and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

### (a) Available-for-sale

If an available-for-sale equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit and loss account as a reclassification adjustment even though the financial asset has not been derecognised, any further decline in the fair value at subsequent reporting



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

dates are recognised as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, impairment losses recognised in profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit and loss except in case of derecognition.

## (b) Held to maturity, Subsidiaries and Associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

## (c) Debt Securities

PTCs, TFCs, Sukuk and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of short, medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

## 4.4 Financial instruments

### 4.4.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account at the time of de-recognition. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 4.4.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

## 4.5 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

## 4.6 Advances

### 4.6.1 Loan and advances

Advances are stated net of general and specific provisions. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 4.6.2 Finance lease receivables

Leases, where the bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

## 4.7 Fixed assets

### 4.7.1 Property and equipment

Fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes leasehold land and buildings) are stated at revalued amount less accumulated depreciation and impairment loss, if any.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 11. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is recognised in the profit and loss account in the year the asset is de-recognised.

### 4.7.2 Surplus / deficit on revaluation of fixed assets

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to equity.

### 4.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specified assets as and when assets are available for use.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 4.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method are reviewed and adjusted, if appropriate, annually.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. However these are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

## 4.9 Assets subject to finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a period rate of interest on the outstanding liability.

## 4.10 Non-banking assets acquired in satisfaction of claims

### 4.10.1 Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are initially carried at cost and subsequently at revalued amounts at each year-end date of the statement of financial position, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The valuation of properties acquired are conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on operating fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these consolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets in the notes to these consolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

### 4.10.2 Surplus / deficit on revaluation of non banking assets

Revaluation of non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions are carried out under criteria given in regulations for DPS issued by State Bank of Pakistan vide BPRD Circular 01 dated January 01, 2016 i.e. valuation of property shall be done on individual property basis and not on portfolio basis, whereas accounting treatment of revaluation is accounted for in accordance with applicable financial reporting standards i.e. International Accounting Standard (IAS) 16.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Furthermore, revaluation surplus on such assets shall not be admissible for calculating the Group's Capital Adequacy Ratio and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

## 4.11 Impairment other than investments and deferred tax

At each balance sheet date, the Bank reviews the carrying amounts of its assets (other than investment and deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

## 4.12 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognised as an expense in the period in which these are incurred to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of the asset.

## 4.13 Subordinated debt

Subordinated debt is initially recorded at the amount of proceeds received and subsequently measured at amortised cost. Mark-up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

## 4.14 Taxation

### 4.14.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income. For income covered under final tax regime, taxation is based on applicable tax rate under such regime. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

### 4.14.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the consolidated financial statements. Deferred tax liability is recognized on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Deferred tax, if any, on revaluation of investments, fixed assets and non banking assets is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

## 4.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to consolidated profit and loss account net of expected recovery.

## 4.16 Staff retirement benefits

### Defined contribution plan - the Group

The Group has established a provident fund scheme for all its permanent employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate defined below of basic salary. Contribution by the Group is charged to profit and loss account.

- The Bank (Holding Company)	7.10%
- JS Global Capital Limited (Subsidiary)	7.33%
- JS Investment Limited (Subsidiary)	7.33%

### 4.16.1 Defined benefit plan as revised (Holding Company)

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2020, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

## 4.17 Revenue recognition

Revenue is recognized to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. These are recognized as follows:

- Advances and investments

Mark-up income / interest / profit on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract.

Mark-up income / interest / profit on non-performing advances and debt securities is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Interest / returns / mark-up income / profit on rescheduled / restructured advances and debt securities are recognised as permitted by the State Bank of Pakistan or by the regulatory authorities of the countries where the Bank operates, except where, in the opinion of the management, it would not be prudent to do so.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Unrealised interest income in respect of non-performing loans and advances are held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

- Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (defined as the excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

- Non Mark-up / interest income

- Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.

- Financial advisory fee is recognised when the right to receive the fee is established.

- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.

## 4.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves except for statutory reserves are recognised in the consolidated financial statements in the periods in which these are approved.

## 4.19 Foreign currencies

### 4.19.1 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

### 4.19.2 Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 4.19.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

## 4.19.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

## 4.19.5 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these consolidated financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the consolidated statement of financial position date.

## 4.20 Goodwill

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of the business combination over the Holding Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Holding Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units.

## 4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Bank (less preference dividend, if any) by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders of the Bank by dividing the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares, if any, by the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares, if any.

## 4.22 Non-current assets held for sale and discontinued operations

The Holding Company classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the consolidated profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 4.23 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment.

Segment information is presented as per the Group's functional structure and the guidance given under International Financial Reporting Standard (IFRS) 8. For management purposes, the Group has been organised into Seven operating segments based on products and services, as follows:

### 4.23.1 Business segments

#### Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs), specialised financial advice and trading and secondary private placements.

#### Trading and sales

This segment undertakes the Group's treasury, money market and capital market activities.

#### Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and agricultural sector. It includes loans, deposits and other transactions with retail customers.

#### Commercial banking

This includes loans, deposits and other transactions with corporate customers.

#### Brokerage

This includes brokerage commission earned on transactions in capital, money, foreign exchange and commodity markets.

#### Asset management

This includes fee for services rendered in connection with advisory and management of mutual funds.

The Executive Management Committee (ManCom) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, along with the gross income and expense

Transfer prices between operating segments are based on the group's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2019 and 2020.

#### Others

This includes the headoffice related activities and other functions which cannot be classified in any of the above segments.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 4.23.2 Geographical segment

The Holding Company operates with 307 (2019: 359) branches / sub-branches in Pakistan region and one wholesale banking branch in Bahrain (2019: one).

## 4.24 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Holding Company are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019 except for the following additional considerations due to the COVID-19.

### 5.1 COVID - 19 outbreak and it's impact

The COVID-19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

The State Holding Company of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain Holding Company's system's soundness and to sustain economic activity. These include:

- (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- (ii) increasing the regulatory limit on extension of credit to SMEs by 125 million to Rs 180 million;
- (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent
- (iv) allowing Holding Companies to defer clients' payment of principal and profit on financing obligations by one year; and
- (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.
- (vi) Relaxing credit requirements for exporters and importers; and
- (vii) Refinance schemes to support employment to prevent layoff of workers and health sector to combat COVID-19 Pandemic.

COVID 19 has impacted the Holding Companies in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches, managing cyber security threat and managing investment Holding Company's activities including arrangement of syndicate loans, debt and capital advisory services etc. We have discussed below the major aspects of COVID 19 on the Holding Company's risk management policies.

#### 5.1.1 Assets quality and credit risk

The Risk department of the Holding Company is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Holding Company has further strengthened its credit review procedures in the light of COVID-19. The Holding Company has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 5.1.2 Liquidity management

Holding Company has received applications for deferral of principal and / or restructuring / rescheduling and is expected to receive further such applications. These applications are being reviewed by the Holding Company as per its established policies. The Asset and Liability Committee (ALCO) of the Holding Company is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Holding Company has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Holding Company is sufficient to cater any adverse movement in cash flow maturity profile.

## 5.1.3 Equity investments

SBP has given relaxation in recognition of impairment on equity securities in phased manner equally on quarterly basis during calendar year ending on December 31, 2020. The Holding Company has taken the impact of impairment on the basis of that relaxation in these consolidated financial statements.

## 5.1.4 Foreign Exchange Risks

Due to recent economic slowdown, the PKR has devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs.159.8344 as at December 31, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID-19 resolves. The Holding Company has reviewed its Net Open Position and has had no significant impact on profitability.

## 5.1.5 Operations

The Holding Company is closely monitoring the situation and has invoked required actions to ensure safety and security of Holding Company staff and an uninterrupted service to our customers. The senior management of the Holding Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Holding Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Holding Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

The Holding Company is communicating with its customers on how they can connect with the Holding Company through its full suite of channels including digital and online channels. The Holding Company has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Holding Company continues to meet the expectations of their clients as they would in a normal scenario.

## 5.1.6 Capital Adequacy Ratio

Under the current scenario, the Holding Companies are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Holding Company from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Holding Companies to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Holding Company for its tier 2 capital. Further, the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the Senior management of the Holding Company is continuously monitoring the impacts of various decisions on its CAR and taking further lending decisions based on the overall impacts on RWA. The Holding Company also believes that it has buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand:</b>			
Local currency		6,337,389	5,573,428
Foreign currencies		1,301,503	896,523
		<u>7,638,892</u>	<u>6,469,951</u>
<b>With State Bank of Pakistan in:</b>			
Local currency current account	6.1	16,268,165	13,292,331
Foreign currency current account - non remunerative	6.2	1,086,874	831,532
Foreign currency deposit account - remunerative	6.3	2,261,337	2,566,714
		<u>19,616,376</u>	<u>16,690,577</u>
<b>With National Bank of Pakistan in:</b>			
Local currency current accounts		2,609,635	2,286,205
<b>National Prize Bonds</b>		<u>556,628</u>	<u>143,440</u>
		<u>30,421,531</u>	<u>25,590,173</u>

**6.1** These include local currency current accounts maintained with SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.

**6.2** As per BSD Circular No. 9 dated December 03, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan in deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

**6.3** This represents deposit accounts maintained with SBP under the requirements of BSD Circular No. 14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement of foreign currency accounts under FE-25, as prescribed by the SBP, carrying a mark-up rate 0% (2019: 0.70%) as per specific circular issued by SBP at year end.

	Note	2020 ----- Rupees in '000 -----	2019
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		123,526	150,722
In deposit accounts	7.1	24,390	6,565
		<u>147,916</u>	<u>157,287</u>
<b>Outside Pakistan</b>			
In current accounts	7.2	980,669	319,083
		<u>1,128,585</u>	<u>476,370</u>
Less: General provision under IFRS 9	7.3	(450)	(68)
Balances with other banks - net of provision		<u>1,128,135</u>	<u>476,302</u>

**7.1** These carry mark-up at the rate of 2.75% to 13.70% (2019: 6.75% to 12.75%) per annum.

**7.2** This includes amount held in Automated Investment Plans. The Holding Company is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount which comes 0% per annum (2019: 1.05% per annum).

**7.3** This represents general provision held under IFRS 9 by Bahrain branch of the Holding Company.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2020 ----- Rupees in '000 -----	2019
Call money lendings		2,237,682	283,887
Repurchase agreement lendings (Reverse Repo)		21,003,215	30,037,915
		<u>23,240,897</u>	<u>30,321,802</u>
Less: General provision under IFRS 9	8.4	(1,225)	(1,262)
Lending to Financial Institutions - net of provision		<u>23,239,672</u>	<u>30,320,540</u>

### 8.1 Particulars of lendings - gross

In local currency	21,003,215	30,037,915
In foreign currencies	2,237,682	283,887
	<u>23,240,897</u>	<u>30,321,802</u>

**8.2** These represent unsecured call money lendings to financial institutions carrying interest at the rates ranging from 1% to 1.1% (2019: 2.50% to 4.52%) per annum. These will mature between January 11, 2021 and January 28, 2021 (2019: January 30, 2020 and September 22, 2020).

**8.3** These are secured short-term lendings to various financial institutions, carrying mark-up rate from 6.75% to 7.40% (2019: 12.00% to 13.60%) per annum. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in note 8.3.1 below.

### 8.3.1 Market value of securities held as collateral against Lending to financial institutions

	2020			2019		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	-	-	-	24,252,002	-	24,252,002
Pakistan Investment Bonds	21,160,868	-	21,160,868	2,081,639	3,673,117	5,754,756
	<u>21,160,868</u>	<u>-</u>	<u>21,160,868</u>	<u>26,333,641</u>	<u>3,673,117</u>	<u>30,006,758</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

8.4 This represents general provision held under IFRS 9 by Bahrain branch of the Holding Company.

## 9. INVESTMENTS - NET

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- Rupees in '000 -----								
<b>9.1 Investments by type</b>								
<b>Held-for-trading securities</b>								
Federal Government Securities	25,002,969	-	805	25,003,774	55,601,087	-	(2,618)	55,598,469
Shares	194,428	-	12,981	207,409	486,634	-	551	487,185
Open end mutual funds	310,221	-	416	310,637	444,902	-	11,070	455,972
	25,507,618	-	14,202	25,521,820	56,532,623	-	9,003	56,541,626
<b>Available-for-sale securities</b>								
Federal Government Securities	127,308,516	-	97,527	127,406,043	47,828,618	-	(809,244)	47,019,374
Shares	3,018,184	(411,955)	1,701,753	4,307,982	2,115,728	(136,589)	25,107	2,004,246
Non Government Debt Securities	3,579,278	(696,507)	(420)	2,882,351	3,931,294	(696,507)	(6,889)	3,227,898
Open end mutual funds	826,188	-	390,100	1,216,288	969,276	(26,023)	279,616	1,222,869
Foreign Securities	4,079,070	(122,758)	136,466	4,092,778	2,406	-	-	2,406
	138,811,236	(1,231,220)	2,325,426	139,905,442	54,847,322	(859,119)	(511,410)	53,476,793
<b>Held-to-maturity securities</b>								
Federal Government Securities	36,109,599	-	-	36,109,599	32,859,882	-	-	32,859,882
Associates	270,793	-	-	270,793	246,322	-	-	246,322
Total Investments	200,699,246	(1,231,220)	2,339,628	201,807,654	144,486,149	(859,119)	(502,407)	143,124,623

9.1.1 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020				2019				
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
9.2	Investments by segments:	Note ----- Rupees in '000 -----								
Held-for-trading securities										
Federal Government Securities										
	Market Treasury Bills	9.4.1	25,002,969	-	805	25,003,774	55,601,087	-	(2,618)	55,598,469
	Pakistan Investment Bonds	9.4.1	-	-	-	-	-	-	-	-
			25,002,969	-	805	25,003,774	55,601,087	-	(2,618)	55,598,469
Shares:										
Listed Companies										
	Ordinary shares	9.4.2	194,428	-	12,981	207,409	486,634	-	551	487,185
	Open End Mutual Funds	9.4.3	310,221	-	416	310,637	444,902	-	11,070	455,972
Available-for-sale securities										
Federal Government Securities:										
	Market Treasury Bills	9.5.1	90,027,949	-	20,041	90,047,990	12,071,266	-	(364)	12,070,902
	Pakistan Investment Bonds	9.5.1	37,280,567	-	77,486	37,358,053	35,757,352	-	(808,880)	34,948,472
			127,308,516	-	97,527	127,406,043	47,828,618	-	(809,244)	47,019,374
Shares:										
Listed Companies										
	Ordinary shares	9.5.2	2,870,595	(275,366)	1,701,753	4,296,982	1,968,139	-	25,107	1,993,246
	Preference shares	9.5.2	136,589	(136,589)	-	-	136,589	(136,589)	-	-
	Unlisted Companies									
	Ordinary shares	9.5.2	11,000	-	-	11,000	11,000	-	-	11,000
			3,018,184	(411,955)	1,701,753	4,307,982	2,115,728	(136,589)	25,107	2,004,246
Non Government Debt Securities										
Listed										
	Term Finance Certificates	9.5.3.1	442,682	(155,169)	(147)	287,366	445,183	(155,169)	(134)	289,880
	Sukuk Certificates	9.5.3.2	402,955	-	(273)	402,682	493,850	-	(6,755)	487,095
Unlisted										
	Term Finance Certificates	9.5.3.3	1,340,804	(541,338)	-	799,466	1,506,195	(541,338)	-	964,857
	Sukuk Certificates-unlisted	9.5.3.4	1,365,104	-	-	1,365,104	1,458,333	-	-	1,458,333
	Preference shares	9.5.3.5	27,733	-	-	27,733	27,733	-	-	27,733
			3,579,278	(696,507)	(420)	2,882,351	3,931,294	(696,507)	(6,889)	3,227,898
	Open End Mutual Funds	9.5.4	826,188	-	390,100	1,216,288	969,276	(26,023)	279,616	1,222,869
Foreign Securities										
	Government Debt Securities	9.5.5.1	3,633,601	(120,619)	130,420	3,643,402	-	-	-	-
	Non Government Debt Securities	9.5.5.2	379,654	(2,139)	(3,628)	373,887	-	-	-	-
	Ordinary shares	9.5.2	65,815	-	9,674	75,489	2,406	-	-	2,406
			4,079,070	(122,758)	136,466	4,092,778	2,406	-	-	2,406
Held-to-maturity securities										
Federal Government Securities:										
	Pakistan Investment Bonds	9.6.1	36,109,599	-	-	36,109,599	32,859,882	-	-	32,859,882
Associates										
	Omar Jibran Engineering Industries Limited	9.7	215,793	-	-	215,793	224,782	-	-	224,782
	Veda Transit Solutions (Private) Limited	9.7	54,302	-	-	54,302	4,774	-	-	4,774
	Intercity Touring Company (Private) Limited	9.7	698	-	-	698	16,766	-	-	16,766
			270,793	-	-	270,793	246,322	-	-	246,322
Total Investments			200,699,246	(1,231,220)	2,339,628	201,807,654	144,486,149	(859,119)	(502,407)	143,124,623

\* Provision for diminution against foreign debt securities represents expected credit loss provisioning under IFRS 9 on portfolio pertaining to Bahrain Branch



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020		2019	
	Cost	Market value	Cost	Market value
----- Rupees in '000 -----				
<b>9.2.1 Investments given as collateral</b>				
<b>Held-for-trading securities</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	4,864,464	4,864,680	-	-
<b>Available-for-sale securities</b>				
<b>Federal Government Securities:</b>				
Market Treasury Bills	4,902,054	4,902,811	4,453,165	4,452,597
Pakistan Investment Bonds	-	-	22,232,264	21,475,720
	4,902,054	4,902,811	26,685,429	25,928,317
<b>Foreign Securities</b>				
Government Debt Securities	-	-	-	-
Non Government Debt Securities	-	-	-	-
	-	-	-	-
	<b>9,766,518</b>	<b>9,767,491</b>	<b>26,685,429</b>	<b>25,928,317</b>

	2020	2019
	----- Rupees in '000 -----	
<b>9.3 Provision for diminution in value of investments</b>	<b>859,119</b>	1,204,419
<b>9.3.1 Opening balance</b>	<b>276,202</b>	251,675
Charge during the year	(26,859)	(596,975)
Reversal during the year	249,343	(345,300)
Charge / (reversals) during the year	122,758	-
Impairment under IFRS 9 in Bahrain branch	1,231,220	859,119
Closing balance		

## 9.3.2 Particulars of provision against debt securities

Category of classification	2020		2019	
	NPI	Provision	NPI	Provision
----- Rupees in '000 -----				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	696,507	696,507	696,507	696,507
	<b>696,507</b>	<b>696,507</b>	<b>696,507</b>	<b>696,507</b>

## 9.4 Quality of Held-for-Trading Securities

Details regarding quality of Held-for-Trading (HFT) securities are as follows

	2020		2019	
	Cost	Market Value	Cost	Market Value
----- Rupees in '000 -----				
<b>9.4.1 Federal Government Securities - Government guaranteed</b> Note				
Market Treasury Bills	25,002,969	25,003,774	55,601,087	55,598,469
Pakistan Investment Bonds	-	-	-	-
9.4.1.1	<b>25,002,969</b>	<b>25,003,774</b>	<b>55,601,087</b>	<b>55,598,469</b>

### 9.4.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Note	Maturity	Redemption	Coupon
Market treasury bills	9.4.1.2	January 14, 2021 to January 28, 2021	On maturity	On maturity Half yearly

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**9.4.1.2** Market Treasury Bills are for the period of three to twelve months. The effective rates of profit on Market Treasury Bills range from 7.07% to 7.12% per annum (2019: 13.04% to 13.70% per annum).

9.4.2 Shares	Rating	Industry Sector	Shares		2020		2019	
			2020	2019	Cost	Market value	Cost	Market value
			----- Numbers -----		----- Rupees in '000 -----			
Listed Companies								
Ordinary shares								
- Pak Elektron Limited	A+	Cable & Electrical Goods	130,000	513,000	5,019	5,217	13,662	13,887
- Cherat Cement Company Limited	A	Cement	2,000	-	294	292	-	-
- D.G. Khan Cement Limited	-	Cement	-	633,000	-	-	47,315	47,013
- Fauji Cement Company Limited	-	Cement	-	253,000	-	-	3,980	3,937
- Lucky Cement Limited	AA+	Cement	1,416	-	873	986	-	-
- Maple Leaf Cement Factory Limited	-	Cement	-	190,000	-	-	4,188	4,397
- Pioneer Cement Limited	A	Cement	1,000	153,500	106	103	4,585	4,680
- Power Cement Limited	A-	Cement	1,000,000	-	9,470	9,880	-	-
- Descon Oxychem Limited	-	Chemical	-	-	-	-	-	-
- Engro Polymer & Chemicals Limited	-	Chemical	-	549,000	-	-	18,788	18,232
- Lotte Chemical Pakistan Limited	Unrated	Chemical	77,000	227,000	1,209	1,160	3,154	3,183
- D.G. Khan Cement Company Limited	AA-	Cement	1,791	-	194	205	-	-
- Maple Leaf Cement Factory Limited	A	Cement	3,429	-	133	154	-	-
- Askari Bank Limited	-	Commercial Bank	-	-	-	-	-	-
- Bank Alfalah Limited	AA+	Commercial Bank	448	-	15	16	-	-
- United Bank Limited	AAA	Commercial Bank	2,095	3,500	256	264	587	576
- Habib Bank Limited	AAA	Commercial Bank	1,293	6,000	158	171	950	945
- National Bank of Pakistan Limited	AAA	Commercial Bank	4,000	519,500	176	172	22,854	22,494
- The Bank of Punjab	-	Commercial Bank	-	598,500	-	-	6,881	6,781
- MCB Bank Limited	AAA	Commercial Bank	601	-	98	111	-	-
- Bank Al Habib Limited	AA+	Commercial Bank	581	-	33	40	-	-
- Meezan Bank Limited	AA+	Commercial Bank	104	-	8	11	-	-
- National Refinery Limited	-	Refinery	-	5,000	-	-	720	705
- Attock Refinery Limited	AA	Refinery	19,000	420,000	3,359	3,459	47,857	46,910
- Pakistan Refinery Limited	A-	Refinery	358,000	-	7,544	8,517	-	-
- Amreli Steels Limited	A-	Engineering	145,500	227,500	6,947	7,022	8,323	8,217
- Mughal Iron and Steel Industries Limited	-	Engineering	-	19,000	-	-	751	778
- International Steels Limited	A+	Engineering	119,500	638,000	11,255	11,142	53,700	54,127
- Meezan Pakistan Exchange Traded Fund	Unrated	Exchange Traded Funds	251,000	-	2,597	2,676	-	-
- NBP Pakistan Growth Exchange Traded Fund	Unrated	Exchange Traded Funds	-	-	207	224	-	-
- NIT Pakistan Gateway Exchange Traded Fund	Unrated	Exchange Traded Funds	17,000	-	164	200	-	-
- UBL Pakistan Enterprise Exchange Traded Fund	Unrated	Exchange Traded Funds	16,500	-	225	225	-	-
- The General Tyre and Rubber	-	Automobile Parts and Accessories	-	12,000	-	-	668	669
- The Hub Power Company Limited	AA+	Power Generation And Distribution	6,628	61,000	510	526	5,483	5,694
- K-Electric Limited	AA	Power Generation And Distribution	321,500	1,985,500	1,223	1,257	8,182	8,677
- Nishat Chunian Limited	-	Power Generation And Distribution	-	40,500	-	-	1,714	1,727
- NetSol Technologies Limited	Unrated	Technology and Communication	75,500	75,500	13,589	14,973	4,953	4,972
- Avanceon Limited	Unrated	Technology and Communication	288,500	-	26,627	26,787	-	-
- Pakistan International Bulk Terminal Limited	A-	Transport	1,020,000	-	13,108	13,117	-	-
- Engro Corporation Limited	AA+	Fertilizer	2,424	-	715	745	-	-
- Engro Fertilizers Limited	AA	Fertilizer	4,916	316,500	305	311	22,967	23,241
- Fatima Fertilizers Company Limited	-	Fertilizer	-	21,500	-	-	2,191	2,182
- Fauji Fertilizer Bin Qasim Limited	A+	Fertilizer	31,500	211,500	776	798	4,039	4,128
- Fauji Fertilizer Company Limited	AA+	Fertilizer	1,205	-	119	131	-	-
- Engro Foods Limited	-	Food & Personal Care Products	-	3,500	-	-	280	278
- Fauji Foods Limited	-	Food & Personal Care Products	-	158,500	-	-	2,255	2,293
- Oil & Gas Development Company Limited	AAA	Oil & Gas Exploration Companies	15,262	153,000	1,616	1,584	21,283	21,775
- Pakistan Oilfields Limited	Unrated	Oil & Gas Exploration Companies	1,046	18,000	366	414	8,162	8,041
- Pakistan Petroleum Limited	Unrated	Oil & Gas Exploration Companies	11,647	85,000	1,062	1,052	11,531	11,657
- Pakistan State Oil Company Limited	AA+	Oil & Gas Marketing Companies	5,639	382,500	1,166	1,214	72,233	73,302
- Sui Northern Gas Pipelines Limited	AA-	Oil & Gas Marketing Companies	8,088	-	386	359	-	-
- Sui Southern Gas Company Limited	-	Oil & Gas Marketing Companies	-	559,500	-	-	12,365	12,040
- Hascol Petroleum Limited	BB+	Oil & Gas Marketing Companies	806,837	-	11,898	11,852	-	-
- The Searle Company Limited	AA-	Pharmaceuticals	12,431	319,500	3,054	3,098	61,227	60,302
- Gul Ahmed Textile Mills Limited	-	Textile Composite	-	-	-	-	-	-
- Nishat Mills Limited	AA	Textile Composite	1,000	17,000	101	102	1,810	1,805
- Unity Foods Limited	A-	Vanaspati & Allied Industries	2,395,500	468,000	67,423	76,800	6,996	7,540
- Dawood Hercules Corporation Limited	AA	Investment Company	347	-	44	42	-	-
					194,428	207,409	486,634	487,185

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## 9.4.3 Open End Mutual Fund

Name of fund					Net asset				
	Units		Rating		value				
					per unit	2020		2019	
	2020	2019	2020	2019	Rupees	Cost	Market value	Cost	Market value
	----- Numbers -----					----- Rupees in '000 -----			
Investment in related parties									
JS Income Fund	1,129,255	3,541,402	A+(f)	A+ (f)	98.99	110,989	111,785	344,902	355,982
JS Motion Picture Fund	1,000,000	1,000,000	-	-	97.7	99,990	97,700	100,000	99,990
JS Islamic Hybrid Fund of Funds - Mufeed	76,142	-	-	-	48.05	3,000	3,659	-	-
JS Islamic Hybrid Fund of Funds - Mutanasib	49,068	-	-	-	75.37	3,000	3,698	-	-
JS Islamic Hybrid Fund of Funds - Mustehkam	3,305	-	-	-	65.95	288	218	-	-
JS Islamic Fund	123,571	-	-	-	100.08	12,000	12,367	-	-
JS Islamic Income Fund	382,292	-	AA- (f)	-	105.77	40,179	40,435	-	-
JS Islamic Daily Dividend Fund	407,754	-	AA(f)	-	100	40,775	40,775	-	-
						310,221	310,637	444,902	455,972

## 9.5 Quality of Available-for-Sale Securities

Details regarding quality of Available-for-Sale (AFS) securities are as follows:

		2020		2019	
		Cost	Market Value	Cost	Market Value
Note		----- Rupees in '000 -----			
9.5.1 Federal Government Securities - Government guaranteed					
Market Treasury Bills		90,027,949	90,047,990	12,071,266	12,070,902
Pakistan Investment Bonds		37,280,567	37,358,053	35,757,352	34,948,472
9.5.1.1		127,308,516	127,406,043	47,828,618	47,019,374

### 9.5.1.1 Principal terms of investment in Federal Government Securities

#### 9.4.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Note	Maturity	Redemption	Coupon
Market treasury bills	9.5.1.2	January 14, 2021 to June 03, 2021	On maturity	On maturity
Pakistan investment bonds	9.5.1.3	April 21, 2021 to September 19, 2029	On maturity	Half yearly

**9.5.1.2** Market Treasury Bills are for the period of three to twelve months. The effective rates of profit on Market Treasury Bills range from 6.90% to 11.77% per annum (2019: 13.02% to 13.75% per annum).

**9.5.1.3** Pakistan Investment Bonds (PIBs) are for the period of three to twenty years. The rates of profit ranging from 7% to 12% per annum (2019: 6.40% to 14.27% per annum).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 9.5.2 Shares

Listed Companies	Rating	Industry Sector	Shares		Cost		Market value		
			2020	2019	2020		2019	Market value	
				----- Numbers -----		----- Rupees in '000 -----			
Ordinary shares									
- Matco Foods Limited	A-	Food & Personal Care Products	-	1,078,500	-	-	31,795	27,707	
- Shifa International Hospitals	AA-	Miscellaneous	264,300	264,300	68,273	52,857	68,273	88,509	
- Pakistan Petroleum Limited	Unrated	Oil & Gas Marketing Companies	841,800	949,800	123,382	76,041	139,212	130,256	
- Pakistan Stock Exchange Limited (PSXL)	Unrated	Investment Company	2,202,953	23,061	23,061	32,648	23,061	27,493	
National Foods Limited	-	Food & Personal Care Products	-	742,968	-	-	153,492	164,946	
Investment in related parties									
- EFU General Insurance Limited	AA+	Insurance	5,455,675	5,440,575	647,129	654,681	645,414	600,095	
- EFU Life Assurance Limited	AA+	Insurance	1,189,600	1,189,600	250,735	248,650	250,735	275,476	
- Sitara Chemical Industries Limited	A+	Chemical	1,790,250	1,790,250	548,781	554,978	548,781	534,318	
- TRG Pakistan Limited	Unrated	Technology & Communication	24,583,760	5,883,760	566,875	2,247,202	107,376	144,446	
- Hum Network Limited	A+	Technology & Communication	79,030,303	-	642,359	429,925	-	-	
					2,870,595	4,296,982	1,968,139	1,993,246	
Foreign securities									
Deutsche Post AG	A3	Logistics	8,100	-	56,525	64,706	-	-	
Microsoft Corporation Limited	AAA	Technology & Communication	220	-	6,884	8,377	-	-	
					63,409	73,083	-	-	
Preference Shares									
Agritech Limited (note 9.5.2.1 & 9.5.2.3)	Unrated	Chemical	4,823,746	4,823,746	48,236	-	48,236	-	
Chenab Limited (note 9.5.2.2 & 9.5.2.3)	Unrated	Textile Composite	12,357,000	12,357,000	88,353	-	88,353	-	
					136,589	-	136,589	-	
Break-up value per share		Name of Chief Executive / Managing Director		shares		Cost	Breakup value	Cost	Breakup value
2020	2019			2020	2019	2020		2019	
Un-listed Companies									
----- Rupee -----									
----- Numbers -----									
----- Rupees in '000 -----									
Ordinary shares									
ISE Towers REIT Management Limited (formerly Islamabad Stock Exchange Limited) (note 8.5.2.4)									
* 15.45	* 14.49	Mr. Sagheer Mushtaq	1,213,841	1,213,841	11,000	17,592	11,000	17,592	
Foreign securities									
Ordinary shares									
Society for Worldwide Interbank Financial Telecommunication (SWIFT) (note 9.5.2.5)	** 786,254	** 638,551	Mr. Javier Pervez Tasso	6	6	2,406	4,718	2,406	3,831

\* Based on audited accounts as of June 30, 2019

\*\* Based on audited accounts as of December 31, 2019

**9.5.2.1** These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Holding Company has recognised full impairment on these shares amounting to Rs. 48.236 million (2019: Rs.48.236 million) due to weak financial position of the company.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**9.5.2.2** These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs. 88.353 million (2019: Rs.88.353 million) due to weak financial position of the company.

**9.5.2.3** Surplus arising due to re-measurement of these shares to the market value has not been recognized as the management believes that the market value may not be realized while selling them in open market.

**9.5.2.4** In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the holding company has received 3,034,603 shares of Rs.10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange (ISE), in lieu of its Membership Card held by the Bank. Further, upon integration of Islamabad Stock Exchange under the "ISE Scheme of Integration" in 2016 TRE Certificates holders of ISE have been issued 1,213,841 shares of "ISE Towers REIT Management Limited".

**9.5.2.5** The Holding Company qualified as a member based on the financial contribution to SWIFT for network-based services. The Holding Company has made an investment as per the requirements of By-Laws of SWIFT, under the Share Re-allocation Process, as a result becoming entitled to invest in for six shares. The participation is mandatory to avail the desired network-based services for financial message transmission for cross-border payments and receipt. Further, the share re-allocation occurs every three years and will result in either an increase, decrease, or a status quo in individual shareholding.

## 9.5.3 Non Government Debt Securities

Listed  
AAA  
AA+, AA, AA-  
A+, A, A-  
Unrated

Unlisted  
AAA  
AA+, AA, AA-  
A+, A, A-  
Unrated

Cost	
2020	2019
----- Rupees in '000 -----	
309,750	398,250
210,700	235,600
170,018	150,014
155,169	155,169
845,637	939,033
71,429	142,857
200,037	-
1,749,104	1,992,333
713,071	857,071
2,733,641	2,992,261
3,579,278	3,931,294

### 9.5.3.1 Term finance certificates - listed \*

Worldcall Telecom  
Limited (note 9.5.3.1.2)  
Jahangir Siddiqui & Co. Ltd. - XI  
- related party  
Bank Al Habib Limited  
Soneri Bank Limited

Number of certificates		Rating		2020		2019	
2020	2019	2020	2019	Cost	Market value	Cost	Market value
---- Numbers ----				----- Rupees in '000 -----			
90,650	90,650	Unrated	Unrated	155,169	-	155,169	-
3,000	3,000	AA+	AA+	12,500	12,366	15,000	14,880
25,000	25,000	AA-	-	125,000	125,000	125,000	125,000
30,000	30,000	A	A	150,013	150,000	150,014	150,000
				442,682	287,366	445,183	289,880

\* Secured and have a face value of Rs.5,000 each unless specified otherwise.

# Notes to the Consolidated Financial Statements

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## 9.5.3.1.1 Listed term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Worldcall Telecom Limited	Semi-annually	6 Month KIBOR ask rate plus 1.60%	September 20, 2026
Jahangir Siddiqui & Co. Ltd. - XI - related party	Semi-annually	6 Month KIBOR ask rate plus 1.75%	March 06, 2023
Bank Al Habib Limited	Semi-annually	6 Months KIBOR ask rate plus 1.50%	Perpetual
Soneri Bank Limited	Semi-annually	6 Month KIBOR ask rate plus 2.00%	December 06, 2028

9.5.3.1.2 Due to weak financial position of the company, the group has recognised full impairment loss on these term finance certificates.

	Number of certificates		Rating		2020		2019	
	2020	2019	2020	2019	Cost	Market value	Cost	Market value
	---- Numbers ----				----- Rupees in '000 -----			
Byco Petroleum Pakistan Limited	5,310	5,310	AAA	AAA	309,750	308,616	398,250	391,779
Dawood Hercules Corporation Limited - Sukuk - I	520	520	AA	AA	31,200	31,542	41,600	41,492
Dawood Hercules Corporation Limited - Sukuk - II	600	600	AA	AA	42,000	42,519	54,000	53,824
Bank Islami Pakistan Limited - Ehad Sukuk	4,001	-	A-	-	20,005	20,005	-	-
					<b>402,955</b>	<b>402,682</b>	<b>493,850</b>	<b>487,095</b>

## 9.5.3.2.1 Other particulars of listed sukuk certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Byco Petroleum Pakistan Limited (Chief Executive: Mr. Amir Abbassciy)	Quarterly	3 Month KIBOR ask rate plus 1.05%	January 18, 2022
Dawood Hercules Corporation Limited - Sukuk - I (Chief Executive: Inam ur Rahman)	Quarterly	3 month kibar +1.00%	November 16, 2022
Dawood Hercules Corporation Limited - Sukuk - II (Chief Executive: Inam ur Rahman)	Quarterly	3 month kibar +1.00%	March 01, 2023
Bank Islami Pakistan Limited - Ehad Sukuk (Chief Executive: Syed Amir Ali)	Monthly	3 Months Kibar + 2.75%	Perpetual

	Number of certificates		Rating		Face value per certificate	Cost	
	2020	2019	2020	2019	----- Rupees -----	2020	2019
	----- Rupees -----					--- Rupees in '000 ---	
Azgard Nine Limited - related party (note 8.5.3.3.1)	29,998	29,998	Unrated	Unrated	5,000	65,022	65,022
Azgard Nine Limited (related party) (privately placed TFCs) (note 8.5.3.3.2)	12	12	Unrated	Unrated	5,000	326,456	326,456
AgriTech Limited (note 8.5.3.3.1)	30,000	30,000	Unrated	Unrated	5,000	149,860	149,860
Pakistan Water & Power Development Authority (WAPDA)	100,000	100,000	AAA	AAA	5,000	71,429	142,857
Khushhali Microfinance Bank Limited	-	1,500	-	A	100,000	-	150,000
Airlink Communication Private Limited	384	384	A-	A-	1,000,000	384,000	384,000
Secure Logistics Group Private Limited	288	288	Unrated	Unrated	1,000,000	144,000	288,000
Bank Al Habib Limited	40,000	-	AA-	-	5,000	200,037	-
						<b>1,340,804</b>	<b>1,506,195</b>

9.5.3.3.1 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**9.5.3.3.2** These PPTFCs are held by JS Global Capital Limited has recognised full provision considering the financial position of the issuer amounting to Rs. 326.456 million (2019: Rs.326.456 million).

**9.5.3.3.3** Other particulars of unlisted term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.75% and 11%.	December 04, 2017 and October 19, 2020
Agriotech Limited (Chief Executive: Mr. Faisal Muzammil)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	November 29, 2019
Pakistan Water & Power Development Authority (WAPDA) (Chairman: Lieutenant General Muzammil Hussain (Retd.))	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	September 27, 2021
Airlink Communication Private Limited (President & CEO: Mr. Muzaffar Hayat Piracha)	Quarterly	3 Month KIBOR ask rate plus 1.00%.	January 7, 2022
Secure Logistics Group Private Limited (see note 9.5.3.3.3.1) (President & CEO: Mr. Gulraiz A. Khan)	Quarterly	3 Month KIBOR ask rate minus 1.00%.	January 2, 2024
Bank Al Habib Limited (President & CEO: Mr. Mansoor Ali Khan)	Semi-annually	3 Month KIBOR ask rate plus 1.50%.	December 20, 2027

**9.5.3.3.3.1** During the year, the Borrower has taken the deferment of payment as per the guidelines of SBP BPRD Letter No. 13 dated March 26, 2020.

	Note	Number of certificates		Rating		Face value per certificate		Cost	
		2020	2019	2020	2019	2020	2019	2020	2019
		----- Numbers -----				----- Rupees -----		----- Rupees in '000 -----	
<b>9.5.3.4</b>	<b>Sukuk certificates - unlisted</b>								
	Ghani Gases Limited	9.5.3.3.3.1	2,000	2,000	A	A	87,500	100,000	108,333
	Pakistan Services Limited	9.5.3.3.3.1	1,350	1,350	A+	A+	90,000	1,265,104	1,350,000
								<u>1,365,104</u>	<u>1,458,333</u>

**9.5.3.4.1** Other particulars of unlisted sukuk certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Ghani Global Limited (Chief Executive: Mr. Atique Ahmad Khan)	Quarterly	3 Month KIBOR ask rate plus 1.00%.	February 03, 2023
Pakistan Services Limited (Chief Executive: Mr. Murtaza Hashwani)	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	January 17, 2024

Preference shares - unlisted	Shares		Rating		Face value per certificate		Cost	
	2020	2019	2020	2019	2020	2019	2020	2019
	----- Numbers -----				----- Rupees in '000 -----			
Intercity Touring Company Private Limited (related party)	1,848,888	1,848,888	Unrated	Unrated	10	10	27,733	27,733



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 9.5.4 Open End Mutual Fund

Name of fund	Units		Net asset value per unit Rupees	2020		2019	
	2020	2019		Cost	Market value	Cost	Market value
	----- Numbers -----			----- Rupees in '000 -----			
Related parties							
JS ICPAP4	-	157,204	-	-	-	15,720	16,840
JS ICPAP4	-	153,647	-	-	-	15,365	16,609
JS Value Fund	1,343,094	1,716,379	213.42	249,115	286,643	341,336	341,336
JS Growth Fund	1,937,116	1,903,901	179.88	323,937	348,448	336,417	322,483
JS Fund of Funds	2,822,294	2,772,987	64	148,838	179,583	146,286	162,774
JS Islamic Pension Savings Fund - Equity	182,354	182,354	657.89	16,567	119,969	18,235	104,609
JS Islamic Pension Savings Fund - Debt	213,852	213,852	242.89	21,385	51,942	21,385	49,088
JS Islamic Pension Savings Fund - Money Market	222,303	222,303	212.14	22,230	47,159	22,230	44,232
JS Pension Savings Fund - Money Market	177,463	177,463	242.72	17,746	43,074	17,746	39,425
JS Pension Savings Fund - Debt	137,349	137,349	300.98	13,735	41,339	13,735	38,531
JS Pension Savings Fund - Equity	205,210	205,210	478.20	12,635	98,131	20,521	86,654
JS Islamic Capital Preservation	-	3,305	-	-	-	300	288
				826,188	1,216,288	969,276	1,222,869

## 9.5.5 Foreign Securities

Name of Bond	Rating		Coupon rate per annum	Date of Maturity	2020		2019		
	2020	2019				Cost	Market value	Cost	Market value
					----- Rupees in '000 -----				
Government Debt securities									
The Third Pakistan International Sukuk Co Ltd	B-	-	5.50%	October 13, 2021	159,186	161,516	-	-	
The Third Pakistan International Sukuk Co Ltd	B-	-	5.63%	December 5, 2022	163,296	163,443	-	-	
Islamic Republic Of Pakistan	B-	-	6.88%	December 5, 2027	508,091	498,909	-	-	
Oman Government International Bond	Ba3	-	6.00%	August 1, 2029	419,735	411,374	-	-	
Republic of Turkey	B+	-	4.88%	October 9, 2026	158,289	161,350	-	-	
Republic of Turkey	B+	-	6.13%	October 24, 2028	313,692	340,588	-	-	
Republic of Turkey	B+	-	7.63%	April 26, 2029	90,973	92,129	-	-	
Arab Republic of Egypt	B	-	6.59%	February 21, 2028	510,058	525,769	-	-	
Arab Republic of Egypt	B	-	7.60%	March 1, 2029	350,286	366,718	-	-	
Republic of Kenya	B+	-	7.25%	February 28, 2028	257,393	268,347	-	-	
Republic of Nigeria	B2	-	6.50%	November 28, 2027	248,288	257,666	-	-	
Oman Government International Bond	Ba3	-	5.63%	January 17, 2028	243,815	244,036	-	-	
Republic of Srilanka	Caa1	-	5.75%	April 18, 2023	210,499	151,557	-	-	
					3,633,601	3,643,402	-	-	
Non Government Debt securities									
Bank of Ireland	Ba2	-	6.00%	March 1, 2026	39,828	42,502	-	-	
Petroleos Mexicanos	Ba2	-	6.84%	October 23, 2029	339,826	331,385	-	-	
					379,654	373,887	-	-	

The Holding Company has recognised general provision (expected credit loss) under IFRS 9 of Rs. 122.758 million (2019: Rs. Nil) held on foreign debt securities by Bahrain branch. However, the loss allowance is recognised in other comprehensive income and have not reduce the carrying amount of these securities.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 9.6 Quality of Held to Maturity Securities

Details regarding quality of Held to Maturity (HTM) securities are as follows

9.6.1 Federal Government Securities - Government guaranteed	Cost	
	2020	2019
	----- Rupees in '000 -----	
Pakistan Investment Bonds	<b>36,109,599</b>	32,859,882

9.6.1.1 Security type	Maturity	Redemption	Coupon
Pakistan investment bonds	April 21, 2021 to August 22, 2029	On maturity	Half yearly

9.6.1.2 Pakistan Investment Bonds (PIBs) having maturity of five to fifteen years. The rates of profits ranging from 7.75% to 12% per annum (2019: 7.75% to 14.69% per annum). The market value of securities as at December 31, 2020 amounted Rs. 35,862.699 million (2019: Rs. 31,341.410 million)

## 9.7 Investment in associated company

	Note	Shares		Percentage holding		Cost	
		2020	2019	2020	2019	2020	2019
		--- Numbers ---				----- Rupees in '000 -----	
Omar Jibran Engineering Industries Limited	9.7.1	7,200,000	7,200,000	9.60%	9.60%	215,793	224,782
Veda Transit Solutions Private Limited	9.7.1 & 9.7.2	48,000	48,000	9.12%	8.00%	54,302	4,774
Intercity Touring Company Private Limited	9.7.1	1,351,111	1,351,111	9.12%	9.12%	698	16,766
						270,793	246,322

9.7.1 The investments classified as associate on account of it's significant influence over the investee companies. All associated companies are incorporated in Pakistan.

9.7.2 During the year, Veda Transit Solutions Private Limited, an associate of the Bank, has issued shares against advance subscription of Rs. 40.828 million made by the Bank. Resultantly, shareholding of the Bank increased to 9.12% (December 31, 2019: 8%). The Bank has classified the investment as associate on account of it's significant influence over the investee company.

9.7.3 The following is summarised financial information before inter-company eliminations with other companies in the group:

	Associated companies					
	Omar Jibran Engineering Industries Limited		Veda Transit Solutions Private Limited		Intercity Touring Company Private Limited	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- Rupees in '000 -----					
Total income / sales	1,950,375	2,628,975	785,016	922,200	3,796	290
(Loss) / profit after tax	(137,700)	117,796	19,797	47,436	(38,961)	(21,636)
Total comprehensive income	7,560	343,881	-	-	-	-
Total assets	3,752,367	3,727,961	609,304	688,142	404,028	191,414
Total liabilities	2,043,290	1,888,745	429,690	743,324	302,129	50,879
Net assets	1,709,077	1,839,216	179,614	(55,182)	101,899	140,535
Cash flow from / (used in) operating activities	108,972	(73,759)	85,040	152,254	(2,105)	(62,405)
Cash flow (used in) / from investing activities	(75,100)	(233,038)	(10,237)	(189)	-	(141,183)
Cash flow (used in) / from financing activities	(39,955)	212,791	(54,777)	(137,300)	-	219,994
Net increase / (decrease) in cash and cash equivalents	(6,083)	(94,006)	20,026	14,765	(2,105)	16,406

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
		----- Rupees in '000 -----					
10.	ADVANCES						
	Note						

## 10.1 Particulars of net investment in finance lease

	2020				2019			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----								
Lease rentals receivable	4,923,114	5,173,453	2,318	10,098,885	6,860,218	6,637,949	3,527	13,501,694
Guaranteed residual value	1,008,381	2,449,909	2,248	3,460,538	1,599,605	2,538,848	10,783	4,149,236
Minimum lease payments	5,931,495	7,623,362	4,566	13,559,423	8,459,823	9,176,797	14,310	17,650,930
Finance charges for future periods	(991,822)	(1,286,416)	(1,443)	(2,279,681)	(1,468,867)	(1,098,697)	(259)	(2,567,823)
Present value of minimum lease payments	4,939,673	6,336,946	3,123	11,279,742	6,990,956	8,078,100	14,051	15,083,107

10.2 Particulars of advances (gross)	2020	2019
----- Rupees in '000 -----		
In local currency	245,261,990	238,073,921
In foreign currencies	9,396,707	8,720,014
	254,658,697	246,793,935

10.3 Advances include Rs. 11,733.555 million (2019: Rs. 10,353.164 million) which have been placed under non-performing status as detailed below:

Category of classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
<b>Domestic</b>				
Other Assets Especially Mentioned	296,799	394	841,058	1,721
Substandard	1,177,804	156,095	1,159,072	64,681
Doubtful	3,264,335	724,426	2,442,270	426,283
Loss	6,994,617	3,300,921	5,910,764	2,847,256
<b>Total</b>	11,733,555	4,181,836	10,353,164	3,339,941

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 10.4 Particulars of provision against non-performing advances

		2020				2019			
		Specific	General	General provision under IFRS-9	Total	Specific	General	General provision under IFRS-9	Total
Note		----- Rupees in '000 -----							
	Opening balance	3,339,941	161,166	7,520	3,508,627	2,989,888	155,661	10,746	3,156,295
	Exchange adjustments	-	-	71	71	-	-	1,095	1,095
	Charge for the year	1,087,212	-	13,736	1,100,948	880,994	5,505	-	886,499
	Reversals for the year	(245,317)	(161,166)	-	(406,483)	(526,146)	-	(4,321)	(530,467)
		841,895	(161,166)	13,736	694,465	354,848	5,505	(4,321)	356,032
	Amount written off from the opening balance	-	-	-	-	(4,795)	-	-	(4,795)
	Closing Balance	4,181,836	-	21,327	4,203,163	3,339,941	161,166	7,520	3,508,627

### 10.4.1 Particulars of provision against non-performing advances

	2020			2019		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	4,181,836	-	4,181,836	3,339,941	161,166	3,501,107
In foreign currency	-	21,327	21,327	-	7,520	7,520
	<b>4,181,836</b>	<b>21,327</b>	<b>4,203,163</b>	<b>3,339,941</b>	<b>168,686</b>	<b>3,508,627</b>

**10.4.2** This also includes reversal of provision of Rs. Rs. 8.604 million (2019: 277.078 million) against non-performing loans of a borrower under 'Debt Property Swap' transactions, as disclosed in note 13.2.

**10.4.3** The Holding Company, in accordance with BPRD circular letter No. 31 of 2020 dated July 10, 2020, has taken the benefit of general provision to make good the specific provision requirement of the consumer financing portfolio till December 31, 2021.

**10.4.4** This represents general provision held under IFRS 9 by Bahrain branch of the Holding company.

**10.4.5** The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2020, the Holding Company has availed cumulative benefit of FSV of Rs. 4,655.818 million (2019: Rs. 4,120.009 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs. Rs. 3,026.282 million (2019: Rs. 2,678.006 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

### 10.4.6 Advances - Deferred & Restructured / Rescheduled

The SBP vide BPRD circular letter number 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets). Accordingly, certain exposures of the Holding Company as at December 31, 2020 relating to facilities of customers have not been classified as non-performing on account of such relaxation.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020	2019
		----- Rupees in '000 -----	
<b>10.5</b>	<b>Particulars of Write Offs:</b>		
<b>10.5.1</b>	Against provisions	-	4,795
	Directly charged to profit and loss account	-	315
		<u>-</u>	<u>5,110</u>
<b>10.5.2</b>	Write offs of Rs.500,000 and above	-	5,110
	Write offs of below Rs.500,000	-	-
		<u>-</u>	<u>5,110</u>

## 10.6 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-I.

		2020	2019
		----- Rupees in '000 -----	
<b>11.</b>	<b>FIXED ASSETS</b>	Note	
	Capital work-in-progress	11.1	298,971
	Property and equipment	11.2	6,099,025
	Right-of-use assets	11.4	2,628,768
			<u>9,026,764</u>
			<u>10,693,945</u>

## 11.1 Capital work-in-progress

Civil works	232,789	124,350
Advance for purchase of furniture and fixtures	1,013	290
Advance for purchase of vehicles	61,794	-
Advance for purchase of equipment and software	3,375	21,541
	<u>298,971</u>	<u>146,181</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 11.2 Property and equipment

	2020							
	Leasehold land	Building on free hold land	Building on lease hold land	Lease hold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	----- Rupees in '000 -----							
<b>At January 01, 2020</b>								
Cost / Revalued amount	1,520,254	-	2,187,969	1,650,673	955,778	3,522,707	253,832	10,091,213
Accumulated depreciation	-	-	(285,735)	(734,004)	(443,155)	(2,106,270)	(83,417)	(3,652,581)
Net book value	<u>1,520,254</u>	<u>-</u>	<u>1,902,234</u>	<u>916,669</u>	<u>512,623</u>	<u>1,416,437</u>	<u>170,415</u>	<u>6,438,632</u>
<b>Year ended December 2020</b>								
Opening net book value	1,520,254	-	1,902,234	916,669	512,623	1,416,437	170,415	6,438,632
Additions	-	-	766,725	190,950	50,484	382,908	49	1,391,116
<b>Disposals</b>								
Cost	-	-	-	(1,852)	(14,501)	(47,037)	(25,741)	(89,131)
Accumulated Depreciation	-	-	-	(399)	10,444	41,535	11,921	63,501
	-	-	-	(2,251)	(4,057)	(5,502)	(13,820)	(25,630)
Depreciation charge	-	-	(76,542)	(152,821)	(66,364)	(452,015)	(33,588)	(781,330)
<b>Exchange rate adjustments</b>								
Cost	-	-	-	(885)	(276)	(210)	(152)	(1,523)
Accumulated Depreciation	-	-	-	280	101	105	58	544
	-	-	-	(605)	(175)	(105)	(94)	(979)
<b>Write offs</b>								
Cost	-	-	-	(246,248)	(35,053)	(158,301)	(2,904)	(442,506)
Accumulated Depreciation	-	-	-	134,307	20,480	104,869	963	260,619
	-	-	-	(111,941)	(14,573)	(53,432)	(1,941)	(181,887)
<b>Transferred / other adjustments</b>								
Cost	(739,200)	-	(2,126)	-	-	-	-	(741,326)
Accumulated Depreciation	-	-	429	-	-	-	-	429
	(739,200)	-	(1,697)	-	-	-	-	(740,897)
Closing net book value	<u>781,054</u>	<u>-</u>	<u>2,590,720</u>	<u>840,001</u>	<u>477,938</u>	<u>1,288,291</u>	<u>121,021</u>	<u>6,099,025</u>
<b>At December 31, 2020</b>								
Cost / Revalued amount	781,054	-	2,952,568	1,592,638	956,432	3,700,067	225,084	10,207,843
Accumulated depreciation	-	-	(361,848)	(752,637)	(478,494)	(2,411,776)	(104,063)	(4,108,818)
Net book value	<u>781,054</u>	<u>-</u>	<u>2,590,720</u>	<u>840,001</u>	<u>477,938</u>	<u>1,288,291</u>	<u>121,021</u>	<u>6,099,025</u>
Rate of depreciation (percentage)	-	-	1.01 - 4.78	10	12.5	12.5 - 33.3	20	

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019							
	Leasehold land	Building on free hold land	Building on lease hold land	Lease hold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	----- Rupees in '000 -----							
<b>At January 01, 2019</b>								
Cost / Revalued amount	1,457,289	-	2,293,263	1,288,065	602,028	3,070,323	1,196,462	9,907,430
Accumulated depreciation	-	-	(252,978)	(594,439)	(322,718)	(1,852,560)	(376,207)	(3,398,902)
Net book value	<u>1,457,289</u>	<u>-</u>	<u>2,040,285</u>	<u>693,626</u>	<u>279,310</u>	<u>1,217,763</u>	<u>820,255</u>	<u>6,508,528</u>
<b>Year ended December 2019</b>								
Opening net book value	1,457,289	-	2,040,285	693,626	279,310	1,217,763	820,255	6,508,528
Additions	-	-	41,929	349,196	310,749	617,147	353,254	1,672,275
Movement in surplus on assets revalued during the year	62,965	-	279,809	-	-	-	-	342,774
Adjustments in surplus	-	-	-	-	-	-	-	-
<b>Disposals</b>								
Cost	-	-	12	10,512	42,079	(165,404)	(1,296,372)	(1,409,173)
Accumulated Depreciation	-	-	-	(13,141)	(42,783)	156,842	450,032	550,950
Depreciation charge	-	-	12	(2,629)	(704)	(8,562)	(846,340)	(858,223)
	-	-	(85,801)	(125,610)	(77,361)	(410,264)	(157,073)	(856,109)
<b>Exchange rate adjustments</b>								
Cost	-	-	-	2,900	922	641	488	4,951
Accumulated Depreciation	-	-	-	(814)	(293)	(288)	(169)	(1,564)
	-	-	-	2,086	629	353	319	3,387
<b>Transferred / other adjustments</b>								
Cost	-	-	(427,044)	-	-	-	-	(427,044)
Accumulated Depreciation	-	-	53,044	-	-	-	-	53,044
	-	-	(374,000)	-	-	-	-	(374,000)
Closing net book value	<u>1,520,254</u>	<u>-</u>	<u>1,902,234</u>	<u>916,669</u>	<u>512,623</u>	<u>1,416,437</u>	<u>170,415</u>	<u>6,438,632</u>
<b>At December 31, 2019</b>								
Cost / Revalued amount	1,520,254	-	2,187,969	1,650,673	955,778	3,522,707	253,832	10,091,213
Accumulated depreciation	-	-	(285,735)	(734,004)	(443,155)	(2,106,270)	(83,417)	(3,652,581)
Net book value	<u>1,520,254</u>	<u>-</u>	<u>1,902,234</u>	<u>916,669</u>	<u>512,623</u>	<u>1,416,437</u>	<u>170,415</u>	<u>6,438,632</u>
Rate of depreciation (percentage)	-	-	1.01 - 4.78	10	12.5	12.5 - 33.3	20	

2020 2019  
----- Rupees in '000 -----

## 11.2.1 The cost of fully depreciated property and equipment still in use

Lease hold improvements	268,841	326,262
Furniture and fixture	195,614	147,216
Electrical, office and computer equipment	1,192,927	1,104,265
Vehicles	10,669	19,752
	<u>1,668,051</u>	<u>1,597,495</u>

## 11.2.2 The details of disposals of assets to related parties are given in annexure II these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**11.2.3** The properties of the group were revalued by independent professional valuers as at December 31, 2019. The revaluation was carried out by M/s. Tristar International Consultants Pvt Ltd. on the basis of professional assessment of present market values.

Had there been no revaluation, the carrying value of revalued land and building on land as at December 31, 2020 would have been lower by Rs. 505.342 million and Rs. 1,020.276 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation expense would have been lower by Rs. 1,525.618 million, Rs. 240.391 million and Rs. 49,416 million respectively.

		2020	2019
11.3	Assets held for sale	Note	----- Rupees in '000 -----
	Leasehold land	11.3.1	739,200 -
	Building on leasehold land	11.3.2	- 374,000
			<u>739,200</u> <u>374,000</u>

**11.3.1** In 2020, the Board of Directors accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell a land located at Plot No. 201, situated at Upper Mall, Lahore, Pakistan of the following reasons:

- i) The property is available for immediate sale and can be sold in its current condition subject to completion of certain legal formalities.
- ii) The actions to complete the sale were initiated and expected to be completed within one year from the date of classification.
- iii) The Bank expects the legal and procedural formalities for the sale to be completed by the end of 2021.

Immediately before the classification of the property as a held for sale, the Property was revalued by independent professional valuer by M/s. Tristar International Consultants (Private) Limited as at December 31, 2020 and resulted no significant change is observed in valuations of the property.

**11.3.2** In 2019, the Holding Company had entered into an agreement to sell the Bank property located at 13th floor of Ocean Tower, plot No. G-3, Khayaban-e-Iqbal, Block 9, KDA Scheme No. 5, Clifton Karachi, Pakistan ("Property") of Rs. 375 million and therefore, measured the property as a non-current asset held for sale. In this respect, during the period end the sale proceeds were realised on August 11, 2020.

		2020	2019
11.4	The carrying amounts of right-of-use assets	Note	----- Rupees in '000 -----
	Opening balance		4,109,132 5,068,076
	Additional impact / adjustments arised during the period - net		31,080 26,553
	Termination of leases		(557,169) (985,497)
	Depreciation	29	(954,275) -
	Closing balance		<u>2,628,768</u> <u>4,109,132</u>

## 12. INTANGIBLE ASSETS

Capital work-in-progress	12.1	223,901	107,533
Computer software	12.2	828,024	731,316
Goodwill	12.2 & 12.6	1,463,624	1,463,625
		<u>2,515,549</u>	<u>2,302,474</u>

### 12.1 Capital work-in-progress

Advance for purchase of software		<u>223,901</u>	<u>107,255</u>
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# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

12.2

INTANGIBLE ASSETS

2020

Trading right entitlement certificate (TREC)

Membership card - Pakistan Mercantile Exchange Limited

Computer software

Goodwill

Total

Rupees in '000

At January 1, 2020

Cost

5,727

3,500

1,222,657

1,463,624

2,695,508

Accumulated amortisation and impairment

(3,227)

-

(497,340)

-

(500,567)

Net book value

2,500

3,500

725,317

1,463,624

2,194,941

Year ended December 2020

Opening net book value

2,500

3,500

725,317

1,463,624

2,194,941

Additions:

- directly purchased

-

-

214,582

-

214,582

Impairment loss recognised in the profit and loss account - net

-

-

-

-

-

Amortisation charge

-

-

(118,032)

-

(118,032)

Exchange rate adjustments

Cost

-

-

230

-

230

Accumulated Amortisation

-

-

(73)

-

(73)

-

-

157

-

157

Write offs

Cost

-

-

68

-

68

Accumulated Amortisation

-

-

(68)

-

(68)

-

-

-

-

-

Other adjustments

-

-

-

-

-

Closing net book value

2,500

3,500

822,024

1,463,624

2,291,648

At December 31, 2020

Cost

5,727

3,500

1,437,401

1,463,624

2,910,252

Accumulated amortisation and impairment

(3,227)

-

(615,377)

-

(618,604)

Net book value

2,500

3,500

822,024

1,463,624

2,291,648

Rate of amortisation (percentage)

-

-

10%

See note 12.6

Useful life (year)

-

-

10

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019				
	Trading right entitlement certificate (TREC)	Membership card - Pakistan Mercantile Exchange Limited	Computer software	Goodwill	Total
	----- Rupees in '000 -----				
<b>At January 1, 2019</b>					
Cost	5,727	3,500	1,046,019	1,463,624	2,518,870
Accumulated amortisation and impairment	-	-	(399,159)	-	(399,159)
Net book value	<u>5,727</u>	<u>3,500</u>	<u>646,860</u>	<u>1,463,624</u>	<u>2,119,711</u>
<b>Year ended December 2019</b>					
Opening net book value	5,727	3,500	646,860	1,463,624	2,119,711
Additions:					
- directly purchased	-	-	175,991	-	175,991
Impairment loss recognised in the profit and loss account - net	(3,227)	-	-	-	(3,227)
Amortisation charge	-	-	(97,968)	-	(97,968)
<b>Exchange rate adjustments</b>					
Cost	-	-	647	-	647
Accumulated Amortisation	-	-	(213)	-	(213)
	-	-	434	-	434
Closing net book value	<u>2,500</u>	<u>3,500</u>	<u>725,317</u>	<u>1,463,624</u>	<u>2,194,941</u>
<b>At December 31, 2019</b>					
Cost	5,727	3,500	1,222,657	1,463,624	2,695,508
Accumulated amortisation and impairment	(3,227)	-	(497,340)	-	(500,567)
Net book value	<u>2,500</u>	<u>3,500</u>	<u>725,317</u>	<u>1,463,624</u>	<u>2,194,941</u>
Rate of amortisation (percentage)	-	-	10%	See note 12.6	
Useful life (year)	-	-	10		

## 2020

----- Rupees in '000 -----

- |             |   |                       |                       |
|-------------|---|-----------------------|-----------------------|
| <b>12.3</b> | <b>The cost of fully amortized computer software still in use</b> | <b><u>173,623</u></b> | <b><u>146,687</u></b> |
|-------------|---|-----------------------|-----------------------|
- 12.4** This represents Trading Right Entitlement Certificate (TREC) received from PSX in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutalization and integration) Act, 2012 (the Act). The company has also received shares of PSX after completion of the demutualisation process.
- 12.5** This represents membership cards of Pakistan Mercantile Exchange. It has an indefinite useful life and is carried at cost.
- 12.6** Goodwill is recorded by the group upon the event fully disclose in note 1.1.2. For impairment testing, goodwill has been allocated to 'Trading and Sales' Segment as Cash Generating Unit (CGU), which is also a reportable segment.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 12.7 Key assumptions used in value in use calculation

The recoverable amount of the CGU has been determined based on value in use calculation, using cash flow projections based on business plan approved by the Board of Directors of the Holding Company covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Holding Company.

	2020	2019
	Percentages	
Discount rate	17.41	22.87
Terminal growth rate	12.51	10.00

The calculation of value in use is most sensitive to following assumptions:

### a) Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

### b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of the Bank.

### c) Key business assumptions

The assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on the expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

### d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs. 5,345 million (2019: 5,554 million). Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Changes required for carrying amount to equal recoverable amount (%)	
	2020	2019
- Discount rate	3.16	4.85
- Terminal growth rate	(4.88)	9.00

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

13. OTHER ASSETS	Note	2020 ----- Rupees in '000 -----	2019
Income / mark-up accrued in local currency		6,885,407	8,746,909
Income/ mark-up accrued in foreign currencies		93,950	48,511
Trade receivable from brokerage and advisory business - net		1,515,019	976,902
Advances, deposits, advance rent and other prepayments		1,082,525	1,040,356
Acceptances		3,603,192	3,221,212
Dividend receivable		1,103	-
Taxation (payments less provision)		292,053	794,463
Net defined benefit plan		317,581	-
Balances due from funds under management		109,501	123,074
Receivable against bancassurance / bancatakaful		30,660	67,952
Stationery and stamps in hand		22,730	23,290
Receivable in respect of home remittance		30,656	37,139
Due from State Bank of Pakistan		245,310	116,489
Rebates receivable from SBP and others	13.2	305,331	465,965
Non-banking assets acquired in satisfaction of claims	13.1 & 13.2	1,176,143	1,088,682
Mark to market gain on derivative instruments	22.2	175,454	22,989
Mark to market gain on forward foreign exchange contracts		334,735	441,182
Advance for subscription of investments securities		1,645	63,108
Inter bank fund transfer settlement		-	14,477
Credit card settlement		140,899	29,924
Insurance		7,636	39,100
Others		667,037	501,690
		<u>17,038,567</u>	<u>17,863,414</u>
Less: Provision held against other assets	13.3	(430,569)	(432,908)
Other assets (net of provisions)		<u>16,607,998</u>	<u>17,430,506</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>135,109</u>	<u>93,743</u>
		<u>16,743,107</u>	<u>17,524,249</u>

**13.1** This includes an amount of Rs. 297.218 million (2019: Rs. 455.370 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

**13.2** During the year, the Holding Company acquired a property of Rs. 90.178 million (2019: Rs. 998.848 million) against debt swap transaction with the borrower resulting in reversal of provision of Rs. 8.604 million (2019: 277.078 million) (refer note 10.4.2).

13.2 Non banking assets acquired in satisfaction of claims	Note	2020 ----- Rupees in '000 -----	2019
Market value of non-banking assets acquired in satisfaction of claims		<u>1,311,252</u>	<u>1,182,425</u>
<b>13.2.1 Movement of Non banking assets acquired in satisfaction of claims at market value:</b>			
As at January 01		1,182,425	185,290
Addition during the year	13.2	90,178	998,848
Surplus recognised during the year	21.3	41,511	
Depreciation during the year	29	(2,862)	(1,713)
		<u>1,311,252</u>	<u>1,182,425</u>

**13.2.2** Non-banking assets acquired in satisfaction of claims are carried at revalued amount according to the requirements of the 'Regulation for Debt Property Swap' (the regulations) issued by SBP vide the BPRD Circular No. 1 of 2016, dated January 01, 2016.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at December 31, 2020. The revaluation was carried out by M/s. bfa (Pvt) Ltd. and Engineering Pakistan International (Pvt) Ltd. on the basis of professional assessment of present market values.

Had there been no revaluation, the carrying value of non-banking assets acquired in satisfaction of claims would have been lower by Rs. 93.743 million (2019: Rs. 93.743 million), and surplus on revaluation of assets net, deferred tax liability and depreciation expense would have been lower by Rs. 92.694 million (2019: Rs. 92.776 million), Rs. 0.126 million (2019: Rs.0.967 million) and Rs. 0.126 million (2019: Rs. 0.126 million) respectively.

	Note	2020 ----- Rupees in '000 -----	2019
<b>Written down value:</b>			
Leasehold Land		944,946	866,695
Building on leasehold land		231,197	221,987
		<u>1,176,143</u>	<u>1,088,682</u>
<b>13.3 Provision held against other assets</b>			
Trade receivable from brokerage and advisory business - net		403,318	403,318
Others		27,251	29,590
		<u>430,569</u>	<u>432,908</u>
<b>13.3.1 Movement in provision held against other assets</b>			
Opening balance		432,908	435,188
Charge for the year		100	-
Reversal for the year		(2,439)	(2,280)
Net (reversal) / charge for the year	32	(2,339)	(2,280)
Closing balance		<u>430,569</u>	<u>432,908</u>
<b>14. BILLS PAYABLE</b>			
In Pakistan		4,752,985	3,583,500
Outside Pakistan		228,998	220,991
		<u>4,981,983</u>	<u>3,804,491</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>15. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under:			
Export refinancing scheme (ERF)	15.2.1	21,496,075	17,792,778
Long-Term Finance Facility (LTFF)	15.2.2	1,985,038	1,877,760
<b>Other borrowings</b>			
Financing Facility for Storage of Agricultural produce (FFSAP)		193,029	166,032
Financing Facility for Renewable Energy Projects		433,085	133,633
Refinance and credit guarantee scheme for women entrepreneurs		32,900	775
Refinance for Wages & Salaries		11,543,118	-
Refinance facility for modernization of Small and Medium Enterprises (SMEs)		96,192	-
Refinance facility for combating COVID-19		229,984	-
Refinance facility for working capital of SMEs		33,901	-
Temporary economic refinance facility		51,871	-
Temporary economic refinance facility	15.2.3	12,614,080	300,440
Repurchase agreement borrowings		-	16,849,097
		<b>36,095,193</b>	<b>36,820,075</b>
<b>Borrowing from financial institutions</b>			
Repurchase agreement borrowings	15.2.4	9,667,181	12,746,732
Refinancing facility for mortgage loans	15.2.5	2,397,468	1,961,128
		<b>12,064,649</b>	<b>14,707,860</b>
<b>Total secured</b>		<b>48,159,842</b>	<b>51,527,935</b>
<b>Unsecured</b>			
Call borrowings		-	2,303,356
Overdrawn nostro accounts		143,570	636,992
<b>Total unsecured</b>		<b>143,570</b>	<b>2,940,348</b>
		<b>48,303,412</b>	<b>54,468,283</b>
<b>15.1 Particulars of borrowings</b>			
In local currency		48,079,656	51,527,935
In foreign currencies		143,570	2,940,348
		<b>48,223,226</b>	<b>54,468,283</b>

- 15.2.1** The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and to be matured between July 28, 2020 and February 08, 2027 (2019: January 02, 2020 and February 08, 2027 ). These carry mark-up at the rate from 1% to 3% (2019: 1% to 3%) per annum.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**15.2.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings will mature between November 30, 2020 and November 18, 2030 (2019: November 30, 2020 and August 08, 2029). These carry mark-up at rates ranging from 2.00% to 3.50% (2019: 2.00% to 3.50%) per annum.

**15.2.3** Other borrowings have been obtained from SBP under various facilities on particulars mentioned below:

	Markup rate	Matured	
	Per annum	From	To
Financing Facility for Storage of Agricultural Produce (FFSAP)	2%	January 1, 2022	October 27, 2027
Financing Facility for Renewable Energy Projects	2%	August 1, 2021	August 29, 2029
Refinance and credit guarantee scheme for women entrepreneurs	0%	October 30, 2021	February 28, 2026
Refinance for Wages & Salaries	0%	October 1, 2022	December 31, 2022
Refinance facility for modernization of Small and Medium Enterprises (SMEs)	0%	October 1, 2022	June 16, 2025
Refinance facility for combating COVID-19	0%	April 1, 2025	October 1, 2025
Refinance facility for working capital of SMEs	0%	September 16, 2021	October 1, 2022
Temporary economic refinance facility (TERF)	1%	November 22, 2025	November 22, 2025

**15.2.4** This represents borrowing against Market Treasury Bills, (2019: Market Treasury Bills, Pakistan Investment Bonds and Bai Muajjal) carrying mark-up at the rates ranging upto 6.70% (2019:12.70% to 13.19%) per annum and will be matured between January 11, 2020 and January 12, 2020 (2019: January 02, 2020 and March 26, 2020). The cost and market value of securities given as collateral of amounting to Rs. 9,767,491 million (2019: Rs. 9,200,503 million) and Rs. Nil (2019: Rs. 9,122.620 million) respectively.

**15.2.5** The Holding Company has entered into agreement with the Pakistan Mortgage Refinance Company Limited (PMRC) for extending housing finance facilities to the Bank's customers on the agreed terms and conditions. The borrowing carries mark-up rate of 3 years PKRV less 100bps and will be matured on February 28, 2022 and December 09, 2025.

## 16. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- Rupees in '000 -----						
<b>Customers</b>						
Current deposits	90,714,627	9,668,068	100,382,695	70,341,319	6,412,941	76,754,260
Savings deposits	98,103,956	3,944,797	102,048,753	73,442,779	2,898,794	76,341,573
Term deposits	186,691,026	15,203,881	201,894,907	164,602,876	11,409,815	176,012,691
Margin deposits	5,920,595	163	5,920,758	5,455,786	15,234	5,471,020
	<b>381,430,204</b>	<b>28,816,909</b>	<b>410,247,113</b>	<b>313,842,760</b>	<b>20,736,784</b>	<b>334,579,544</b>
<b>Financial Institutions</b>						
Current deposits	1,281,453	435,683	1,717,136	858,905	-	858,905
Savings deposits	11,192,800	-	11,192,800	12,204,325	-	12,204,325
Term deposits	8,266,773	-	8,266,773	20,900,829	-	20,900,829
	<b>20,741,026</b>	<b>435,683</b>	<b>21,176,709</b>	<b>33,964,059</b>	<b>-</b>	<b>33,964,059</b>
	<b>402,171,230</b>	<b>29,252,592</b>	<b>431,423,822</b>	<b>347,806,819</b>	<b>20,736,784</b>	<b>368,543,603</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>16.1 Composition of deposits</b>			
- Individuals		<b>147,143,479</b>	135,583,867
- Government (Federal and Provincial)		<b>92,317,151</b>	73,503,161
- Public Sector Entities		<b>52,156,536</b>	37,475,517
- Banking Companies		<b>2,950,286</b>	2,926,436
- Non-Banking Financial Institutions		<b>18,226,423</b>	31,037,623
- Private Sector		<b>118,629,947</b>	88,016,999
	16.2	<b><u>431,423,822</u></b>	<u>368,543,603</u>

**16.2.** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 143,210.503 million (2019: Rs. 87,425.180 million).

	Note	2020 ----- Rupees in '000 -----	2019
<b>17. SUB-ORDINATED DEBT</b>			
Term Finance Certificates - First Issue	17.1	<b>2,995,200</b>	2,996,400
Term Finance Certificates - Second Issue	17.2	<b>1,997,600</b>	1,998,400
Term Finance Certificates - Third Issue	17.3	<b>2,500,000</b>	2,500,000
		<b><u>7,492,800</u></b>	<u>7,494,800</u>

**17.1** In 2016, the Holding company has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 14, 2016
Tenure:	Up to Seven years from the Issue date.
Maturity Date:	December 14, 2023
Rating:	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum;  Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

**17.2** In 2017, the Holding company has issued Rs. 2 billion of rated, over the counter listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 29, 2017
Tenure:	Up to Seven years from the Issue date.
Maturity Date:	December 29, 2024
Rating:	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum;  Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**17.3** In 2018, the Holding company has issued Rs.2.5 billion of rated, privately placed, unsecured, subordinated, perpetual and non-cumulative term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date:	December 31, 2018
Maturity Date:	Perpetual
Rating:	A (Single A)
Profit Rate:	Floating rate of return at Base rate + 2.25 percent per annum;  Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period
Profit payment frequency:	Semi-annually on a non-cumulative basis
Redemption:	Not applicable
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other claims except common shares.
Call Option:	Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause:	Payment of profit will me be made from current year's earning and subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	
Pre-Specified Trigger ("PST")	<p>Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013 which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:</p> <ul style="list-style-type: none"> <li>- If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWA (if possible);</li> <li>- The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%);</li> <li>- In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer;</li> </ul>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Point of Non-Viability  
("PONV")

Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below;

The PONV trigger event is the earlier of:

- "A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable;
- The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP.
- The maximum number of shares to be issued to TFC holders at the Pre-Specified Trigger and / or Point of Non Viability (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP.

## 18. DEFERRED TAX (ASSETS) / LIABILITIES

### 18.1 Movement in temporary differences during the year:

		2020			
		Balance as at January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2020
Note		----- Rupees in '000 -----			
<b>Deductible Temporary Differences on:</b>					
Provision against investments		(57,149)	-	-	(57,149)
Provision against loans and advances		(132,305)	(155,535)	-	(287,840)
Other assets		(845,243)	725,913	-	(119,330)
General provision under IFRS-9		(3,097)	(40,455)	-	(43,552)
Intangible other than Goodwill		(2,507)	(397)	-	(2,904)
Liability against assets subject to finance lease - net		(7,082)	(4,299)	-	(11,381)
Mark to market gain / (loss) on forward foreign exchange contracts		(51,092)	28,199	-	(22,893)
Provision for workers' welfare fund		(3,143)	2,964	-	(179)
		(1,101,618)	556,390	-	(545,228)
<b>Taxable Temporary Differences on:</b>					
Operating fixed assets		260,103	(71,570)	-	188,533
Goodwill		512,268	-	-	512,268
Surplus on revaluation of operating fixed assets	21	374,394	(58,646)	(75,357)	240,391
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21	967	(51)	3,113	4,029
Unrealised (loss) / gain on revaluation of derivative financial instruments		82,321	(77,019)	-	5,302
Unrealised loss / (gain) on revaluation of investments classified as held for trading		(665)	4,697	-	4,032
Government Grant		-	1,888	-	1,888
(Deficit) / surplus on revaluation of investments classified assets as available for sale	21	(253,627)	(26,142)	952,144	672,375
		975,761	(226,843)	879,900	1,628,818
18.1.1		(125,857)	329,547	879,900	1,083,590

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019			
	Balance as at January 01, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	Balance as at December 31, 2019
Note	----- Rupees in '000 -----			
<b>Deferred tax debits arising from:</b>				
Provision against investments	(57,149)	-	-	(57,149)
Provision against loans and advances	(147,207)	14,902	-	(132,305)
Provision against other assets	(171,011)	(674,232)	-	(845,243)
General provision under IFRS-9	(36,820)	33,723	-	(3,097)
Intangible other than Goodwill	(2,235)	(272)	-	(2,507)
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(3,976)	3,575	(264)	(665)
Surplus / (deficit) on revaluation of investments classified assets as available for sale	(1,188,415)	-	934,788	(253,627)
Provision for donation	(186)	186	-	-
Mark to market gain on forward foreign exchange contracts	-	(51,092)	-	(51,092)
Liability against assets subject to finance lease - net	-	(7,082)	-	(7,082)
Provision for workers' welfare fund	(17,114)	13,971	-	(3,143)
	<u>(1,624,113)</u>	<u>(666,321)</u>	<u>934,524</u>	<u>(1,355,910)</u>

## Deferred tax credits arising due to:

Operating fixed assets	232,731	27,372	-	260,103
Goodwill	512,268	-	-	512,268
Surplus on revaluation of operating fixed assets	390,391	1,223	(17,220)	374,394
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	1,010	(43)	-	967
Unrealized (loss) / gain on revaluation of derivative financial instruments	78,721	3,600	-	82,321
	1,215,121	32,152	(17,220)	1,230,053
18.1.1	(408,992)	(634,169)	917,304	(125,857)

**18.1.1** As of December 31, 2020, the JSIL has accumulated losses of Rs. 359.015 million (2019: Rs. 239.238 million). The deferred tax on such losses works out to Rs. 104.751 million (2019: Rs. 69.379 million), however, the JSIL has recognised deferred tax asset on such losses to the extent of deferred tax liability of Rs. 0.637 million (2019: Rs. 24.352 million). Unrecognized deferred tax asset on carried forward business losses as at December 31, 2020 amounted to Rs. 104.011 million 2019 (Rs. 45.027 million).

As of December 31, 2019, the JSIL has accumulated losses of Rs. 239.238 million. The deferred tax on such losses works out to Rs. 69.379 million, however, the JSIL has recognised deferred tax asset on such losses to the extent of deferred tax liability of Rs.24.352 million. Unrecognized deferred tax asset on carried forward business losses as at December 31, 2019 amounted to Rs.45.027 million.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

19.	OTHER LIABILITIES	Note	2020 ----- Rupees in '000 -----	2019
	Mark-up / return / interest payable in local currency		3,132,699	4,166,772
	Mark-up / return / interest payable in foreign currencies		52,729	72,782
	Unearned commission income on guarantees		176,270	99,505
	Accrued expenses		809,789	415,112
	Acceptances		3,603,192	3,221,212
	Trade payable from brokerage business		2,353,304	1,426,057
	Unclaimed dividends		7,576	7,576
	Mark to market loss on derivative instruments		172,635	491
	Mark to market loss on forward foreign exchange contracts		400,144	375,227
	Dividend payable		5,183	41,102
	Payable in respect of defined benefit obligation - net	37.5	-	151,881
	Withholding taxes payable		599,853	539,702
	Government challan collection		94,510	66,867
	Donation payable	29.2.1	-	1,991
	Security deposits against leases, lockers and others		3,490,704	4,172,975
	Provision for Workers' Welfare Fund		160,165	113,795
	Payable in respect of home remittance		831,042	446,387
	Retention money payable		42,044	34,248
	Lease liability against right-of-use assets		2,891,226	4,260,358
	Advance against assets held for sale	11.3.2	-	37,500
	Insurance payable		10,137	12,693
	Payable to vendors against SBS goods		93,634	185
	Debit card settlement		65,855	73,084
	Inter bank fund transfer		159,136	-
	Others		724,011	287,480
			<b>19,875,838</b>	<b>20,024,982</b>

## 19.1 Lease liabilities

The carrying amounts of lease liabilities and the movements during the year is as below:

Opening balance		4,260,358	4,781,777
Additional impact arising during the year - net		22,284	24,333
Termination impact arising during the year-net		(613,771)	-
Markup on Lease liability against right-of-use assets	25	451,047	580,688
Payments		(1,203,822)	(1,126,440)
Closing balance		<b>2,916,096</b>	<b>4,260,358</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 20. SHARE CAPITAL

### 20.1 Authorised capital

#### 19.1.1 Ordinary shares

2020	2019		2020	2019
----- Number of shares -----			----- Rupees in '000 -----	
<u>2,350,000,000</u>	<u>2,350,000,000</u>	Ordinary shares of Rs.10 each	<u>23,500,000</u>	<u>23,500,000</u>

#### 19.1.2 Preference shares

<u>150,000,000</u>	<u>150,000,000</u>	Convertible preference shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>
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### 20.2 Issued, subscribed and paid-up capital

		Ordinary shares		
<u>763,558,965</u>	<u>763,558,965</u>	Fully paid in cash	<u>7,635,590</u>	<u>7,635,590</u>
<u>533,905,297</u>	<u>533,905,297</u>	Issued for consideration other than cash	<u>5,339,053</u>	<u>5,339,053</u>
<u>1,297,464,262</u>	<u>1,297,464,262</u>		<u>12,974,643</u>	<u>12,974,643</u>
-	-	Less: Discount on issue of shares	<u>(2,855,401)</u>	<u>(2,855,401)</u>
<u>1,297,464,262</u>	<u>1,297,464,262</u>		<u>10,119,242</u>	<u>10,119,242</u>

20.3 As at December 31, 2020, Jahangir Siddiqui & Co. Limited. (the parent company) held 973,307,324 (2019: 973,307,324) ordinary shares of Rs.10 each i.e. 75.02% holding (2019: 75.02%).

## 21. SURPLUS ON REVALUATION OF ASSETS

### Surplus / (deficit) on revaluation of:

	Note	2020	2019
Available-for-sale securities	21.1.1	<u>2,325,426</u>	(591,788)
Operating fixed assets	21.2	<u>1,766,009</u>	1,955,940
Non-banking assets acquired in satisfaction of claims	21.3	<u>135,109</u>	93,743
		<u>4,226,544</u>	<u>1,457,895</u>

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

Available-for-sale securities	<u>(672,375)</u>	253,627
Operating fixed assets	<u>(240,391)</u>	(374,390)
Non-banking assets acquired in satisfaction of claims	<u>(4,029)</u>	(967)
	<u>(916,795)</u>	<u>(121,730)</u>
	<u>3,309,749</u>	<u>1,336,165</u>

21.1	Group's share	<u>3,247,593</u>	1,308,531
	Non-controlling interest	<u>62,156</u>	27,634
		<u>3,309,749</u>	<u>1,336,165</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 Rupees in '000	2019 Rupees in '000
<b>21.2 Fixed assets</b>			
Surplus on revaluation as at January 01		1,955,940	1,628,992
Recognised during the year - net		1,216	374,493
		<b>1,957,156</b>	2,003,485
<b>Less: Transferred to unappropriated profit:</b>			
Incremental depreciation during the year		(40,378)	(35,721)
Related deferred tax liability		(9,038)	(11,824)
Realised on disposal of asset classified under held for sale		(92,126)	-
Related deferred tax liability		(49,605)	-
		<b>(191,147)</b>	(47,545)
Surplus on revaluation as at December 31		<b>1,766,009</b>	1,955,940
<b>Less: Related deferred tax liability on:</b>			
Surplus on revaluation as at January 01		(374,390)	(403,434)
Recognised / transferred during the year		75,356	17,220
Transferred to profit and loss account on account of incremental depreciation		9,038	11,824
Realised on disposal of asset classified under held for sale		49,605	-
		<b>(240,391)</b>	(374,390)
		<b>1,525,618</b>	1,581,550
<b>21.2.1</b>	This includes Rs. 195.610 million (2019: Rs. 141.731 million) which relates to assets held for sale as disclosed in note 11.3.		
<b>21.3 Non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 01		93,743	93,869
(Transferred) / recognized during the year		41,511	-
		<b>135,254</b>	93,869
<b>Less: Transferred to unappropriated profit:</b>			
Incremental depreciation during the year		(94)	(82)
Related deferred tax liability		(51)	(44)
		<b>(145)</b>	(126)
Surplus on revaluation as at December 31		<b>135,109</b>	93,743
<b>Less: Related deferred tax liability on:</b>			
Surplus on revaluation as at January 01		(967)	(1,011)
Transferred to profit and loss account on account of incremental depreciation		51	-
Recognized during the year		(3,113)	44
		<b>(4,029)</b>	(967)
		<b>131,080</b>	92,776
<b>22. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	22.1	58,779,594	45,650,803
Commitments	22.2	65,953,138	77,013,578
		<b>124,732,732</b>	122,664,381
<b>22.1 Guarantees:</b>			
Financial guarantees		1,024,422	2,464,411
Performance guarantees		36,678,881	21,483,841
Other guarantees		21,076,291	21,702,551
	22.1.1	<b>58,779,594</b>	45,650,803

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**22.1.1** Included herein are outstanding guarantees of Rs. 29.054 million (2019: Rs.14,217 million) of related parties.

	Note	2020 ----- Rupees in '000 -----	2019
<b>22.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit	22.2.1	21,111,360	13,965,258
<b>Commitments in respect of:</b>			
- Forward foreign exchange contracts	22.2.2	38,178,262	55,111,366
- Derivative instruments	22.2.3	5,564,000	7,238,695
- Forward lending	22.2.4	384,230	72,183
- Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited	22.2.5	400,000	400,000
- Outstanding settlements against margin financing contracts - net	22.2.6	57,411	5,305
<b>Commitments for acquisition of:</b>			
- operating fixed assets	22.2.7	257,875	220,771
		<b>65,953,138</b>	<b>77,013,578</b>

**22.2.1** Included herein are the outstanding letter of credits of Rs. 86.543 million (2019: Rs.44.368 million) of related parties.

	2020 ----- Rupees in '000 -----	2019
<b>22.2.2 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	23,137,733	33,104,108
Sale	15,040,529	22,007,258
	<b>38,178,262</b>	<b>55,111,366</b>

The Holding company utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At period ended, all foreign exchange contracts have a remaining maturity of less than one year.

	2020 ----- Rupees in '000 -----	2019
<b>22.2.3 Commitments in respect of derivative instruments</b>		
Purchase	1,760,637	3,622,107
Sale	3,803,363	3,616,588
	<b>5,564,000</b>	<b>7,238,695</b>

**22.2.3.1 Interest rate swaps (notional principal)**

	2020	2019
Purchase	1,176,824	2,099,175
Sale	1,176,824	2,100,175
	<b>2,353,648</b>	<b>4,199,350</b>

**22.2.3.2 Options (notional principal)**

	2020	2019
Purchase	582,419	1,023,310
Sale	2,425,487	1,023,310
	<b>3,007,906</b>	<b>2,046,620</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>22.2.3.3 Commitments in respect of forward securities</b>			
Purchase		<b>1,394</b>	499,622
Sale		<b>201,052</b>	493,103
		<b>202,446</b>	992,725
<b>22.2.4 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.4.1	<b>384,230</b>	72,183
<b>22.2.4.1</b>	These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.		
		2020 ----- Rupees in '000 -----	2019
<b>22.2.5</b>	Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited	<b>400,000</b>	400,000
<b>22.2.6</b>	Outstanding settlements against margin financing contracts - net	<b>57,411</b>	5,305
<b>22.2.7</b>	Commitments for acquisition of operating fixed assets	<b>257,875</b>	220,771
<b>22.2.8</b>	Tax related contingencies are disclosed in note 33.2 to 33.4.		

## 23. DERIVATIVE INSTRUMENTS

Derivative instruments, such as Forward Exchange Contracts, Interest Rate Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Group.

The Group has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The Holding company has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 45.

Accounting policies in respect of derivative financial instruments are described in note 4.4.2.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020					
		Interest rate swaps		Options		Forward securities	
		Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
23.1 Product Analysis		----- Rupees in '000 -----					
With Banks							
Hedging		2,353,648	4,943	3,007,906	10,205	-	-
Market making		-	-	-	-	201,052	(12,329)
With FIs other banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	1,394	-
Total							
Hedging		2,353,648	4,943	3,007,906	10,205	-	-
Market making		-	-	-	-	202,446	(12,329)
		2019					
		Interest rate swaps		Options		Forward securities	
		Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
		----- Rupees in '000 -----					
With Banks							
Hedging		-	8,885	4,199,350	13,327	-	-
Market making		-	-	-	-	992,725	286
With FIs other banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
Total							
Hedging		-	8,885	4,199,350	13,327	-	-
Market making		-	-	-	-	992,725	286

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 23.2 Maturity Analysis

Remaining maturity of contracts	Number of contracts	Notional principal	2020		
			Mark to market		
			Positive	Negative	Net
			----- Rupees in '000 -----		
Upto 1 month	6	871,043	29,685	(41,098)	(11,413)
1 to 3 months	1	317,656	-	(889)	(889)
3 to 6 months	7	1,345,571	13,001	(5,296)	7,705
6 months to 1 year	10	2,914,453	121,563	(114,748)	6,815
1 to 2 years	2	115,277	11,205	(10,604)	601
	<b>26</b>	<b>5,564,000</b>	<b>175,454</b>	<b>(172,635)</b>	<b>2,819</b>

Remaining maturity of contracts	Number of contracts	Notional principal	2019		
			Mark to market		
			Positive	Negative	Net
			----- Rupees in '000 -----		
Upto 1 month	34	493,103	90	-	90
1 to 3 months	1	499,622	196	-	196
3 to 6 months	-	-	-	-	-
6 months to 1 year	4	-	9,376	(491)	8,885
1 to 2 years	3	2,516,330	7,785	-	7,785
2 to 3 years	1	1,683,020	5,542	-	5,542
	<b>43</b>	<b>5,192,075</b>	<b>22,989</b>	<b>(491)</b>	<b>22,498</b>

24. MARK-UP / RETURN / INTEREST EARNED	Note	2020	2019
		----- Rupees in '000 -----	
<b>On:</b>			
Loans and advances		<b>25,277,186</b>	31,003,043
Investments		<b>16,537,576</b>	9,717,118
Lendings to financial institutions		<b>32,855</b>	52,679
Balances with other banks		<b>85,144</b>	59,817
Securities purchased under resale agreements		<b>1,259,308</b>	858,930
		<b>43,192,069</b>	41,691,587

25. MARK-UP / RETURN / INTEREST EXPENSED			2020	2019
			----- Rupees in '000 -----	
<b>On:</b>				
Deposits			<b>29,376,526</b>	28,272,108
Borrowings	25.1		<b>1,817,487</b>	3,678,116
Subordinated debt			<b>900,310</b>	1,029,228
Cost of foreign currency swaps against foreign currency deposits / borrowings			<b>735,977</b>	936,986
Markup on Lease liability against right-of-use assets	19.1		<b>451,047</b>	580,610
			<b>33,281,347</b>	34,497,048

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>25.1 Borrowings</b>			
Export refinancing scheme (ERF)		357,578	337,916
Long-Term Finance Facility (LTFF)		46,242	35,388
Other Borrowings from State Bank Bank of Pakistan		10,941	3,942
Securities sold under repurchase agreements		1,111,507	2,810,910
Other short term borrowings		291,219	489,960
		<u>1,817,487</u>	<u>3,678,116</u>
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Branch banking customer fees		240,843	174,557
Consumer finance related fees		39,700	21,098
Card related fees (debit and credit cards)		652,096	594,713
Credit related fees		358,650	328,927
Investment banking fees		119,315	86,244
Commission on trade		671,804	570,108
Commission on guarantees		393,993	266,999
Commission on cash management		4,755	5,966
Commission on remittances including home remittances	26.1	252,078	111,288
Commission on bancassurance		180,460	180,770
Commission on distribution of mutual funds		29,008	93,343
Commission on online Services		372,892	186,396
Postage & Courier income		24,096	22,143
Rebate income		250,355	224,598
Rebate on primary dealership		27,637	6,918
Brokerage income		582,761	327,604
Management fee		173,499	210,488
		<u>4,373,942</u>	<u>3,412,160</u>

**26.1** This includes Rs.149.305 million (2019: Rs. 82.373 million) in respect of commission income from home remittance services provided by the Bank. The amount is earned from State Bank of Pakistan at the rate of Saudi Riyal 20 (2019: Saudi Riyal 20) per transaction over USD 200 (2019: USD 200) and is shared between the Bank and various exchange companies as per terms of agreement with them.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

			2020	2019
	Note		----- Rupees in '000 -----	
<b>27. GAIN / (LOSS) ON SECURITIES - NET</b>				
Realised	27.1	<b>1,906,308</b>	(674,365)	
Unrealised - held for trading		<b>14,202</b>	8,368	
		<b>1,920,510</b>	(665,997)	
<b>27.1 Realised gain on:</b>				
<b>Federal government securities</b>				
Market treasury bills		<b>76,912</b>	3,671	
Pakistan investment bonds		<b>1,381,058</b>	(247,329)	
Ijara sukuk certificates		<b>71</b>	633	
		<b>1,458,041</b>	(243,025)	
<b>Shares</b>				
Listed companies		<b>429,881</b>	(386,856)	
<b>Non Government Debt Securities</b>				
Term finance certificates		<b>32,832</b>	21,443	
Sukuk certificates		<b>450</b>	150	
		<b>33,282</b>	21,593	
<b>Mutual fund units</b>		<b>(11,538)</b>	8,246	
<b>Foreign currency bonds</b>		<b>(3,358)</b>	(74,323)	
		<b>1,906,308</b>	(674,365)	
<b>28. OTHER INCOME - NET</b>				
Rent on Property		-	4,079	
Gain on sale of fixed assets - net		<b>10,682</b>	493,680	
Gain on sale of assets held for sale	11.3.2	<b>1,000</b>	-	
Gain on termination of leases	28.1	<b>64,805</b>	-	
Others		<b>32,819</b>	7,430	
		<b>109,306</b>	505,189	
<b>28.1</b>	This represents, gain on termination of leases against closure of fifty one branches under the Bank's branch rationalisation strategy.			

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>29. OPERATING EXPENSES</b>			
Total compensation expense	29.1	6,735,714	5,713,741
<b>Property expense</b>			
Rent & taxes		24,143	39,856
Insurance		2,641	10,553
Utilities cost		365,121	365,688
Security (including guards)		337,223	296,671
Repair & maintenance (including janitorial charges)		241,197	204,875
Depreciation		243,485	247,053
Depreciation on right-of-use assets	11.4	954,275	985,498
Depreciation on non banking assets	13.2.1	2,862	1,713
		<b>2,170,947</b>	<b>2,151,907</b>
<b>Information technology expenses</b>			
Software maintenance		762,263	241,700
Hardware maintenance		189,878	182,710
Depreciation		215,310	184,504
Amortisation		118,032	97,968
Network charges		133,243	125,505
		<b>1,418,726</b>	<b>832,387</b>
<b>Other operating expenses</b>			
Directors' fees and allowances		23,100	15,625
Legal & professional charges		191,690	151,056
Insurance		290,204	209,998
Outsourced services costs	36	156,524	135,005
Travelling & conveyance		129,968	145,186
NIFT clearing charges		45,199	40,394
Depreciation		322,535	424,574
Depreciation on right-of-use assets		-	-
Training & development		19,520	35,074
Postage & courier charges		100,484	82,010
Communication		182,699	134,965
Stationery & printing		265,023	276,707
Marketing, advertisement & publicity		461,634	338,130
Donations	29.2	122,341	2,809
Auditors remuneration	29.3	16,697	14,293
Staff auto fuel & maintenance		205,187	224,923
Bank charges		60,168	63,468
Stamp duty		17,238	55,570
Online verification charges		18,802	21,870
Brokerage, fee and commission		56,849	34,658
Card related fees (debit and credit cards)		6,906	8,662
CDC and other charges		27,250	31,186
Consultancy fee		61,605	36,949
Deposit protection corporation	29.4	128,144	139,761
Entertainment expenses		76,957	67,337
Repair and maintenance		67,988	66,161
Cash handling charges		239,732	65,778
Fee and Subscription		160,950	106,166
Employees social security		11,444	9,035
Generator fuel & maintenance		76,467	80,002
Fee and allowances to Shariah Board		74	46
Royalty	29.5	30,000	30,000
Others		54,693	38,026
		<b>3,628,072</b>	<b>3,085,424</b>
		<b>13,953,459</b>	<b>11,783,459</b>
Less: Reimbursement of selling and distribution expenses	29.6	(52,233)	(21,686)
		<b>13,901,226</b>	<b>11,761,773</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020	2019
	----- Rupees in '000 -----	
<b>29.1 Total compensation expense</b>		
Fees and Allowances etc.	<b>204,736</b>	191,025
Managerial Remuneration:		
i) Fixed	<b>4,316,171</b>	4,031,190
ii) Variable of which;		
a) Cash Bonus / Awards etc.	<b>656,678</b>	344,693
b) Commission	<b>292,603</b>	252,556
Charge for defined benefit plan	<b>159,436</b>	134,712
Contribution to defined contribution Plan	<b>251,053</b>	233,459
Leaving indemnity	<b>6,479</b>	4,246
Medical	<b>387,404</b>	357,750
House rent allowance	<b>1,694</b>	1,581
Utilities	<b>188</b>	176
Conveyance	<b>415,478</b>	81,851
Insurance Staff	<b>41,259</b>	74,941
Others	<b>2,535</b>	5,561
	<b>6,735,714</b>	5,713,741

**29.1.1** The Group operates a short term employee benefit scheme which includes cash awards / special bonus for all employees. Under this scheme, the bonus for all employees, including the Chief Executive Officer (CEO) is determined on the basis of employees' evaluation and the Bank's performance during the year.

	Note	2020	2019
		----- Rupees in '000 -----	
<b>29.2 Donations</b>			
Future Trust	29.2.1	<b>117,341</b>	1,991
Hope Uplift Foundation		-	618
Bait-ul-Sukoon Cancer Hospital		-	200
Agha Khan Foundation		<b>5,000</b>	-
		<b>122,341</b>	2,809

**29.2.1** This represents donation to a related party, wherein below mentioned persons are trustees. The registered office of the donee is located at 7th Floor, The Forum, Block 9, Clifton, Karachi.

- Mr. Suleman Lalani      Chief Executive Officer of Jahangir Siddiqui & Co. Ltd. (the parent company)
- Mr. Kalim-ur-Rehman      Chairman of the Bank
- Mr. Hasan Shahid      Chief Financial Officer of the Bank and Director of JS Investments Limited, the Subsidiary Company
- Mr. Najmul Hoda Khan      Chief Financial Officer of Jahangir Siddiqui & Co. Ltd. (the parent company)
- Mr. Tariq Usman Bhati      Head of Money Market And Forex of JS Global Capital Limited, subsidiary company

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>29.3 Auditors' remuneration</b>			
Audit fee - Pakistan		3,672	3,442
Audit fee - Bahrain		1,717	1,640
Half-yearly review		1,228	1,169
Fee for audit of employees funds		143	143
Fee for other statutory certifications		1,177	753
Special certification and sundry advisory services		5,783	4,473
Taxation services		270	275
Out of pocket expenses and sales tax on services		2,707	2,398
	29.3.1	<u>16,697</u>	<u>14,293</u>
<b>29.3.1 Geographical analysis</b>			
Pakistan		14,092	12,140
Bahrain		2,605	2,153
		<u>16,697</u>	<u>14,293</u>
<b>29.4</b>	Under the provision of section 5(2) of the Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018, the Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation, a subsidiary company of State Bank of Pakistan, @ 0.16% on eligible deposits as of December 31 of each preceding calendar year.		
	The Bank's eligible deposits as of December 31, 2019 are amounting to Rs. 87,425.180 million on which total premium is payable of Rs. 139.880 million per annum (Rs. 34.970 million per quarter).		
<b>29.5</b>	Royalty represents amounts payable to Mr. Jahangir Siddiqui on account of use of name in the subsidiary of the Bank.		
<b>29.6</b>	The SECP vide Circular 40/2016 dated December 30, 2016, prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to open end equity funds, for opening of new branches in cities, except Karachi, Lahore, Islamabad and Rawalpindi. Expenses can be charged to the extent of 0.4% per annum of net assets of fund or actual expenses whichever is lower.		
	Note	2020 ----- Rupees in '000 -----	2019
<b>30. WORKER'S WELFARE FUND</b>			
Charge during the year	30.1	<u>46,472</u>	<u>3,358</u>
<b>30.1</b>	Provision held at @ 2% of the higher of profit before tax or taxable income under Sindh Workers' Welfare Act, 2014 and the Punjab Workers' Welfare Fund Act, 2019.		
		2020 ----- Rupees in '000 -----	2019
<b>31. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		91,639	131,444
Others		-	6,199
		<u>91,639</u>	<u>137,643</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	Note	2020 ----- Rupees in '000 -----	2019
<b>32. PROVISIONS / (REVERSALS) AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	9.3.1	249,343	(345,300)
Provisions against loans & advances	10.4	841,895	354,848
Provisions against loans & advances - general		(161,166)	5,505
Provisions / (reversals) under IFRS-9 -general	32	138,345	(105,018)
Fixed assets written off	11.2	181,887	-
Other assets written off		5,620	-
Other reversals		(2,339)	(2,280)
Bad debts written off directly		-	315
Impairment loss against intangible assets		-	3,227
		<u>1,253,585</u>	<u>(88,703)</u>
<b>32.1 Provisions / (reversals) under IFRS-9 - general</b>			
<b>Charge / (reversal) during the year</b>		<b>384</b>	<b>(71)</b>
Balances with other banks		(79)	(3,434)
Lendings to financial institutions		124,303	(97,192)
Investments		13,737	(4,321)
Advances		<u>138,345</u>	<u>(105,018)</u>
<b>33. TAXATION</b>			
Current		745,311	791,261
Prior years		(14,482)	13,715
Deferred		329,547	(634,169)
		<u>1,060,376</u>	<u>170,807</u>
<b>33.1 Relationship between income tax expense and accounting profit</b>			
<b>Profit before taxation</b>		<b>1,108,435</b>	<b>(256,608)</b>
Tax at applicable rates in the Group		793,461	80,035
Effect of permanent differences		(50,923)	34,014
Tax effect of income charged at different tax rates-net		50,442	18,617
Tax effect of exempt capital gains		-	-
Effect of prior year deferred taxation		46,783	11,251
Effects of current and prior year super tax		228,459	31,608
Deferred tax recognised at higher rate		-	-
Others		(7,846)	(4,718)
	33.1.1	<u>1,060,376</u>	<u>170,807</u>
<b>33.1.1</b>	The Group has recognised taxation impact on the basis of deemed tax return to be file on applicable tax rate with tax authorities, which are as follows:		
		<b>Tax Rate</b>	
		<b>2020</b>	<b>2019</b>
JS Bank Limited		35%	35%
JS Investments Limited		29%	29%
JS Global Capital Limited		29%	29%
JS ABAMCO Commodities limited		29%	29%

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 33.2 JS Bank Limited (Holding Company, the Bank)

### 33.2.1 Income Tax

The income tax returns filed under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2007 through 2020. These returns filed were deemed to have been assessed in terms the provisions prevailing under income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2017. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments in tax year 2008 to tax year 2018, the department had made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010, 2011 & 2012 and tax years 2009, 2012 & 2013 respectively.

In respect of WWF, the Supreme Court of Pakistan has held in Judgement, PLD 2017 SC 28, that the amendments made in the WWF Ordinance through Finance Act, 2006 and 2008 were illegal and without lawful authority i.e. the Holding Companies do not fall into definition of Industrial Undertaking and thus, not liable to pay WWF. Therefore based on this, the Holding Company's contention is mandated and it is likely that its pending appeals in this will be decided favorably. The Holding Company has obtained appeal effect orders of respective years except 2013 and resultantly no demand is payable in this respect.

As a consequence of the 18th amendment to the Constitution, levy for the WWF was introduced by the Government of Sindh and Punjab through the Sindh WWF Act, 2014 ("the Act") and Punjab Workers Welfare Fund Act, 2019 respectively. As per the Acts, the Holding Company is liable to pay WWF in both provinces. However in this respect:

the Holding Company has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (SHC) through Constitutional Petition 1546/2017 on grounds that banking companies cannot be considered as industrial establishment and that the Act will be applied to trans-provincial entities to the extent that the obligation under the provincial law is to make distribution to the extent of the proportionate profit of the Sindh Province. The Court has restrained the Sindh Revenue Board to collect / recover Sindh WWF till the next date of hearing.

the Holding Company will challenge the recovery of Punjab WWF in the court of law on same grounds in case of SWWF.

In 2018, Based on decision of the Supreme Court of Pakistan, the Bank had reassessed the provision of WWF which was previously held on the entire operating results of the Bank (including all provinces, part of Pakistan, AJK and Bahrain Operations) and maintained WWF only to the extent of its operations within Sindh Province till 2019. In 2020 after promulgation of Punjab WWF, the Bank has again decided prudently to maintained provision on the entire results of the Bank.

In respect of minimum tax, the Commissioner Inland Revenue-Appeals (the CIR(A)) has the not accepted the Holding Company's contentions of gross loss position and also decided that non-mark-up income is the fall in the definition of turnover including capital gains and dividend income. As result the demand of Rs. 38.907 million has been payable. The Holding Company has contested the matter in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing.

For tax year 2008-2018, the Holding Company has not accepted the amendments of Rs. 6.57 billion and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA).

CIR(A) has admitted the contention of the Holding Company in case of tax year 2008 that the amended order is barred by time and decided that any addition made in impugned order is annulled and not required to be further adjudicated. However, the department has filed an appeal against the decision of CIR(A) in ATIR which has been partly heard.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

With regard to appeals filed for tax year 2009 to 2017, the CIR(A) has decided the appeals accepting the Holding Company's contentions in respect of significant issues, and certain disallowance including amortization claim of goodwill have been decided in favor of department in all tax years. However, the Holding Company and the tax department are contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication.

The tax department passed appeal effect/rectification orders and allowed deleted and set-aside issues in the light of CIR(A) orders for tax year 2008 to 2014. As a result of these orders, the Holding Company's taxable losses has increased to Rs. 3.464 billion and reduced the demand of Rs. 1.212 billion in relevant tax years after adjustment of these losses.

Further for the tax year 2013, the ATIR has decided appeal filed by tax department in respect of calculating the amount of provisions against advances as allowable under Rule 1(c) of Seventh Schedule to the Income Tax Ordinance, 2001 and has maintained the CIR(A) decision that the allowability of provision for advances to be calculated at 1% of gross amount of advances as against the tax department contention that the same is to be calculated on net advances after deducting the amount of provisions created and allowed against advances.

The matter of allowability of amortization relating to goodwill is contentious issue, therefore based on the opinion of lawyer there are arguments available to contend that goodwill on merger is an allowable deduction for tax purposes. Especially in the recent decision given by the High Court of Sindh in the case of merger of another Holding Company in Pakistan where the Court has ruled in favour of taxpayer that goodwill generated in merger is 'intangible' and amortization relating to goodwill is allowable deduction.

The Sindh High Court has dismissed the Holding Company's petitions for tax years 2016 through 2019 wherein the Holding Company alongwith other taxpayers challenged the levy of super tax on constitutional grounds. Based on the opinion of legal counsel, the Holding Company has appealed before the Supreme Court against the decision of the Sindh High Court. The Supreme Court has allowed interim relief to the taxpayers subject to the payment of 50% of the super tax liability. However, the Holding Company has adjusted full amount of super tax liability for Tax year 2016 and 2019 against the available tax refunds. Further, the Holding Company has obtained stay from the Sindh High Court on other technical grounds regarding the levy of Super Tax for tax years 2017 and 2018.

## 33.2.2 Withholding tax monitoring

Withholding tax monitoring was initiated against the Holding Company for tax year 2014-2019. Orders in respect of tax years 2014, 2015 and 2017 has been passed against which appeals have been filed before the CIR(A). CIR(A) has reminded back the matters for rectification in respect of tax years 2014 and 2015 against which rectified orders has been passed and demands have been rectified. Appeal for tax year 2017 has been heard and reserved for order. In respect of tax year 2018 and 2019, proceedings are pending.

## 33.2.3 Sales tax

The Holding Company as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs.48.838 million (besides Rs.4.440 million is charged as penalty) against the Holding Company for allegedly non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes'(i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Holding Companies, and FX gain on remittance by Western Union) on total amounting to Rs.277.488 million for the tax periods July 2011 to December 2013. An appeal was filed before Commissioner (Appeals) Sindh Revenue Board, CA-SRB against the decision of AC-SRB which was decided in favor of the tax department except tax imposed on FX gain on remittance by Western Union. Thereafter, both the Holding Company and AC-SRB filed appeals before the Appellate Tribunal SRB against the decision of CA-SRB. Through its Order dated April 18, 2019, the Appellate Tribunal SRB quashed the demand raised by deciding the Holding Company's appeal in the Holding Company's favour and dismissing the AC-SRB's appeal. The Holding Company and tax department have filed appeals before Appellate Tribunal which are pending for hearing.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

The management of Holding Company is confident that the appeals filed in respect of the above matter will be decided in the Holding Company's favor and accordingly no demand for payment would arise.

## 33.2.4 Azad Jammu & Kashmir Operations

The Holding Company has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2019 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders are rectified and no additional demand has been raised.

## 33.3 JS Global Capital Limited (Subsidiary, the Company)

### 33.3.1 Income tax

Except for tax year 2009, 2014, 2015, 2016, 2017 and 2018 income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 (the Ordinance) unless selected by taxation authorities for audit purposes.

For tax year 2009, an ITRA no. 07/2013 was filed by the Commissioner Inland Revenue against an order passed by the Learned Appellate Tribunal Inland Revenue (ATIR) in ITA no. 923/KB/2011 dated August 28, 2012 which was related to the apportionment of expenses, allowability of expenses and claiming of tax deducted at source aggregating to Rs. 61.16 million. However, the same is pending for decision before the Sindh High Court (SHC).

For tax year 2014, an amended assessment order dated April 28, 2016, has been passed under section 122 (5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR). Through said order, the ACIR raised demand amounting to Rs. 20.081 million. The Company has filed rectification application identifying various errors / details not considered by the ACIR and requested ACIR to rectify the same. In addition to that, the Company has also filed an appeal to the Commissioner Inland Revenue Appeals (CIR-A) which is pending. The Company has also obtained stay against recovery of demand from SHC till the decision of CIR-A.

For tax year 2015, an order dated November 23, 2016 was passed under section 4B of the Ordinance by the Deputy Commissioner Inland Revenue (DCIR). Through said order, an income of Rs.810.584 million was computed under section 4B of the Ordinance and resultant demand of super tax of Rs. 24.318 million was raised. An appeal was filed against the above order before CIR-A on December 01, 2016 identifying various errors / details not considered. The CIR-A, has confirmed DCIR's order vide his order dated May 30, 2017. In pursuance of the order of CIR-A, the Company has filed appeal before ATIR along with application for stay against recovery of demand. The appeal before ATIR has been heard and order is reserved whilst ATIR vide order dated July 18, 2017 has granted stay for 60 days and subsequently the said stay was further extended vide various orders by ATIR. Subsequently, recovery of aforesaid tax demand was previously stayed by the Honorable Sindh High Court (SHC) through C.P No 4915 of 2018 vide order dated June 28, 2018 with direction to the Department not to enforce recovery of tax demand till the decision of ATIR. However, based on its order dated July 21, 2020, the SHC has dismissed the aforementioned C.P and has declared the super tax for TY 2015 to be constitutionally vires. The Company has however filed an Income Tax Reference Application (ITRA) No. 52 of 2020 before SHC which is pending adjudication.

For tax year 2016 and 2017, notices dated December 27, 2016 and January 3, 2018 were issued under section 4B of the Ordinance by the DCIR. In the said notices the DCIR has contended that the Company is liable to pay Super Tax amounting to Rs. 24.483 million and Rs. 19.490 million on 'income' of Rs. 816.122 million and Rs. 649.676 million for Tax Years 2016 and 2017 respectively. The Company has challenged both notices through writ petition before SHC on constitutional grounds wherein the SHC has, vide its orders dated January 16, 2017 and January 11, 2018 for Tax Years 2016 and 2017 respectively, has stated that no coercive action shall be taken against the Company. The DCIR passed the orders under section 4B vide order dated April 23, 2018 and

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

May 4, 2018 for tax years 2016 and 2017 respectively to levy Super tax of above mentioned amounts under the view that SHC has not restrained the department from passing the orders. In pursuance of the said orders, Company filed appeals which were rejected by CIR-A vide its order dated October 12, 2018 for both years. As a result, the Company has filed appeals before Appellant Tribunal Inland Revenue (ATIR) against the orders of CIR-A. Meanwhile, the Company paid 50% of tax demand of both tax years to maintain the above suits in light of judgment of Hon'able Supreme Court of Pakistan (Civil Appeals No. 1171/2017 and other connected appeals) wherein, the pending suits are declared to be entertained on the condition that a minimum of 50% of tax demand is deposited with tax authorities during the pendency of appeal. During the year the appeal has been heard before ATIR and is reserved for order. The Company has however filed an Income Tax Reference Application (ITRA) No. 53 and 54 of 2020 before SHC which is pending adjudication.

For tax year 2018, a notice under section 4B of the Ordinance by the DCIR dated December 7, 2018 was issued, contending that the Company is liable to pay Super Tax amounting to Rs. 45.211 million on 'income' of Rs. 1,507.039 million. The Company had challenged the notice on constitutional grounds before SHC through C.P. No. 8670 of 2018. The SHC, vide its order dated December 14, 2018, had stated that no coercive action shall be taken against the Company. However the SHC based on its order issued in September 2020 has dismissed the aforementioned C.P. The Company is hence awaiting the conclusion of ATIR on the above matter before it files a reference application for TY 2018. To date, no order has been passed by the Department, consequently, no outstanding tax demand exists to date.

For tax year 2016, an amended assessment order has been passed under section 122(5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR). Through the said order, the ACIR raised demand amounting to Rs. 241.217 million. Upon appeal filed, CIR-A confirmed the ACIR's order vide its order dated December 12, 2017. In pursuance of the order of CIR-A, the Company had filed an appeal before ATIR. During last year ATIR vide its order dated March 29, 2019 had annulled CIRA's action on confirming disallowances made in the order passed by ACIR dated November 02, 2017, with directions to CIRA to pass speaking and reasoned order after providing due opportunity of being heard. As a result, the likely assessment position after appeal effect of ATIR's order under section 124 of the Ordinance is that only tax demand on account of undistributed reserves is outstanding, which has also been stayed by SHC vide interim order in CP No. 0-2343 of 2019 dated April 09, 2019. Furthermore during last year, a rectification application was filed for erroneously considered share premium reserves while computing excess reserves under section 5A of the Ordinance by the ACIR, in its order dated November 2, 2017. As a result of which tax demand under section 5A would be reduced to Rs. 7.523 million.

For tax year 2017, an amended assessment order has been passed under section 122(5A) of the Ordinance by the Tax Officer. Through the said order, the Tax Officer raised a demand amounting to Rs. 17.649 million. The Company has filed an appeal before CIR-A which has been heard, however, no order has been passed till date. The total tax demand was partially stayed by the order of SHC vide CP No. 5431 of 2017 dated August 16, 2017, while the remaining liability was adjusted from the available refunds as declared in the return for tax year 2017.

Furthermore, the case of the Company has been selected for income tax audit under section 214C of the Ordinance and a notice dated April 12, 2019 under section 177 of the Ordinance has been issued requiring submission of details and documents. Partial details have been submitted and extension is requested for submission of remaining details.

For tax year 2017, a show-cause notice under section 161/205 of the Ordinance has been issued by tax authority. Through the said order, the Company was alleged for non-deduction of tax under section 150 of the Ordinance on payment made to shareholders in respect of buy back of shares. The said notice has been challenged before Sindh High Court (SHC) through legal counsel of the Company and SHC has prohibited tax department from passing any order without its permission. On the directions of court, detailed reply to show-cause notice has also been submitted vide our letter dated January 26, 2018. Tax authorities have issued a subsequent notice dated March 6, 2018, requesting to provide certain factual details which have also been submitted vide our letter dated March 16, 2018 and the matter is now pending adjudication before the SHC.

# Notes to the Consolidated Financial Statements

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## 33.3.2 Sales Tax

During 2013, the Company received a show cause notice from the Sindh Revenue Board (SRB) under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed reducing the demand to Rs. 9.86 million along with default surcharge. The Company filed an appeal before the CIR-A and after being decided against the Company, it subsequently filed an appeal before Appellate Tribunal SRB. During the year 2014, the Company paid an amount of Rs. 7.15 million in respect of the abovementioned liability before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption from application of penalty and 75% of default surcharge. Appellate Tribunal SRB vide order dated November 29, 2017 decided the issue of Sindh Sales Tax (SST) in favor of the Company. However, the issue of SST on advisory and consultancy services and commission earned on purchase/sale of mutual funds have been remanded back whilst the issue relating to SST on commission on foreign exchange dealing, services rendered outside Sindh and levy of default surcharge and penalty have been decided against the Company. The Company has filed a reference application before SHC in respect of the issues decided against the Company and remanded back.

During 2014, the Company also received another show cause notice from SRB under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed raising a tax demand amounting to Rs. 10.77 million. The Company has filed an appeal against the order with CIR-A which is pending. Further, in respect of the same, rectification application has also been filed with the department. The Company and other stock brokers have also filed petition with the SHC and has been granted interim stay against recovery of demand. However, the Company has paid an amount of Rs. 9.24 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of penalty and 75% of default surcharge.

Furthermore, for fiscal year 2014 and 2015, SRB alleged short payment of SST vide Notice dated February 02, 2017. The Company has submitted all the required details in response to the notice and no order in this respect has been passed.

SRB has also issued an order in another proceeding for tax periods January 2014 to December 2016, which were confronted, vide notice dated August 15, 2017, levying sales tax on certain services and disallowance of input tax of Rs. 35,877,012. In pursuance of the said order the Company filed an appeal before Commissioner (Appeals), SRB which has been partly heard. However the recovery of the of aforesaid tax demand has been stayed by the Hon'able SHC in Suit no 767 of 2018 vide order dated April 13, 2018.

## 33.3.3 Federal Excise Duty (FED)

Tax department issued a show cause notice dated June 08, 2015 confronting (alleged) non payment of Federal Excise Duty (FED) on Company's services under Federal Excise Act, 2005 and subsequently issued an order raising a demand amounting to Rs.78.003 million for tax year 2010 to tax year 2013. The Company filed a rectification appeal, in addition, to filing an appeal to the SHC, through Stockbroker Association (of which the Company is also the member) against aforementioned order on the grounds that after 18th amendment to the Constitution, the services that were previously subjected to FED under the federal laws are now subject to the provincial sales tax and the Company has accordingly discharged its tax obligation. The SHC initially, stayed Federal Board of Revenue from demanding sales tax on services from stockbrokers and subsequently, disposed of the order in Company's favor. However, CIR-A on the matter of appeal filed by the Company issued an order in favor of the department vide its order dated January 31, 2017. In pursuance of the order of CIR-A the Company had filed an appeal before Appellate Tribunal SRB along with application for stay of demand which was granted initially for 30 days and was subsequently extended vide various orders. Appellate Tribunal SRB has decided the matter vide order dated December 20, 2017, received by the Company on April 09, 2018, whereby ATIR decided that FED is applicable only on the commission earned from trading of shares and no other type of commission comes under the ambit of FED. With this opinion, ATIR has remanded back the issue related to pre amendment era. For post amendment era, ATIR has relied upon the decision of SHC (stated above) and declared the charge of FED after July 01, 2011 null and void.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 33.4 JS Investments Limited (Subsidiary, the Company)

### 33.4.1 Income tax

In respect of the appeals filed by the Company before Commissioner Inland Revenue (Appeals) [CIR (Appeals)] against orders passed for tax years 2006 and 2009 against demand of Rs.162 million and 66 million respectively, the CIR (Appeals) had not accepted the basis of additions by tax authorities and set aside both the orders in respect of allocation of expenses between various sources of income for fresh proceedings with the directions to apportion the common expenditure according to actual incurrence of expenditure to the various sources of income.

In respect of the appeals filed by the Company before Commissioner Inland Revenue (Appeals) [CIR (Appeals)] against orders passed for tax years 2006 and 2009 against demand of Rs.162 million and 66 million respectively, the CIR (Appeals) had not accepted the basis of additions by tax authorities and set aside both the orders in respect of allocation of expenses between various sources of income for fresh proceedings with the directions to apportion the common expenditure according to actual incurrence of expenditure to the various sources of income.

The Appellate Tribunal Inland Revenue vide order dated May 21, 2016 was deleted the additions of tax amortization of management rights and remand back the issues of disallowed provisions and advertisement expenses for the tax year 2009.

The tax authorities issued orders giving effect (hereinafter referred collectively as 'appeal effect orders') to the order of CIR (Appeals) for both tax year 2006 and 2009 whereby demands for these tax years were reduced at Rs.77.33 million and Rs.59.93 million respectively. As the allocation of expenditure in the said appeal effect orders were not made according to actual incurrence of expenditure to the various sources of income, therefore, the Company again filed appeals before the CIR (Appeals) against the said orders.

In respect of second round of appeal filed by the Company before CIR (Appeals) against appeal effect orders for tax year 2006 and 2009, the CIR (Appeals) for tax year 2006 confirmed apportionment of expenditure made by the tax authorities in appeal effect order, however, adjustment of allowable expenses were set aside. For tax year 2009, CIR (Appeals) had set aside the appeal effect order in entirety for fresh assessment, which is yet to be made by tax authorities.

The CIR (Appeals) also rectified the order passed by his predecessor for tax Year 2006, whereby the addition regarding the portion of capital gain included in dividend received from mutual funds was held deleted. Resulted appeal effect order reflects refund of Rs.29 million. The tax authorities have filed an appeal before ATIR against said order of CIR (Appeals) in respect of deletion of addition regarding the portion of capital gain included in dividend. The ATIR vide order dated December 07, 2016 set-aside with the direction that the ACIR should examine the issue in the light of FBR Circular letter dated September 10, 2002.

In respect of tax year 2006, management contends, based on views of its tax advisor, that amendment of assessment for such tax year by tax authorities is time barred. Accordingly, the Company has filed an appeal before the Appellate Tribunal Inland Revenue. The ATIR of the view that the amendment of assessment is not time bared however, the ATIR deleted the addition of tax amortization of management right vide order dated February 10, 2017.

Order under section 122(1)/(5) dated December 30, 2017 for the tax year 2015 passed by the DCIR created demand of Rs.40 million against which Company filed appeal before the CIR(A). The DCIR consider our request for rectification and passed order under section 221 dated February 27, 2017 as a result of the above order the demand reduced to Rs.36.904 million. The CIR(A) vide order dated May 6, 2019 was partly considered our submissions put before him. The DCIR passed appeal effect order dated February 17, 2020 determined refund of Rs 30.66 million. The company submitted appeal before the CIR (Appeal) against the appeal effect order. The Company also submitted appeal before the ATIR against the order of the CIR(A).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

The DCIR passed order under section 122(1)/(5) of the Income Tax Ordinance, 2001 dated June 23, 2014 and reduce the refund claimed of Rs.8.499 million to Rs.3.102 million for the tax year 2012. The learned CIR (Appeal) vide order dated May 06, 2019 was confirmed the ACIR's order and held that the appeal was not entertainable being barred by time limitation for the tax year 2012. Company submitted appeal before the ATIR against the order of the CIR(A).

Management, based on views of its legal counsel, is confident of a favorable outcome in respect of above matters.

<b>34. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE</b>		<b>2020</b>	<b>2019</b>
		----- Rupees in '000 -----	
Profit / (loss) after taxation for the year - attributable to ordinary equity holders of the holding company		<b>1,110,373</b>	(245,285)
Preference dividend for the year December 31, 2018 @ 12% p.a		-	(24,164)
Profit / (loss) after taxation for the year - attributable to ordinary equity holders of the holding company		<b>1,110,373</b>	(269,449)
		----- Numbers -----	
Weighted average number of basic outstanding ordinary shares during the year		<b>1,297,464,262</b>	1,297,464,262
		----- Rupee -----	
Basic and diluted earnings / (loss) per share		<b>0.856</b>	(0.208)
<b>35. CASH AND CASH EQUIVALENTS</b>		<b>2020</b>	<b>2019</b>
	Note	----- Rupees in '000 -----	
Cash and balances with treasury banks	6	<b>30,421,531</b>	25,590,173
Balances with other banks	7	<b>1,128,585</b>	476,370
Overdrawn nostro accounts	15	<b>(143,570)</b>	(636,992)
		<b>31,406,546</b>	25,429,551
Less: General provision under IFRS 9		<b>(450)</b>	(68)
		<b>31,406,096</b>	25,429,483
<b>36. STAFF STRENGTH</b>		----- Numbers -----	
Permanent		<b>4,038</b>	3,904
On Group's contract		<b>1,057</b>	832
Group's own staff strength at the end of the year		<b>5,095</b>	4,736
Outsourced services	36.1	<b>483</b>	472
		<b>5,578</b>	5,208
<b>36.1</b>	This represents third party contracts other than guards and janitorial services.		
<b>36.2 Geographical segment analysis</b>			
Pakistan		<b>5,571</b>	5,201
Bahrain		<b>7</b>	7
		<b>5,578</b>	5,208

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 37. DEFINED BENEFIT PLAN

### 37.1 General description

The Bank operates a recognized gratuity fund for all employees who opted for this scheme introduced by the management with effect from January 01, 2007.

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

### 37.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk:**

The risk that the final salary at the time of cessation of services is greater than assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

- **Discount rate risk**

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Demographic Risks**

- Withdrawal risk:**

- The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

- Longevity Risk**

- The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

- **Investment risk**

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

### 37.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme (gratuity fund) is 3,756 (2019: 3,595).

### 37.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2020 based on the Projected Unit Credit Method, using the following significant assumptions:

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020	2019
Valuation discount rate for year end obligation	per annum	9.75%	11.75%
Valuation discount rate for interest cost for the year	per annum	11.75%	13.75%
Expected return on plan assets	per annum	11.75%	13.75%
Future salary increase rate			
- upto one years	per annum	8.00%	8.00%
- from two to three years	per annum	10.00%	10.00%
- more than three years	per annum	9.75%	11.75%
The average duration of the defined benefit obligation	years	10	10
Normal retirement age	years	60	60
Withdrawal rates		Moderate	Moderate
Mortality rates		SLIC 2001-2005, Setback 1 Year	SLIC 2001-2005, Setback 1 Year

## 37.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability (asset)	
	2020	2019	2020	2019	2020	2019
	Rupees in '000					
<b>Balance as at January 01, 2020</b>	<b>844,212</b>	649,062	<b>692,331</b>	546,568	<b>151,881</b>	102,494
<b>Included in profit or loss</b>						
Current service cost	148,693	125,676	-	-	148,693	125,676
Past service cost	1,820	2,113	-	-	1,820	2,113
Interest cost / income	97,343	87,892	88,420	80,969	8,923	6,923
	<b>247,856</b>	215,681	<b>88,420</b>	80,969	<b>159,436</b>	134,712
<b>Included in other comprehensive income</b>						
Actuarial gains / losses arising from:						
- financial assumptions	14,025	(8,792)	-	-	14,025	(8,792)
- experience adjustments	(266)	7,956	-	-	(266)	7,956
Return on plan assets	-	-	490,776	(18,005)	(490,776)	18,005
	<b>13,759</b>	(836)	<b>490,776</b>	(18,005)	<b>(477,017)</b>	17,169
<b>Other movements</b>						
Contribution made during the year	-	-	151,881	102,494	(151,881)	(102,494)
Benefits paid during the year	(31,529)	(19,695)	(31,529)	(19,695)	-	-
	<b>(31,529)</b>	(19,695)	<b>120,352</b>	82,799	<b>(151,881)</b>	(102,494)
<b>Balance as at December 31, 2020</b>	<b>1,074,298</b>	844,212	<b>1,391,879</b>	692,331	<b>(317,581)</b>	151,881



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

37.6 The composition of the plan assets at the end of the reporting period for each category, are as follows:

	Cost		Fair value of plan assets			
	2020	2019	2020	2019	2020	2019
	Rupees in '000			Percentage		
<b>Cash and cash equivalents</b>						
Cash at Bank	82,793	171,000	82,793	171,000	5.9%	24.6%
Term deposits receipts	150,000	-	161,806	-	11.6%	0.0%
	232,793	171,000	244,599	171,000	17.5%	24.6%
<b>Debt securities</b>						
Pakistan Investment Bonds	388,863	304,064	411,079	297,918	29.5%	42.9%
Market treasury bills	53,815	114,508	53,660	117,399	3.9%	16.9%
Term finance certificates	50,503	100,590	50,370	94,459	3.6%	13.6%
	493,181	519,162	515,109	509,776	37.0%	73.4%
Ordinary Shares of listed companies	448,506	14,929	632,172	13,346	45.4%	1.9%
	1,174,480	705,091	1,391,880	694,122	100%	100%

## 37.7 Maturity profile

37.7.1 Expected maturity analysis of undiscounted defined benefit obligation (benefit payments) for the gratuity fund is as follows:

	Up to one year	Over 1-2 years	Over 2- 5 years	Over 6-10 years	Over 10 and above years	Total
	Rupees in '000					
<b>Balance as at December 31, 2020</b>	45,445	71,699	268,697	1,245,714	11,997,565	13,629,120
Balance as at December 31, 2019	37,261	44,550	217,395	901,479	14,564,443	15,765,128

## 37.8 Sensitivity analysis

37.8.1 Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Particulars	Rate	Present value of defined benefit obligation	Fair value of any plan assets	Net defined benefit liability / (assets)
		----- Rupees in '000 -----		
<b>Current results</b>	-	1,074,298	1,391,879	(317,581)
<b>Discount rate</b>				
1% Increase	8.75%	977,544	1,391,879	(414,335)
1% Decrease	10.75%	1,185,787	1,391,879	(206,092)
<b>Salary Rate</b>				
1% Increase	12.75%	1,186,928	1,391,879	(204,951)
1% Decrease	10.75%	974,759	1,391,879	(417,120)
<b>Withdrawal rate</b>				
10% Increase	Moderate + one year	1,046,507	1,391,879	(345,372)
10% Decrease	Moderate - one year	1,104,543	1,391,879	(287,336)
<b>Mortality rate</b>				
One year age set back	Adjusted SLIC 2001-2005 - one year	1,073,753	1,391,879	(318,126)
One year age set forward	Adjusted SLIC 2001-2005 + one year	1,074,879	1,391,879	(317,000)

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as applied in calculating the defined benefit obligation liability recognised in this unconsolidated statement of financial position.

## 37.9 Maturity profile

The weighted average duration of the defined benefit obligation works out to 10 years.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 37.10 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

	2020	2019	2018	2017	2016
	----- Rupees in '000 -----				
<b>Particulars</b>					
Defined benefit obligation	<b>1,074,298</b>	844,212	649,062	550,729	367,635
Fair value of plan assets	<b>(1,391,879)</b>	(692,331)	(546,568)	(375,611)	(249,327)
Net defined benefit liability	<b>(317,581)</b>	151,881	102,494	175,118	118,308
Re-measurement loss / (gain) on obligation	<b>13,759</b>	(836)	(52,391)	75,269	56,598
Re-measurement loss / (gain) on plan assets	<b>(490,776)</b>	18,005	25,329	10,273	393
Other comprehensive income	<b>(477,017)</b>	17,169	(27,062)	85,542	56,991

**37.11** The average duration of the payment of benefit obligation at December 31, 2020 is within one year.

**37.12** The Bank contributes to the gratuity fund as per actuarial's valuation of the year.

**37.13** Based on actuarial advice and management estimates, profit and loss account charge in respect of defined benefit obligation for the next one year works out to be Rs.139.866 million. The amount of re-measurements to be recognised in other comprehensive income for year ending December 31, 2020 will be worked out as at the next valuation.

## 38. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both make a contribution of equal amount to the fund as follows:

	Contribution basic salary	Number of employees		Contribution made during the year	
		2020	2019	2020	2019
	Percentages	----- Numbers -----		----- Rupees in '000 -----	
<b>Holding company</b>					
- JS Bank Limited	<b>7.1%</b>	<b>3,164</b>	3,092	<b>229,001</b>	209,871
<b>Subsidiary companies</b>					
- JS Global Capital Limited	<b>10.0%</b>	<b>165</b>	163	<b>13,277</b>	13,596
- JS Investments Limited	<b>8.0%</b>	<b>77</b>	102	<b>8,775</b>	9,990

## 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

**39.1** The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President / Chief Executive, Directors and Executives are as follows:

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Items	2020					
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers	Other Executives
	Chairman	Non- Executives				
	Rupees in '000					
Fees and Allowances etc.	2,850	20,250	-	-	-	-
Managerial Remuneration						
i) Fixed	-	-	58,363	398,524	436,946	184,214
ii) Total Variable - Cash Bonus / Awards	-	-	14,500	71,352	66,626	14,153
Charge for defined benefit plan	-	-	2,430	17,415	25,824	-
Contribution to defined contribution plan	-	-	4,186	26,885	24,789	11,579
Medical	-	-	5,837	37,375	43,695	17,111
Utilities	-	-	-	141	-	-
House rent allowance	-	-	-	1,268	-	-
Conveyance	-	-	300	654	-	-
Car allowance	-	-	-	31,715	68,138	-
Others	-	-	219	10,574	17,748	5,052
Total	2,850	20,250	85,835	590,903	683,766	232,109
Number of persons	1	21	2	32	85	59

Items	2019					
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers	Other Executives
	Chairman	Non- Executives				
	Rupees in '000					
Fees and Allowances etc.	1,950	13,675	-	-	-	-
Managerial Remuneration						
i) Fixed	-	-	32,727	283,506	365,567	188,486
ii) Total Variable - Cash Bonus / Awards	-	-	-	14,670	1,440	16,513
Charge for defined benefit plan	-	-	1,934	14,757	20,606	-
Contribution to defined contribution plan	-	-	3,279	22,833	30,326	11,920
Medical	-	-	3,273	26,903	36,557	16,929
Utilities	-	-	-	-	-	-
House rent allowance	-	-	-	-	-	-
Conveyance	-	-	667	11,196	32,466	-
Car allowance	-	-	-	4,924	11,852	-
Others	-	-	300	943	1,885	4,478
Total	1,950	13,675	42,180	379,732	500,699	238,326
Number of persons	1	21	1	26	87	63

**39.1.1** The CEO and deputy CEO are provided with free use of Bank maintained cars in accordance with their entitlement.

**39.1.2** Managerial remuneration includes joining related payments made to certain Executives in line with their terms of employment.

**39.1.3** All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 39.1 to these unconsolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

**39.1.4** The SBP, vide its BPRD Circular No. 01 dated January 25, 2017, issued Guidelines on Remuneration Practices, where the Bank is required to defer a certain portion of variable compensation of the Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) subject to mandatory deferrals for a defined period. In this respect, deferral amount shall be withheld for a period of three years whereas remaining portion of the variable compensation shall be paid upfront to the MRTs and MRCs. The deferred remuneration shall vest proportionately over the deferral period following the year of variable remuneration award. The deferred portion of the variable remuneration shall be paid to the MRTs and MRCs on vesting, proportionally through yearly instalments, during the deferred period, in case no malus triggers are applicable. Details of MRTs and MRCs are given below:

Employees Covered under:	2020	2019
	----- Numbers -----	
Material Risk Takers (MRTs)	66	78
Material Risk Controllers (MRCs)	39	31
	<b>105</b>	<b>109</b>

Movement of deferred remuneration	2020	2019
	----- Rupees '000 -----	
Opening	218	-
Deferred during the year	48,350	218
Paid during the year	(73)	-
Closing	<b>48,495</b>	<b>218</b>

## 39.1. Meeting Fees and Allowances Paid

		2020						
		Board Committees						
		Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Executive Committee	Total Amount Paid
Name of Director		Rupees in '000						
1	Mr. Kalim-ur-Rahman	1,500	-	850	-	500	-	1,350
2	Mr. Adil Matcheswala	1,500	500	850	-	-	-	1,350
3	Mr. Ashraf Nawabi	1,250	-	-	400	-	-	400
4	Mr. G.M. Sikander	1,500	500	750	-	-	-	1,250
5	Mr. Hassan Afzal	1,500	-	-	-	500	-	500
6	Mr. Munawar Alam Siddiqui	1,500	500	-	500	-	-	1,000
7	Ms. Nargis Ghaloo	1,500	500	-	500	-	-	1,000
8	Mr. Sohail Aman	1,500	-	850	-	500	-	1,350
9	Mr. Abdul Hamid Mihrez	350	-	-	250	-	-	250
10	Mr. Munir Hassan	350	250	-	-	-	-	250
11	Mr. Iftikhar Ahmed Rao	350	-	100	-	-	-	100
12	Mr. Shahab Anwar Khawaja	350	250	-	-	-	-	250
13	Mr. Asif Raza Sana	200	100	-	-	-	-	100
14	Ms. Aisha Fariel Salahuddin	250	100	25	-	-	-	125
15	Mr. Tahir Ali Shaikh	200	-	-	-	-	25	25
Total amount paid		13,800	2,700	3,425	1,650	1,500	25	9,300

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2019						
		Board Committees						
		Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Executive Committee	Total Amount Paid
Name of Director		Rupees in '000						
1	Mr. Kalim-ur-Rahman	1,250	-	200	200	300	-	700
2	Mr. Adil Matcheswala	1,000	300	300	-	-	-	600
3	Mr. Ashraf Nawabi	1,000	-	-	200	-	-	200
4	Mr. G.M. Sikander	1,250	300	400	-	-	-	700
5	Mr. Hassan Afzal	750	-	-	-	300	-	300
6	Mr. Munawar Alam Siddiqui	1,250	300	300	-	-	-	600
7	Ms. Nargis Ghaloo	1,250	200	100	200	-	-	500
8	Mr. Sohail Aman	250	-	-	-	100	-	100
9	Mr. Shahab Anwar Khawaja	250	100	-	-	-	-	100
10	Mr. Abdul Hamid Mihrez	300	-	100	-	-	100	200
11	Mr. Munir Hassan	300	-	-	-	-	100	100
12	Mr. Ammar Talib Hajeyah	300	100	-	-	-	-	100
13	Mr. Khurshid Hadi	500	600	300	-	-	-	900
14	Mr. Asif Raza Sana	250	125	-	-	-	-	125
15	Mr. Ahsen Ahmed	300	100	75	-	-	25	200
Total amount paid		10,200	2,125	1,775	600	700	225	5,425

## 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.6 to these consolidated financial statements.

The repricing profile, effective rates and maturity are stated in note 45.2.4 to these financial statements.

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

### Fair value hierarchy

IFRS 13 requires the Bank to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Fair value measurements using unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 40.1 Valuation techniques used in determination of fair values within level

Item	Valuation approach and input used
<b>Financial Instruments- Level 1</b>	
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
<b>Financial instruments - Level 2</b>	
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS)	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV and PKFRV rates (Reuters page).
Debt Securities (TFCs) and Sukuk other than Government	Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Forward foreign exchange contracts	The valuation has been determined by interpolating the foreign exchange revaluation rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.
<b>Non- financial assets- Level 3</b>	
Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers based on their assessment of the market values as disclosed in note 11 and 13 of these consolidated annual financial statements. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Non-banking assets under satisfaction of claims	
<b>Financial instruments in level 3</b>	
Currently, no financial instruments are classified in level 3.	
The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.	



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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

**40.3** The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Held-for-trading securities				
Investments				
Federal Government Securities	-	25,003,774	-	25,003,774
Shares	207,409	-	-	207,409
Open end mutual funds	-	244,002	-	244,002
	207,409	25,247,776	-	25,455,185
Available-for-sale securities				
Investments				
Federal Government Securities	-	127,406,043	-	127,406,043
Shares	4,296,982	-	-	4,296,982
Non Government Debt Securities	-	690,048	-	690,048
Foreign Securities	-	4,017,289	-	4,017,289
Open end mutual funds	-	1,216,288	-	1,216,288
	4,296,982	133,329,668	-	137,626,650
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	36,109,599	-	36,109,599
	4,504,391	194,687,043	-	199,191,434
Non-Financial assets - measured at fair value				
Revalued fixed assets	-	-	2,610,299	2,610,299
Non-banking assets acquired in satisfaction of claims	-	-	1,311,252	1,311,252
	-	-	3,921,551	3,921,551
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	22,942,707	-	22,942,707
Sale	-	14,910,910	-	14,910,910
Derivative instruments				
Forward investments securities				
Sale	188,723	-	-	188,723
Interest rate swaps (notional principal)				
Purchase	-	1,120,607	-	1,120,607
Sale	-	1,125,550	-	1,125,550
Options				
Purchase	-	581,042	-	581,042
Sale	-	2,437,068	-	2,437,068

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
<b>Held-for-trading securities</b>				
Investments				
Federal Government Securities	-	55,598,469	-	55,598,469
Shares	487,185	-	-	487,185
Open end mutual funds	-	455,902	-	455,902
	487,185	56,054,371	-	56,541,556
<b>Available-for-sale securities</b>				
Investments				
Federal Government Securities	-	47,019,374	-	47,019,374
Shares	1,993,246	-	-	1,993,246
Non Government Debt Securities	-	776,975	-	776,975
Open end mutual funds	-	1,222,869	-	1,222,869
	1,993,246	49,019,218	-	51,012,464
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Federal Government Securities	-	31,341,410	-	31,341,410
	2,480,431	136,414,999	-	138,895,430
<b>Non-Financial assets - measured at fair value</b>				
Revalued fixed assets	-	-	3,797,180	3,797,180
Non-banking assets acquired in satisfaction of claims	-	-	1,182,425	1,182,425
	-	-	4,979,605	4,979,605
<b>Off balance sheet financial instruments</b>				
<b>Commitments in respect of:</b>				
<b>Forward foreign exchange contracts</b>				
Purchase	-	32,885,546	-	32,885,546
Sale	-	21,722,741	-	21,722,741
<b>Derivative instruments</b>				
<b>Forward investments securities</b>				
Purchase	-	499,818	-	499,818
Sale	-	493,193	-	493,193
<b>Interest rate swaps (notional principal)</b>				
Purchase	-	1,474,016	-	1,474,016
Sale	-	2,738,661	-	2,738,661
<b>Options</b>				
Purchase	-	1,024,638	-	1,024,638
Sale	-	1,030,868	-	1,030,868

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 41. SEGMENT INFORMATION

### 41.1. Segment Details with respect to Business Activities:

	2020							
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Brokerage	Asset management	Others	Total
	----- Rupees in '000 -----							
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	-	14,372,945	(8,543,152)	4,034,968	66,628	(20,667)	-	9,910,722
Inter segment revenue - net	-	(17,035,715)	16,914,719	120,996	-	-	-	-
Non mark-up / return / interest income	93,161	2,889,785	2,349,650	1,258,710	700,131	189,780	69,794	7,551,011
<b>Total Income</b>	93,161	227,015	10,721,217	5,414,674	766,759	169,113	69,794	17,461,733
Segment direct expenses	33,286	129,646	6,711,460	1,081,529	570,320	337,332	314,748	9,178,321
Inter segment expense allocation	-	334,127	2,664,330	1,862,559	-	-	-	4,861,016
<b>Total expenses</b>	33,286	463,773	9,375,790	2,944,088	570,320	337,332	314,748	14,039,337
Provisions / (reversals)	-	344,219	124,158	811,231	-	(26,023)	-	1,253,585
<b>Profit before tax</b>	59,875	(580,977)	1,221,269	1,659,355	196,439	(142,196)	(244,954)	2,168,811
<b>Statement of Financial Position</b>								
Cash & Bank balances	-	20,722,345	10,804,855	-	19,153	3,313	-	31,549,666
Investments	2,891,836	196,878,742	-	-	347,651	1,689,425	-	201,807,654
Net inter segment lending	-	-	129,898,985	109,429,008	-	-	11,732,961	251,060,954
Lendings to financial institutions	-	23,239,672	-	-	-	-	-	23,239,672
Advances - performing	-	-	52,152,981	190,515,793	332,723	(76,355)	-	242,925,142
Advances - non-performing	-	-	4,760,888	6,972,667	-	-	-	11,733,555
Advances - (provisions) / reversals - net	-	-	(938,040)	(3,265,123)	-	-	-	(4,203,163)
	-	-	55,975,829	194,223,337	332,723	(76,355)	-	250,455,534
Others	-	4,590,700	3,570,545	3,315,506	2,854,534	666,196	14,027,140	29,024,619
<b>Total Assets</b>	2,891,836	245,431,459	200,250,214	306,967,851	3,554,061	2,282,579	25,760,099	787,138,099
Borrowings	-	12,208,219	1,996,091	34,099,102	-	-	-	48,303,412
Subordinated debt	-	7,492,800	-	-	-	-	-	7,492,800
Deposits & other accounts	-	-	166,087,049	265,336,773	-	-	-	431,423,822
Net inter segment borrowing	2,891,836	227,156,281	21,012,836	-	-	-	-	251,060,953
Others	-	551,556	11,154,238	5,893,204	2,728,064	446,461	5,167,888	25,941,411
<b>Total Liabilities</b>	2,891,836	247,408,856	200,250,214	305,329,079	2,728,064	446,461	5,167,888	764,222,398
Equity	-	-	-	-	-	-	22,387,255	22,387,255
Non-controlling interest	-	-	-	-	-	-	528,446	528,446
<b>Total Equity &amp; Liabilities</b>	2,891,836	247,408,856	200,250,214	305,329,079	2,728,064	446,461	28,083,589	787,138,099
<b>Contingencies &amp; Commitments</b>	-	60,973,417	44,793,723	18,141,644	690,306	-	133,642	124,732,732

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019							
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Brokerage	Asset management	Others	Total
	----- Rupees in '000 -----							
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	-	5,152,276	(7,592,022)	9,614,572	40,939	(21,226)	-	7,194,539
Inter segment revenue - net	-	(11,813,244)	19,091,812	(7,278,568)	-	-	-	-
Non mark-up / return / interest income	59,843	232,860	1,975,153	965,788	491,846	285,936	452,956	4,464,382
<b>Total Income</b>	59,843	(6,428,108)	13,474,943	3,301,792	532,785	264,710	452,956	11,658,921
Segment direct expenses	115,306	136,150	5,506,958	719,110	561,393	372,260	822,243	8,233,420
Inter segment expense allocation	-	323,430	2,003,084	1,273,491	-	-	-	3,600,005
<b>Total expenses</b>	115,306	459,580	7,510,042	1,992,601	561,393	372,260	822,243	11,833,425
(Reversals) / provisions	-	(424,361)	(251,729)	584,160	3,227	-	-	(88,703)
<b>Profit before tax</b>	(55,463)	(6,463,327)	6,216,630	725,031	(31,835)	(107,550)	(369,287)	(85,801)
<b>Statement of Financial Position</b>								
Cash & Bank balances	-	17,153,412	8,898,772	-	11,141	3,150	-	26,066,475
Investments	-	140,656,932	-	-	626,350	1,841,341	-	143,124,623
Net inter segment lending	-	-	202,362,517	-	-	-	8,089,077	210,451,594
Lendings to financial institutions	-	30,320,540	-	-	-	-	-	30,320,540
Advances - performing	-	-	94,201,743	141,898,229	336,821	3,978	-	236,440,771
Advances - non-performing	-	-	3,508,735	6,844,429	-	-	-	10,353,164
Advances - (provisions) / reversals - net	-	-	(469,382)	(3,039,245)	-	-	-	(3,508,627)
	-	-	97,241,096	145,703,413	336,821	3,978	-	243,285,308
Others	-	4,831,115	3,925,690	5,017,351	1,933,157	548,024	14,189,285	30,444,622
<b>Total Assets</b>	-	192,961,999	312,428,075	150,720,764	2,907,469	2,396,493	22,278,362	683,693,162
Borrowings	-	36,295,878	7,090,687	11,081,718	-	-	-	54,468,283
Subordinated debt	-	7,494,800	-	-	-	-	-	7,494,800
Deposits & other accounts	-	-	295,347,351	73,196,252	-	-	-	368,543,603
Net inter segment borrowing	-	150,619,213	-	59,832,381	-	-	-	210,451,594
Others	-	513,149	9,990,037	5,364,052	1,858,304	762,518	4,765,510	23,253,570
<b>Total Liabilities</b>	-	194,923,040	312,428,075	149,474,403	1,858,304	762,518	4,765,510	664,211,850
Equity	-	-	-	-	-	-	18,973,041	18,973,041
Non-controlling interest	-	-	-	-	-	-	508,271	508,271
<b>Total Equity &amp; Liabilities</b>	-	194,923,040	312,428,075	149,474,403	1,858,304	762,518	24,246,822	683,693,162
<b>Contingencies &amp; Commitments</b>	-	59,810,338	43,939,275	17,795,589	988,086	-	131,093	122,664,381

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 41.2. Segment details with respect to geographical locations

	2020		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
<b>Profit &amp; Loss</b>			
Net mark-up / return / profit	9,576,236	334,486	9,910,722
Inter segment revenue - net	20,830	(20,830)	-
Non mark-up / return / interest income	7,388,616	162,395	7,551,011
Total Income	16,985,682	476,051	17,461,733
Segment direct expenses	8,979,112	199,209	9,178,321
Inter segment expense allocation	4,861,016	-	4,861,016
Total expenses	13,840,128	199,209	14,039,337
Provisions	1,115,240	138,345	1,253,585
Profit before tax	2,030,314	231,580	2,168,811
<b>Statement of Financial Position</b>			
Cash & Bank balances	29,214,457	2,335,209	31,549,666
Investments	197,717,282	4,090,372	201,807,654
Net inter segment lending	251,060,954	-	251,060,954
Lendings to financial institutions	23,239,672	-	23,239,672
Advances - performing	238,493,260	4,431,882	242,925,142
Advances - non-performing	11,733,555	-	11,733,555
Advances - (Provisions)/reversals - Net	(4,181,836)	(21,327)	(4,203,163)
	246,044,979	4,410,555	250,455,534
Others	30,276,259	168,360	29,024,619
<b>Total Assets</b>	776,133,603	11,004,496	787,138,099
Borrowings	48,211,222	92,190	48,303,412
Subordinated debt	7,492,800	-	7,492,800
Deposits & other accounts	423,892,948	7,530,874	431,423,822
Net inter segment borrowing	248,719,379	2,341,574	251,060,953
Others	25,862,434	78,977	25,941,411
<b>Total Liabilities</b>	754,178,783	10,043,615	764,222,398
Equity	21,426,375	960,880	22,387,255
Non-controlling interest	528,446	-	528,446
<b>Total Equity &amp; Liabilities</b>	776,133,604	11,004,495	787,138,099
<b>Contingencies &amp; Commitments</b>	116,484,604	8,248,128	124,732,732

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2019		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
<b>Profit &amp; Loss</b>			
Net mark-up/return/profit	6,922,571	250,105	7,194,539
Inter segment revenue - net	(21,863)	21,863	-
Non mark-up / return / interest income	4,489,797	5,229	4,464,382
Total Income	11,390,505	277,197	11,658,921
Segment direct expenses	8,091,566	172,498	8,233,420
Inter segment expense allocation	3,600,005	-	3,600,005
Total expenses	11,691,571	172,498	11,833,425
Provisions	16,315	(105,018)	(88,703)
Profit before tax	(317,381)	209,717	(85,801)
<b>Statement of Financial Position</b>			
Cash & Bank balances	25,987,503	78,972	26,066,475
Investments	143,124,623	-	143,124,623
Net inter segment lending	208,787,632	1,663,962	210,451,594
Lendings to financial institutions	30,037,273	283,267	30,320,540
Advances - performing	232,688,485	3,752,286	236,440,771
Advances - non-performing	10,353,164	-	10,353,164
Advances - (Provisions)/reversals - Net	(3,508,627)	-	(3,508,627)
	239,533,022	3,752,286	243,285,308
Others	30,519,833	124,789	30,644,622
<b>Total Assets</b>	677,989,886	5,903,276	683,893,162
Borrowings	53,452,873	1,015,410	54,468,283
Subordinated debt	7,494,800	-	7,494,800
Deposits & other accounts	364,725,998	3,817,605	368,543,603
Net inter segment borrowing	210,203,389	248,205	210,451,594
Others	23,406,045	47,525	23,453,570
<b>Total liabilities</b>	659,283,105	5,128,745	664,411,850
Equity	18,198,508	774,533	18,973,041
Non-controlling interest	508,271	-	508,271
<b>Total Equity &amp; liabilities</b>	677,989,884	5,903,278	683,893,162
<b>Contingencies &amp; Commitments</b>	119,787,187	2,877,194	122,664,381

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 42. TRUST ACTIVITIES

The Holding Company under takes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Holding Company and, therefore, are not included as such in these consolidated financial statements. Assets held under trust are shown in the table below:

2020				
Securities Held ( Face Value)				
No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	Total
----- (Rupees in '000) -----				
<b>Category</b>				
Assets Management Companies	1	23,000	-	23,000
Charitable Institutions	1	-	142,000	142,000
Companies	13	2,373,860	25,560,800	27,934,660
Employees Funds	51	7,194,410	17,927,950	25,191,360
Individuals	43	919,290	431,500	1,350,790
Insurance Companies	8	24,076,000	84,255,700	109,953,200
Others	11	15,370,700	7,882,700	23,253,400
<b>Total</b>	<b>128</b>	<b>49,957,260</b>	<b>136,200,650</b>	<b>187,848,410</b>
2019				
Securities Held ( Face Value)				
No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijara Sukuk	Total
----- (Rupees in '000) -----				
<b>Category</b>				
Assets Management Companies	7	320,000	1,843,000	2,163,000
Charitable Institutions	1	35,000	-	35,000
Companies	15	4,709,075	9,099,300	13,808,375
Employees Funds	56	11,200,690	12,887,550	24,088,240
Individuals	48	1,135,755	404,400	1,540,155
Insurance Companies	10	16,930,900	99,466,700	116,995,100
Others	12	16,305,465	3,126,200	19,431,665
<b>Total</b>	<b>149</b>	<b>50,636,885</b>	<b>126,827,150</b>	<b>178,061,535</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 43. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, associates, directors & Key Management Personnel and other related parties.

The Group enters into transactions with related parties in the ordinary course of business and on arm's length basis i.e. substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	As at December 31, 2020					As at December 31, 2019				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)										
<b>Statement of Financial Position</b>										
<b>Lendings to financial institutions</b>										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	4,100,000	-	-	-	-	-
Repaid during the year	-	-	-	-	(4,100,000)	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>										
Opening balance	15,000	-	-	228,972	3,234,272	20,250	-	-	180,000	3,230,125
Investment made during the year	-	-	-	40,828	4,298,203	-	-	-	48,972	3,498,164
Investment redeemed / disposed off during the year	(2,500)	-	-	-	(3,331,279)	(5,250)	-	-	-	(3,494,017)
Closing balance	12,500	-	-	269,800	4,201,196	15,000	-	-	228,972	3,234,272
Provision for diminution in value of investments	-	-	-	-	277,456	-	-	-	-	65,022
<b>Advances</b>										
Opening balance	-	-	596,257	-	1,946,481	-	5,230	448,575	-	2,823,598
Addition during the year	-	58	284,284	153,128	6,402,913	-	316	322,590	-	5,086,823
Repaid during the year	-	(832)	(157,785)	(2,235)	(5,488,750)	-	(5,546)	(120,115)	-	(6,320,068)
Transfer in / (out) - net	-	122,880	68,271	219,875	1,232,786	-	-	(54,793)	-	356,128
Closing balance	-	122,106	791,027	370,768	4,093,430	-	-	596,257	-	1,946,481
<b>Fixed Assets</b>										
Purchase of property	-	-	-	-	748,845	-	-	-	-	-
Cost of disposal	-	-	-	-	-	-	-	43,410	-	17,657
Accumulated depreciation of disposal	-	-	-	-	-	-	-	(12,927)	-	(8,002)
WDV of disposal	-	-	-	-	-	-	-	30,483	-	9,655
<b>Other Assets</b>										
Interest mark-up accrued	344	2,801	6	954	52,998	736	48	473	-	49,640
Receivable against bancassurance / bancatakaful	-	-	-	-	28,051	-	-	-	-	67,952
Advance for subscription of TFC - unsecured	-	-	-	-	-	-	-	-	40,828	-
Net defined benefit plan	-	-	-	-	317,581	-	-	-	-	-
Trade receivable	73,455	-	80	-	158,590	80,255	2	-	-	134,238
Prepaid insurance	-	-	-	-	-	-	-	-	-	97,806
Advance against purchase of property	-	-	-	-	-	-	-	-	-	26,261
Other receivable	281	-	-	-	8,889	296	-	-	-	12,095
Provision against other assets	-	-	-	-	-	-	-	-	-	2,438

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	As at December 31, 2020					As at December 31, 2019				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)									
<b>Borrowings</b>										
Opening balance	-	-	-	-	-	-	-	-	-	4,800,000
Borrowings during the year	-	-	-	-	11,105,705	-	-	-	-	174,209,491
Settled during the year	-	-	-	-	(11,105,705)	-	-	-	-	(179,009,491)
Closing balance	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>										
Opening balance	271,648	24,444	59,593	23,104	8,622,201	336,515	24,308	74,950	-	9,656,833
Received during the year	5,511,316	511,942	973,685	861,135	160,825,941	4,332,699	160,210	1,437,872	1,023,592	235,460,531
Withdrawn during the year	(5,610,945)	(324,417)	(869,813)	(834,486)	(159,215,607)	(4,364,266)	(137,680)	(1,450,123)	(1,042,362)	(236,784,614)
Transfer in / (out) - net	-	366	(87,228)	-	132,631	(33,300)	(22,394)	(3,106)	41,874	289,451
Closing balance	172,019	212,335	76,237	49,753	10,365,166	271,648	24,444	59,593	23,104	8,622,201
<b>Subordinated debt</b>	-	-	-	-	889,432	-	-	-	-	889,588
<b>Other Liabilities</b>										
Interest / return / mark-up payable on deposits	-	-	85	-	153,374	-	-	114	-	286,949
Interest / return / mark-up payable on subordinated debt	-	-	-	-	1,308	-	-	-	-	2,220
Trade payable	-	-	6,314	-	783	-	1,306	3,115	-	1,176
Donation Payable	-	-	-	-	4,500	-	-	-	-	-
Payable to defined benefit plan	-	-	-	-	-	-	-	-	-	147,885
Others payable	75	-	-	-	1,571	-	-	-	-	1,464
<b>Represented By</b>										
Share Capital	9,733,073	19,180	12,223	-	45,323	9,733,073	17,330	900	-	81,765
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	-	29,054	-	-	-	-	14,217
Letter of Credit	-	-	-	-	86,543	-	-	-	-	44,368
	For the year ended December 31, 2020					For the year ended December 31, 2019				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)									
<b>Profit and loss account</b>										
<b>Income</b>										
Mark-up / return / interest earned	1,522	3,279	42,627	5,816	178,695	1,912	212	14,846	-	322,607
Fee, commission and brokerage income	8,710	11	4,557	-	444,432	1,360	134	368	-	558,898
Dividend income	-	-	-	-	106,277	-	-	-	-	105,945
Gain on sale of securities - Net	-	-	-	-	251,482	1,230	-	-	-	166,803
Rental income	-	-	-	-	-	-	-	-	-	3,953
Other income	-	-	-	-	-	-	-	13,456	-	-
<b>Expense</b>										
Mark-up / return / interest paid	46,099	3,490	3,204	2,600	1,135,034	35,406	2,227	4,309	2,930	1,383,816
Preference Dividend Paid	-	-	-	-	-	23,419	161	-	-	38
Commission, charges and brokerage paid	-	-	-	-	-	-	-	-	-	455
Remuneration paid	-	85,851	646,812	-	-	-	-	558,923	-	-
Non-executive directors' fee	-	23,100	-	-	-	-	14,575	-	-	-
Net charge for defined contribution plans	-	-	-	-	181,488	-	-	-	-	233,159
Net charge / (reversal) for defined benefit plans	-	-	-	-	229,001	-	-	-	-	134,313
Fee and subscription	-	-	-	-	-	13,785	-	-	-	-
Donation	-	-	-	-	117,341	-	-	-	-	746
Rental expense	225	-	-	-	38,135	-	-	-	-	36,422
Advisory fee	-	-	-	-	-	-	-	-	-	15,000
Royalty	-	-	-	-	30,000	-	-	-	-	30,000
Other expenses	2,036	-	-	-	17,070	-	-	-	-	2,225
Reimbursement of expenses	7,205	869	-	-	98,459	1,886	1,240	-	-	-
<b>Payments made during the year</b>										
Insurance premium paid	-	-	-	-	420,957	-	-	-	-	365,298
Insurance claims settled	-	-	-	-	6,471	-	-	-	-	9,936
Defined benefit plans paid	-	-	-	-	151,881	-	-	-	-	102,494
<b>Other Transactions</b>										
Sale of Government Securities	585,477	1,645	-	-	113,055,811	1,605,975	2,968	-	-	295,412,399
Purchase of Government Securities	-	-	-	-	43,560,278	-	1,352	-	-	12,797,839
Sale of Foreign Currencies	-	-	-	-	36,509,253	-	-	-	-	26,836,227
Purchase of Foreign Currencies	-	-	-	-	60,142,942	-	-	-	-	19,213,481

# Notes to the Consolidated Financial Statements

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		2020	2019
		----- Rupees in '000 -----	
<b>44.</b>	<b>CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
	<b>Minimum Capital Requirement (MCR):</b>		
	Paid-up capital (net of losses)	<b>10,119,242</b>	10,119,242
	<b>Capital Adequacy Ratio (CAR):</b>		
	Eligible Common Equity Tier 1 (CET 1) Capital	<b>17,433,159</b>	16,145,623
	Eligible Additional Tier 1 (ADT 1) Capital	<b>1,965,291</b>	2,118,958
	Total Eligible Tier 1 Capital	<b>19,398,450</b>	18,264,581
	Eligible Tier 2 Capital	<b>5,558,052</b>	4,965,069
	Total Eligible Capital (Tier 1 + Tier 2)	<b>24,956,502</b>	23,229,650
	<b>Risk Weighted Assets (RWAs):</b>		
	Credit Risk	<b>154,573,487</b>	142,862,324
	Market Risk	<b>3,835,995</b>	4,219,399
	Operational Risk	<b>25,579,240</b>	22,096,563
	Total	<b>183,988,722</b>	169,178,286
<p>The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for banks to be raised to Rs.10,000 million by the year ending December 31, 2013. The paid-up capital of the Bank as at December 31, 2020 stood at Rs. 10,119.242 million (2019: Rs. 10,119.242 million) and is in compliance with SBP requirements.</p> <p>The Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 1.5% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.5% and 7.5%, respectively, as at December 31, 2020. As at December 31, 2020 the Bank is fully compliant with prescribed ratios, as the Bank's CAR is 13.56% whereas CET 1 and Tier 1 ratios stood at 9.48% and 10.54% respectively. The Bank has complied with all capital requirements throughout the year.</p> <p>Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.</p>			
		<b>2020</b>	<b>2019</b>
		----- Rupees in '000 -----	
	Common Equity Tier 1 Capital Adequacy ratio	<b>9.48%</b>	9.54%
	Tier 1 Capital Adequacy Ratio	<b>10.54%</b>	10.80%
	Total Capital Adequacy Ratio	<b>13.56%</b>	13.73%
	<b>Leverage Ratio (LR):</b>		
	Eligible Tier-1 Capital	<b>19,398,450</b>	18,264,581
	Total Exposures	<b>623,856,077</b>	544,436,725
	Leverage Ratio	<b>3.11%</b>	3.35%
	<b>Liquidity Coverage Ratio (LCR):</b>		
	Total High Quality Liquid Assets	<b>166,890,275</b>	83,221,592
	Total Net Cash Outflow	<b>57,575,341</b>	55,819,412
	Liquidity Coverage Ratio	<b>289.86%</b>	149.09%
	<b>Net Stable Funding Ratio (NSFR):</b>		
	Total Available Stable Funding	<b>358,895,534</b>	308,715,925
	Total Required Stable Funding	<b>259,861,191</b>	274,288,642
	Net Stable Funding Ratio	<b>138.11%</b>	112.55%

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**44.1** The link to the full disclosure is available at <https://jsbl.com/knowledge-centre/investor-information/>

## **45 RISK MANAGEMENT**

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to ensure that:

- a) The individuals who take or manage risks clearly understand it;
- b) The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
- c) Risk taking decisions are in line with the business strategy and objectives set by BoD;
- d) The expected payoffs compensate for the risks taken;
- e) Risk taking decisions are explicit and clear;
- f) Sufficient capital as a buffer is available to take risk; and
- g) Risk management function is independent of risk taking unit.

The Group has a comprehensive set of Risk Management Policies, practices and procedures which enable the Holding Company to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Group which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of the Group includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Group, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC), Credit Risk Committee (CRC), Operational Risk Management Committee (ORMC), Remedial Management Committee (RMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the Bank and provides guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adheres to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. CRC monitors the advances portfolio, concentrations limits, aggregate limits at business level and various house keeping elements under Credit Administration. ORMC oversees the effectiveness of operational risk management for maintenance and implementation of operational risk management framework. It also monitors the Business Continuity Planning and reviews findings of any other management or board's sub committee. Remedial Management Committee (RMC) oversees the progress of non performing loans and cases under litigation along with the recommendation of transferring of any NPL to Corporate Restructuring Company (CRC). Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the Bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Group has put in place the following hierarchy of Risk Management:

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Group Head Operations & Technology, Head of Compliance, Chief of Staff, Head of Treasury and Head Internal Audit (guest member).
- Asset - Liability Committee (ALCO) comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Treasurer, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Head of Product Management & Business Head Consumer Banking and attended by Other Business Heads.
- Central Credit Committee (CCC) comprising of the President / CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Chief of Staff and Head of Operational and Environmental Risk (for environmental risk only)
- Credit Risk Committee (CRC) comprises of President/CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Investment Banking & Emerging Business, Regional Credit Heads, Head CAD, Head of Consumer Risk, Head Enterprise Risk Management and Head Internal Audit (guest member)
- Operational Risk Management Committee (ORMC) comprises of the Deputy CEO, Chief Risk Officer, Group Head Operations & Technology, Country Head Branch Banking Operations, Group Head Human Resources Head of Compliance, Head of Service Management, Head Enterprise Risk Management and Head Internal Audit (guest member).
- Remedial Management Committee (RMC) comprises of President/CEO, Deputy CEO, Chief Risk Officer, Chief Operating Officer, Chief Financial Officer, Head of SAM, Credit Risk Heads and Head of Legal.
- IT Steering Committee (ITSC) comprises of President/CEO, Deputy CEO, Chief Risk Officer, Chief Financial Officer, Group Head Operations & Technology, Chief Information Officer, Chief Information Security Officer, Chief of Staff, Group Head Investment Banking & Emerging Business, Chief Digital Officer, Country Head Branch Banking Operations and Head Product Development & Consumer Business.
- Risk Management Group (RMG), a dedicated and independent set-up headed by Chief Risk Officer and comprises of Regional Credit Heads, Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office, Consumer Risk, Credit Administration, Special Assets Management, Information Security, Strategic Projects & Quantitative Analysis and Enterprise Risk Management.

# Notes to the Consolidated Financial Statements

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## **RMG is managed by Chief Risk Officer to supervise the following Divisions:**

- a) Credit Risk Management (CRM) covering Corporate / Commercial, Agricultural and Retail Banking Risks
- b) Operational Risk Management (ORM)
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Basel II / III Implementation Unit
- f) Credit Administration Department (CAD)
- g) Special Assets Management (SAM)
- h) Information Security
- i) Consumer Risk
- j) Strategic Projects & Quantitative Analysis

The Holding Company's RMG generates the requisite risk reporting for the different tiers of management. These are also subjected to internal audit review.

## **Risk Matrix / Categories**

The Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

## **Risk Appetite**

The Group's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

The Group's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

# Notes to the Consolidated Financial Statements

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## 45.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Groups Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Group's strategy is to minimise credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

### 45.1.1 Credit risk: Standardised approach

The Holding Company has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	P	P	-	-	-
Banks	P	P	P	P	P
SME's (retail exposures)	P	P	-	-	-
Sovereigns	P	P	P	P	P
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid has been provided by SBP as given below:



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## Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and below	CCC+ and below	7

## Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F-1	P-1	A-1+, A-1
S2	A-2	A-2	F-2	P-2	A-2
S3	A-3	A-3	F-3	P-3	A-3
S4	Others	Others	Others	Others	Others

### 45.1.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares, TFCs and Mutual Funds Listed on the Main Index.

Under the Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

Particulars of bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

# Notes to the Consolidated Financial Statements

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	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
<b>45.1.3 Lendings to financial institutions</b>	----- Rupees in '000 -----					
<b>Credit risk by public / private sector</b>						
Public/ Government	-	-	-	-	-	-
Private	<b>23,240,897</b>	30,321,802	-	-	<b>1,225</b>	1,262
	<b>23,240,897</b>	30,321,802	-	-	<b>1,225</b>	1,262

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
<b>45.1.4 Investment in debt securities</b>	----- Rupees in '000 -----					
<b>Credit risk by industry sector</b>						
Textile	<b>391,478</b>	391,478	<b>391,478</b>	391,478	<b>391,478</b>	391,478
Chemical and Pharmaceuticals	<b>249,860</b>	258,193	<b>149,860</b>	149,860	<b>149,860</b>	149,860
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	<b>71,429</b>	142,857	-	-	-	-
Refinery	<b>308,616</b>	390,303	-	-	-	-
Transport, Storage and Communication	<b>710,902</b>	854,902	<b>155,169</b>	155,169	<b>155,169</b>	155,169
Financial	<b>4,512,331</b>	536,672	-	-	-	-
Services	<b>1,351,531</b>	1,350,000	-	-	-	-
	<b>7,596,147</b>	3,924,405	<b>696,507</b>	696,507	<b>696,507</b>	696,507

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
<b>Credit risk by public / private sector</b>	----- Rupees in '000 -----					
Public/ Government	<b>3,643,402</b>	-	-	-	-	-
Private	<b>3,952,745</b>	3,924,405	<b>696,507</b>	696,507	<b>696,507</b>	696,507
	<b>7,596,147</b>	3,924,405	<b>696,507</b>	696,507	<b>696,507</b>	696,507

# Notes to the Consolidated Financial Statements

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45.1.5	Advances	Gross Advances		Non-performing Advances		Provision held	
		2020	2019	2020	2019	2020	2019
		----- Rupees in '000 -----					
Credit risk by industry sector							
	Agri finance	7,797,960	5,285,334	433,949	207,192	107,329	397
	Automobile and transportation equipment	3,912,821	3,854,727	117,937	227,878	64,829	69,596
	Brokerage	8,866,882	6,929,558	-	-	-	-
	Cement	2,236,379	2,958,936	-	-	-	-
	Chemical	1,422,319	1,910,636	314,405	314,405	-	-
	Construction	356,077	5,806,032	-	112,803	-	3,236
	Electronics and electrical appliances	823,973	237,458	5,991	35,911	-	-
	Engineering, IT and other services	9,453,353	5,013,829	82,124	38,738	31,683	26,325
	Fertilizer	3,484,915	4,446,138	1,367,103	1,348,824	1,349,130	1,348,943
	Financial	1,442,302	2,110,683	-	-	-	-
	Food / confectionery / beverages	34,253,338	32,353,949	1,057,765	157,010	351,621	63,221
	Individuals	33,122,827	31,512,186	2,041,082	1,533,451	506,898	238,185
	Insurance and security	10,451	176,116	-	-	-	-
	Metal and steel	9,966,050	8,824,579	2,607,092	1,614,845	722,969	339,372
	Mining and quarrying	137,220	159,069	-	-	-	-
	Paper / board / furniture	1,674,874	1,506,878	82,782	8,000	2,608	-
	Petroleum, oil and gas	5,122,089	4,135,890	95,053	80,053	37,160	29,618
	Pharmaceuticals	5,289,290	5,722,234	4,577	4,577	-	-
	Plastic	1,962,424	2,001,738	561,763	538,745	-	483
	Power and water	23,897,355	27,878,617	156,241	159,806	19,130	-
	Real estate	4,203,207	3,493,350	1,306,057	1,300,000	13	-
	Shipbreaking	300,214	1,074,589	-	805,000	-	256,706
	Storage	82,245	103,525	20,000	-	-	-
	Sugar	2,042,589	2,609,984	200,000	200,000	200,000	200,000
	Tele-communication	2,838,926	2,709,181	-	-	-	-
	Textile						
	Composite	7,573,233	6,639,722	322,262	339,310	304,345	303,094
	Ginning	1,281,801	1,612,059	34,539	48,949	9,065	20,157
	Spinning	5,768,619	5,349,247	278,441	278,441	278,441	278,441
	Weaving	8,669,251	9,988,010	47,284	47,284	19,653	3,726
		23,292,904	23,589,038	682,526	713,984	611,504	605,418
	Transportation services	35,246,740	39,397,687	73,283	127,290	53,958	53,493
	Trust and non-profit organisations	56,043	475,240	-	-	-	-
	Tyre	267,203	288,551	-	-	-	-
	Wholesale and retail trade	12,161,474	10,671,924	372,302	502,852	106,964	64,928
	Others	18,934,253	9,556,279	151,523	321,800	16,040	40,020
		254,658,697	246,793,935	11,733,555	10,353,164	4,181,836	3,339,941
Credit risk by public / private sector							
	Public/ Government	52,248,485	56,471,970	-	-	-	-
	Private	202,410,212	190,321,965	11,733,555	10,353,164	4,181,836	3,339,941
		254,658,697	246,793,935	11,733,555	10,353,164	4,181,836	3,339,941

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		Contingencies and commitments	
		2020	2019
		----- Rupees in '000 -----	
<b>45.1.6 Credit risk by industry sector</b>			
Automobile and transportation equipment	2,371,968	2,163,575	
Brokerage	1,540,806	796,500	
Cement	779,749	247,368	
Chemical	1,126,160	779,205	
Construction	22,694,392	18,350,913	
Electronics and electrical appliances	496,139	190,170	
Engineering, IT and other services	3,293,028	3,033,858	
Fertilizer	2,350,294	4,262,960	
Financial	43,920,788	62,551,629	
Food / confectionery / beverages	2,855,033	3,054,819	
Individuals	592,229	989,889	
Insurance and security	28,234	12,197	
Metal and steel	4,629,296	3,709,350	
Mining and quarrying	-	-	
Paper / board / furniture	808,302	888,015	
Petroleum, oil and gas	656,214	586,136	
Pharmaceuticals	856,079	721,858	
Plastic	715,399	324,356	
Power and water	795,807	495,534	
Real estate	16,516,933	4,299,209	
Shipbreaking	56,758	77,614	
Sugar	8,601	24,301	
Tele-communication	1,172,080	1,460,186	
Textile			
Composite	1,384,271	1,037,819	
Ginning	277,552	369,793	
Spinning	3,497,170	1,485,788	
weaving	1,532,406	1,118,339	
	6,691,399	4,011,739	
Transportation	30,537	24,896	
Trust and non-profit organisations	116,293	217,780	
Tyre	89,489	9,584	
Wholesale and retail trade	3,320,259	4,328,745	
Others	6,220,466	5,051,995	
	<b>124,732,732</b>	<b>122,664,381</b>	
<b>Credit risk by public / private sector</b>			
Public/ Government	-	-	
Private	124,732,732	122,664,381	
	<b>124,732,732</b>	<b>122,664,381</b>	

# Notes to the Consolidated Financial Statements

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## 45.1.7 Concentration of Advances

The Holding Company top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 95,329.829 million (2019: Rs. 85,937.967 million) are as following:

	Note	2020 ----- Rupees in '000 -----	2019
Funded	45.1.7.1	<b>64,985,417</b>	65,309,390
Non Funded		<b>30,344,412</b>	20,628,577
Total Exposure	45.1.7.2	<b>95,329,829</b>	85,937,967

**45.1.7.1** There are no classified advances placed under top 10 exposures.

**45.1.7.2** The sanctioned limits against these top 10 exposures aggregated to Rs. 107,031.73 million (2019: 85,937.967 million).

## 45.1.8 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2020							
	Disburs- ements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit - Baltistan	Bahrain
		----- Rupees in '000 -----						
Punjab	87,425,286	87,425,286	-	-	-	-	-	-
Sindh	152,726,852	-	152,726,852	-	-	-	-	-
KPK including FATA	1,055,415	-	-	1,055,415	-	-	-	-
Balochistan	244,399	-	-	-	244,399	-	-	-
Islamabad	16,845,491	-	-	-	-	16,845,491	-	-
AJK including Gilgit-Baltistan	247,017	-	-	-	-	-	247,017	-
Bahrain	8,441,218	-	-	-	-	-	-	8,441,218
Total	<b>266,985,678</b>	<b>87,425,286</b>	<b>152,726,852</b>	<b>1,055,415</b>	<b>244,399</b>	<b>16,845,491</b>	<b>247,017</b>	<b>8,441,218</b>

Province / Region	2019							
	Disburs- ements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit- Baltistan	Bahrain
		----- Rupees in '000 -----						
Punjab	80,305,925	80,305,925	-	-	-	-	-	-
Sindh	146,335,149	-	146,335,149	-	-	-	-	-
KPK including FATA	1,456,326	-	-	1,456,326	-	-	-	-
Balochistan	111,734	-	-	-	111,734	-	-	-
Islamabad	13,423,194	-	-	-	-	13,423,194	-	-
AJK including Gilgit-Baltistan	197,627	-	-	-	-	-	197,627	-
Bahrain	4,727,124	-	-	-	-	-	-	4,727,124
Total	<b>246,557,079</b>	<b>80,305,925</b>	<b>146,335,149</b>	<b>1,456,326</b>	<b>111,734</b>	<b>13,423,194</b>	<b>197,627</b>	<b>4,727,124</b>

# Notes to the Consolidated Financial Statements

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## 45.2 Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of the Group, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Group is exposed to in its trading book.

The Group has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Group's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk Unit reports directly to Head ERM and is responsible for ensuring the implementation of market risk policy in line with the Group's strategy.

Risk reporting undertaken by the market risk function includes:

- Portfolio Reports
- Limit monitoring reports
- Sensitivity analysis ; and
- Stress testing of the portfolio

Currently, the Group is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

### 45.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Rupees in '000 -----					
Cash and balances with treasury banks	30,421,531	-	30,421,531	25,590,173	-	25,590,173
Balances with other banks	1,128,135	-	1,128,135	476,302	-	476,302
Lendings to financial institutions	23,239,672	-	23,239,672	30,320,540	-	30,320,540
Investments	176,803,880	25,003,774	201,807,654	87,526,154	55,598,469	143,124,623
Advances	250,455,534	-	250,455,534	243,285,308	-	243,285,308
Fixed assets	9,026,764	-	9,026,764	10,693,945	-	10,693,945
Intangible assets	2,515,549	-	2,515,549	2,302,474	-	2,302,474
Deferred tax assets	-	-	-	125,857	-	125,857
Other assets	16,743,107	-	16,743,107	17,524,249	-	17,524,249
Assets held for sale	739,200	-	739,200	374,000	-	374,000
	<u>511,073,372</u>	<u>25,003,774</u>	<u>536,077,146</u>	<u>418,219,002</u>	<u>55,598,469</u>	<u>473,817,471</u>

### 45.2.2 Foreign Exchange Risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Group lies within the defined appetite of the Group.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready / spot, forward and swap transactions with SBP and in the interbank market. The Group's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

	2020			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
United States Dollar	20,731,596	28,340,649	7,925,120	316,067
Great Britain Pound	690,248	2,767,203	1,692,641	(384,314)
Euro	2,028,206	1,324,879	(938,258)	(234,931)
Other currencies	542,006	397,092	(96,962)	47,952
	<u>23,992,056</u>	<u>32,829,823</u>	<u>8,582,541</u>	<u>(255,226)</u>

	2019			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
United States Dollar	12,248,588	20,805,267	8,586,023	29,344
Great Britain Pound	879,840	2,696,794	1,778,936	(38,018)
Euro	585,843	901,267	326,018	10,594
Other currencies	41,154	34,019	4,829	11,964
	<u>13,755,425</u>	<u>24,437,347</u>	<u>10,695,806</u>	<u>13,884</u>

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in foreign exchange rate on				
- Profit and loss account	-	2,552	-	159
- Other comprehensive income	-	-	-	-

## 45.2.3 Equity position Risk

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Group mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, and following the guidelines laid down in the Group's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.



# Notes to the Consolidated Financial Statements

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Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	211,938	15,750	105,788	29,943

## 45.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below:

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account	20,570	235,507	301,595	534,770
- Other comprehensive income	1,033,253	-	248,246	-

## 45.2.5

## Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching/re-pricing of assets and liabilities. The assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group.

2020											
Effective yield interest rate - %	Rupees in '000										
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
On-balance sheet financial instruments											
Assets											
-	30,421,531	2,261,337	-	-	-	-	-	-	-	-	28,160,194
-	1,128,135	24,317	-	-	-	-	-	-	-	-	1,103,818
6.56	23,239,672	18,351,972	4,887,700	-	-	-	-	-	-	-	-
8.03	201,807,654	33,368,890	92,486,042	42,997,826	13,940,359	7,273,895	1,428,940	135,586	3,759,785	-	6,416,331
8.36	250,465,534	204,908,975	20,772,932	10,019,031	641,483	263,840	695,674	1,885,879	1,674,415	2,974,156	6,619,149
-	14,326,600	-	-	-	-	-	-	-	-	-	14,326,600
-	521,379,126	258,915,491	118,146,674	53,016,857	14,581,842	7,537,735	2,124,614	2,021,465	5,434,200	2,974,156	56,626,092
Liabilities											
-	4,981,983	-	-	-	-	-	-	-	-	-	4,981,983
2.88	48,303,412	12,866,768	13,316,211	4,720,046	70,980	13,221,857	540,672	2,387,895	1,178,983	-	-
6.94	431,423,822	164,775,712	54,817,591	35,103,103	64,634,567	2,133,246	(15,588)	1,954,602	-	-	108,020,589
10.12	7,492,800	7,492,800	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	19,875,838	-	-	-	-	-	-	-	-	-	19,875,838
-	512,077,855	185,135,280	68,133,802	39,823,149	64,705,547	15,355,103	525,084	4,342,497	1,178,983	-	132,878,410
-	9,301,271	73,780,211	50,012,872	13,193,708	(50,123,705)	(7,817,368)	1,599,530	(2,321,032)	4,255,217	2,974,156	(76,252,318)
On-balance sheet financial instruments											
-	24,898,370	8,127,500	11,419,586	3,996,659	1,296,986	57,639	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(18,843,892)	(10,903,258)	(3,031,387)	(2,619,805)	(2,231,803)	(57,639)	-	-	-	-	-
-	6,054,478	(2,775,759)	8,388,199	1,376,854	(934,817)	-	-	-	-	-	-
Off-balance sheet gap											
-	71,004,453	58,401,071	14,570,562	(51,058,522)	1,599,530	(7,817,368)	1,599,530	(2,321,032)	4,255,217	2,974,156	(76,252,318)
Total yield / interest risk sensitivity gap											
Cumulative yield / interest risk sensitivity gap											
-	71,004,453	129,405,524	143,976,086	143,976,086	92,917,564	85,100,196	86,699,726	84,378,694	88,633,911	91,608,067	-

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2019											
Effective yield interest rate - %	Rupees in '000										Non-Interest bearing financial instrument
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	-	25,590,173	2,566,714	-	-	-	-	-	-	-	23,023,459
Balances with other banks	0.17	476,302	97,659	-	-	-	-	-	-	-	378,643
Lending to financial institutions	11.80	30,320,540	30,192,074	-	128,466	-	-	-	-	-	-
Investments	9.73	143,124,623	66,158,225	41,046,043	707,500	1,656,084	20,378,927	8,022,522	503,646	204,943	4,446,733
Advances	12.89	243,285,308	197,864,614	20,967,630	9,393,863	488,932	356,955	835,637	2,397,894	1,256,532	7,013,223
Other assets	-	15,278,178	-	-	-	-	-	-	-	-	15,278,178
		458,075,124	236,879,286	62,013,673	10,229,829	2,145,016	20,735,882	8,858,159	2,901,540	1,461,475	50,140,236
Liabilities											
Bills payable	-	3,804,491	-	-	-	-	-	-	-	-	3,804,491
Borrowings	9.26	54,488,283	31,977,964	13,068,280	4,693,216	193,571	207,839	2,120,779	1,179,549	1,027,085	-
Deposits and other accounts	8.70	368,543,603	129,910,142	47,296,616	29,670,550	68,670,264	6,673,436	1,515,724	1,722,440	-	83,084,431
Subordinated debt	13.73	7,494,800	-	-	2,996,400	4,498,400	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	20,024,982	(69,111)	121,966	182,949	365,898	731,796	682,219	1,168,857	381,703	16,458,705
		454,336,159	161,818,995	60,466,862	37,543,115	73,728,133	7,613,071	4,318,722	4,070,846	1,408,788	103,347,627
		3,738,965	135,060,291	1,526,811	(27,313,286)	(71,583,117)	13,122,811	4,539,437	(1,169,306)	52,687	(53,207,391)
On-balance sheet financial instruments											
Commitments in respect of forward purchase and commitments to extend credits		24,679,238	10,902,900	8,103,044	4,037,072	458,398	1,120,185	57,639	-	-	-
Commitments in respect of forward exchange contracts - sale		(35,203,283)	(10,834,905)	(7,721,576)	(10,450,305)	(5,019,673)	(1,119,185)	(57,639)	-	-	-
		(10,524,045)	67,995	381,468	(6,413,233)	(4,561,275)	1,000	-	-	-	-
Off-balance sheet gap											
Total yield / interest risk sensitivity gap			135,128,286	1,908,279	(33,726,519)	(76,144,392)	13,123,811	4,539,437	(1,169,306)	52,687	(53,207,391)
Cumulative yield / interest risk sensitivity gap											
		135,128,286	137,036,565	103,310,046	27,165,654	40,289,465	44,828,902	43,659,596	43,712,283	46,422,311	
Reconciliation to total assets											
Balance as per balance sheet		473,213,218	473,817,471								
Less: Non financial assets											
Fixed assets		9,026,764	10,693,945								
Intangible assets		2,515,549	2,302,474								
Deferred tax assets - net		-	125,857								
Other assets		2,416,507	2,246,071								
Assets held for sale		739,200	374,000								
		14,698,020	15,742,347								
		458,515,198	458,075,124								

For the year ended December 31, 2020

### 45.3

### 45.3

The Group's policy to liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

For monitoring and controlling liquidity risk, the Group generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Group prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Group. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

### 45.3.1

Share capital - net	10,119,242
Reserves	1,991,169
Surplus on revaluation of assets - net of tax	3,247,593
Unappropriated profit	7,029,251
Non-controlling interest	529,446
	<u>22,915,701</u>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Maturity of assets and liabilities - based on contractual maturities of assets and liabilities of the Bank

2019														
Rupees in '000														
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	25,590,173	25,590,173	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	476,302	476,302	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	30,320,540	-	-	-	28,037,915	2,000,000	154,159	-	-	-	128,466	-	-	-
Investments	143,124,623	-	28,164,802	-	37,843,425	465,080	15,706,004	4,945,573	1,616,458	177,474	20,654,625	8,003,353	2,260,968	23,286,861
Advances	243,285,308	85,571,596	1,362,955	1,547,981	5,108,573	16,502,480	11,197,688	19,301,471	5,730,118	11,227,145	27,467,362	26,540,865	19,525,477	13,201,587
Fixed assets	10,693,945	3,941	23,255	27,132	62,014	253,908	115,232	343,568	339,980	335,195	1,291,426	1,143,993	2,375,452	4,378,849
Intangible assets	2,302,474	280	1,677	1,957	4,472	106,130	8,386	24,979	24,841	24,829	97,819	96,371	192,919	1,717,814
Deferred tax assets - net	125,657	-	-	-	(1,291)	30,869	56,850	354,806	354,413	32,583	18,223	165,503	12,706	(898,805)
Other assets	17,824,249	14,453,316	-	-	-	-	501,432	-	95,457	-	789,263	411,160	81,864	1,191,757
Assets held for sale	374,000	-	-	-	-	-	-	374,000	-	-	-	-	-	-
	473,817,471	126,095,608	29,552,689	1,577,070	71,055,108	19,358,467	27,739,761	24,344,397	8,161,267	11,797,226	50,447,184	36,361,245	24,449,386	42,878,063
<b>Liabilities</b>														
Bills payable	3,804,491	3,804,491	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	54,468,283	797,376	29,899,829	85,924	1,204,836	7,828,925	5,239,354	4,693,216	174,347	19,224	207,839	2,120,779	1,179,549	1,027,085
Deposits and other accounts	388,543,603	166,168,660	8,285,705	7,047,887	26,021,300	20,516,154	26,780,462	29,670,550	20,422,018	53,719,267	6,673,436	1,515,724	1,722,440	-
Subordinated debt	7,494,800	-	-	-	-	-	-	600	400	1,000	2,000	2,000	7,488,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	20,024,982	2,492,761	12,197	14,229	220,575	9,146,741	583,198	277,733	221,422	801,705	2,394,790	1,769,553	1,741,881	408,197
	454,336,159	173,263,288	38,187,731	7,148,040	27,446,711	37,491,820	32,603,014	34,642,099	20,818,187	54,541,196	9,218,065	5,408,056	12,132,670	1,435,282
<b>Net assets</b>	19,481,312	(47,167,680)	(8,635,042)	(6,570,970)	43,608,397	(18,133,353)	(4,863,253)	(10,297,702)	(12,666,920)	(42,743,970)	41,229,119	30,953,189	12,316,716	41,442,781
<b>Share capital - net</b>														
Share capital - net	10,119,242													
Reserves	1,749,672													
Surplus on revaluation of assets - net of tax	1,308,531													
Unappropriated profit	5,795,596													
Non-controlling interest	508,271													
	19,481,312													

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2020										
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	30,421,531	30,421,531	-	-	-	-	-	-	-	-
Balances with other banks	1,128,135	1,128,135	-	-	-	-	-	-	-	-
Lendings to financial institutions	23,239,672	18,351,972	4,887,700	-	-	-	-	-	-	-
Investments	201,807,654	30,954,275	77,687,079	44,507,608	14,118,558	7,980,417	4,815,444	3,470,764	18,273,509	-
Advances	250,455,534	33,881,197	31,703,662	26,006,020	80,557,471	31,914,264	17,826,671	13,641,989	5,182,115	9,742,145
Fixed assets	9,026,764	104,894	532,695	356,226	673,001	1,198,183	947,931	2,394,899	668,086	2,150,849
Intangible assets	2,515,549	10,042	233,353	29,820	59,210	117,664	115,429	227,108	259,299	1,463,624
Deferred tax assets - net	-	-	-	-	-	-	-	-	-	-
Other assets	16,743,107	15,614,294	559,621	534,067	35,125	-	-	-	-	-
Assets held for sale	739,200	-	-	-	739,200	-	-	-	-	-
	534,941,104	130,517,285	115,703,210	71,582,390	96,479,864	41,805,124	24,223,465	19,433,329	21,839,819	13,356,618
Liabilities										
Bills payable	4,981,983	4,981,983	-	-	-	-	-	-	-	-
Borrowings	48,303,412	12,866,768	13,429,576	4,606,681	70,979	13,221,857	540,672	2,387,895	1,178,984	-
Deposits and other accounts	431,423,822	54,243,111	61,226,376	43,681,608	80,182,259	18,068,592	13,002,724	161,019,152	-	-
Subordinated debt	7,492,800	-	-	1,000	1,000	2,000	5,493,600	1,995,200	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,083,590	5,722	(73,863)	(99,650)	(142,504)	110,765	176,412	159,820	946,888	-
Other liabilities	19,875,838	3,719,781	10,827,448	502,414	801,993	1,778,734	1,311,459	827,329	106,680	-
	513,161,445	75,817,365	85,409,537	48,692,053	80,913,727	33,181,948	20,524,867	166,389,396	2,232,552	-
Net assets	21,779,659	54,699,920	30,293,673	22,890,337	15,566,137	8,623,176	3,698,598	(146,956,067)	19,607,267	13,356,618
Share capital - net										
Reserves	10,119,242									
	1,991,169									
Surplus on revaluation of assets - net of tax	-									
Unappropriated profit	3,247,593									
	7,029,251									
Non-controlling interest	528,446									
	22,915,701									

## For the year ended December 31, 2020

### 45.3.3

For determining the core portion of non contractual liabilities (non-volatile portion), the Group has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 45.4 Operational risk

The Group currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operational Risk Management into a separate distinct discipline, the Group's strategy is to further strengthen its risk management system along new industry standards. Accordingly, the Group has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the Group for effective measurement and monitoring of operational risk faced by different areas of the Group.

The Group's operational risk management process involves a structured and uniform approach across the bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators (KRIs) and Risk Control Self-Assessment (RCSA) activities for key operational risks. In order to build a robust operational risk monitoring mechanism, an Operational Risk Steering Committee (ORSC) has been constituted to effectively address operational risk issues.

The Group has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals / units across different functions of the Group that are involved in performing various operational risk management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This framework has been devised to explain the various building blocks of the operational risk management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the Group.

The ORM Unit conducts operational risk profiling for all major operational areas of the Group and assists various functions of the bank in developing KRIs which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operational risk incidents and loss data collection is governed by Group's Operational Risk Management Policy and process documents which have been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The Group's Business Continuity (BCP) Policy includes risk management strategies to mitigate inherent risks and prevent interruption of mission critical services caused by disaster events. The resilience of BCP is tested and rehearsed on an annual basis by the Group.

## 46. DERIVATIVE RISK

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). The Holding Company's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The nature, scope and purpose of derivatives business, for trading purposes or hedging purpose and the types of derivative in which they deal.

The overall responsibility for offering derivative products and sustaining profitability lies with the Treasurer and in his absence with his delegate. The Market Risk nit / Treasury Middle Office of the Holding Company responsible for measurement & monitoring of the market risk exposures, analysis of present and potential risk factors.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

The Market Risk Unit also monitors associated Credit, Market and Liquidity Risk in line with Board of Directors approved limit framework. The unit coordinates with the business regarding approvals for derivatives risk limits and produces various reports / analysis for ALCO / BRMC on periodic basis. These reports provide details of outstanding un-hedged positions, profitability and status of compliance with limits. Treasury Operations records derivatives activity in the Bank's books and is responsible for reporting to the SBP.

The derivative transaction such as Cross Currency Swaps carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. The Holding Company's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Holding Company has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The Bank can hedge its risk by taking on & off-balance sheet position in interbank market, where available.

## 47. CUSTOMER SATISFACTION AND FAIR TREATMENT

The Holding Company is committed to providing its customers with the highest level of service quality and satisfaction. The Holding Company has established an independent Customer Experience function that oversees customer care, branch services, contact centre, customer insights and business conduct. The Holding Company's Complaint Handling Policy and Grievance Redressal Mechanism ensure that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the Holding Company's branches, contact center, The Holding Company's website or via email.

The complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our Branches, contact centre, the Holding Company's website and via email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable and resolution of complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Holding Company.

To create enhanced visibility of the recourse mechanism available to its customers, the Holding Company has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens and SMS messages. Complete grievance redressal mechanism, touchpoints and online feedback forms have been made available through the Holding Company's website, and email broadcasts have been sent to the customers for customer education and awareness.

Fair Treatment of Customers is an integral part of our corporate culture. The Holding Company has institutionalized a 'Consumer Protection Framework'. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our consumer education and Financial Literacy Program.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

## 48. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions to enhance comparability with the current period's financial statements, which are as follows:

		Reclassified		Rs. in '000
		From	To	
Statement of financial position	Other liabilities		Other assets	
	Others		Credit card settlement	32,027
	Others		Inter bank fund transfer settlement	(91,642)
	Others		Others	290,068
Statement of financial position	Other assets		Other liabilities	
	Mark to market gain on derivative instruments		Mark to market loss on derivative instruments	(491)
	Mark to market gain on forward foreign exchange contracts		Mark to market loss on forward foreign exchange contracts	(375,227)
Cashflow Statement	Cash Flow from Operating Activities			
	Other liabilities		Other assets	(1,748,987)

## 49. GENERAL

**49.1** These consolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 2 dated January 25, 2018 and related clarifications / modifications.

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

## 50. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on February 24, 2021.

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Annexure I

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with CNIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of year				Principal	Interest/	Other financial	Total
				Principal	Interest/ Mark-up	Other than Interest/ Mark-up	Total	written-off	Mark-up written-off/ waived	relief provided	(9+10+11)
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
1	Mahboob Hussain House No. 263, Measuring 05 Marlas, Situated at Block A, Street 11, Rawalpindi Press Club Cooperative Housing Society (Media Town), Rawalpindi.	Mahboob Hussain 37405-0502581-5	Mubashir Ali	9,327	729	386	10,442	-	729	386	1,115
2	Sabir Hussain Immovable Property Bearing Residential Flat No. A-205, On 2nd Floor, Admeasuring 1480 Square Feet, Project Known As "Shaes Residency", 1/9Th Undivided Share Of Sub-Plot No.FI-4/A-V, of Plot No. FI-4, Block No.3-A, Situated At KDA Scheme No.36, Gulistan-e-Jauhar, Karachi.	Sabir Hussain 42201-9527166-5	Ali Madad	10,596	1,163	472	12,231	-	1,163	472	1,635
3	Abdul Ghaffar Flat No.A-204, 2nd Floor, Admeasuring 1000 Square Feets, Building Known As "Clifton Garden-1", 1/4th undivided Share Of Sub Plot No.A-4, of Plot No.FI-1, Block-3, Situated At Kda Scheme No.5, Kehkashan Clifton, Karachi.	Abdul Ghaffar 42301-0882280-1	Basher Ahmed	13,856	798	284	14,938	-	798	284	1,082
4	Iqbal Ahmed Immovable Property Bearing Residential Plot Town House No.9, FI-12, Admeasuring 280 Square Yards, Block-5, Situated At Kda Scheme No.5, Clifton, Karachi.	Iqbal Ahmed 42301-3811362-3	Sharfuddin	22,658	7,766	70	30,494	-	6,580	70	6,650
5	Naveed Naiyar Hussain Immovable Property Bearing Residential Double Storied Bungalow Constructed on Plot of Land No. D-37, Admeasuring 925 Square Yards, Block 9, KDA Scheme No. 5, Kehkashan Clifton, Karachi.	Naveed Naiyar Hussain 42301-4883876-9	Naiyar Hussain	117,090	34,576	-	151,666	-	18,666	-	18,666
6	Muhammad Ayub House 19, Measuring 01 Kanal, Situated at Block-J, Phase 6, Defence Housing Authority, Lahore.	Muhammad Ayub 35201-9838927-3	Muhammad Yaqoob	12,905	3,465	68	16,438	-	1,299	68	1,367
7	Jinsung International (Private) Limited 279 Q Block, Commercial Area, DHA Phase II, Lahore.	Syed Asghar Ali Shah 27637-4875875-1 Muhammad Sarfraz Ahmed 31303-3942323-3 Maryam Zehra Shah 27637-4783110-4	Syed Bagh Ali Shah Muhammad Sanwar Syed Asghar Ali Shah	12,413	5,644	-	18,057	-	2,023	-	2,023
8	Kissan Supplies 8-Km, Sardar Town, Raiwind Road, Lahore.	Muhammad Mushtaq Butt 34104-1969246-5 Muhammad Waqas Butt 34104-2285573-9 Muhammad Mushtaq Butt 34101-9002563-4	Muhammad Yousaf Butt Dost Muhammad Ali Irfan Ali	-	15,694	-	15,694	-	11,894	-	11,894
9	Kohsar Industries Plot No. H5-B, Site Area, Kotri.	Lal Chand 44203-9781662-5 Haraish Kumar 41306-7572470-3	Relumal Haraish Kumar	-	5,847	-	5,847	-	3,846	-	3,846
10	Rehman Metal Gala Maher Aziz ur Rehman Chan Link Sheikhpura Road Gujranwala.	Atiq ur Rehman 34101-2535196-7	Muhammad Rafique	20,000	5,096	-	25,096	-	4,096	-	4,096
11	Regent Agroventure H No. 44 Khayaban-e-Badr Phase 5 DHA Karachi.H No. 82 Khayaban-e-Sehr Street No 30,DHA Phase 6, Karachi.	Omar Danial Baweja 42301-3857295-9 Fiza Ahmed 42301-5766535-8	Mahmood Baweja Omar Danial Baweja	7,764	2,082	-	9,846	-	1,281	-	1,281
TOTAL:				226,609	82,860	1,280	310,749	-	52,375	1,280	53,655

\* Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

# Annexure - II

As at December 31, 2020

As referred to in note 11.2.2 to the unconsolidated and consolidated financial statements

Details of disposal of fixed assets made to related parties

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)	
	Rupees in '000							
Electrical, office and computer equipment								
Communication Equipment	1,615	869	746	778	32	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
Office Machines and Equipments	5,006	3,415	1,591	1,954	363	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
Computer	1,529	1,423	106	512	406	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
	8,150	5,707	2,443	3,244	801			
Vehicles								
Toyota Corolla	2,405	460	1,945	2,750	805	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
Honda Motorcycle	107	17	90	90	-	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
Honda Motorcycle	124	7	117	124	7	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
Honda Motorcycle	110	23	87	100	13	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
Honda Motorcycle	104	83	21	75	54	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor, Kashif Centre, Main Shahra-e-faisal, Karachi
	2,850	590	2,260	3,139	879			
The Subsidiary Companies								
Vehicles								
Honda City	1,922	1,922	-	1,922	1,922	Dispoal	Name	Afham Elahi Usmani
Total	12,922	8,219	4,703	8,305	3,602			

# Branch Network

## **SINDH**

### **KARACHI**

Shaheen Complex Branch  
111 572 265- 021-32610928 &  
021-32272569-92

26th Street Dha Phase V Branch  
021-35304685

Bahadarabad Branch  
021-34922802/05

Boat Basin Branch  
021-35177903/4

Chase Store Jail Chowrangi Branch  
021-34370270-71

Cloth Market Branch  
021-32464042 - 47

Dehli Colony Branch  
021-35168646/8

DHA Phase VIII Branch  
021-35171731/33/  
0345-8211949/0345-8211951

Electronic Market Branch  
021-32700430-437

Fisheries Branch  
021-32384011-14

Garden East Branch  
021-32244281-284

Garden West Branch  
021-32240093/7

Gulistan-E-Jauhar Branch  
021-3466 2002-4-6

Gulshan Chowrangi Branch  
021-34833290-5

Gulshan-E-Hadeed Branch  
021-34715201-3

Gulshan-E-Iqbal Branch  
021-34829055-60-61

Hawksbay Road Branch  
021-32373030-32

Ibrahim Hyderi Branch  
0346-1012281

Jheel Park Branch  
021-34544831-35

Jodia Bazar Branch  
021-32435304-06

Branch Stock Exchange  
021-32462851/54

Khadda Market Dha Phase V Branch  
021-35242401-4

Kh-E-Ittehad Dha Phase II Ext Branch  
021-35313811-4

Kh-E-Shahbaz Dha Phase Vi Branch  
021-35243416/15

Korangi Industrial Area Branch  
021-35052416, 021-35055826-7,  
021-35052773-5

Korangi Rd Dha Phase I Branch  
021-35803541/46

Lucky Star Branch  
021-35622434-39

Nazimabad Branch  
021-36612325

New Challi Branch  
021-32602100

New Sabzi Mandi Branch  
0345-8211641-43

North Branch Ind Area Branch  
021-36962912/11/15

North Napier Road Branch  
021-32467791-94

North Nazimabad Branch  
021-36721010/4

Ocean Tower  
021-35166601-6

Orangi Town Branch  
021-36697925-30

Paposh Nagar Branch  
021-36700071-3

Park Towers Clifton Branch  
021-35832011/ 021-35369525

Progressive Centre  
Sh-E-Faisal Branch  
021-34324682-5

Safoora Goth Branch  
021-34661805-15

Shah Faisal Colony Branch  
021-34686191-94

Shahrah-E-Faisal Branch  
021-34373240

Site Branch  
021-32550082-84

Soldier Bazar, Branch  
021-32244531-33

Teen Talwar Branch  
021-35835867 / 021-35856974 /  
021-35873279

The Center Saddar Branch  
021-35165563/7

Timber Market Branch  
021-32763079

Urdu Bazar Branch (AWT Plaza)  
021-32603073-77

Zamzama Branch  
021-35295221-4

### **HYDERABAD**

Anaj Mandi Branch  
022-2638802

Citizen Colony Branch  
022-2100893-91

Cloth Market Branch  
022-2618271

DHA Branch  
022-2108078

Kohsar, Branch  
022-3400913-14

Latifabad Branch  
022 3817984

Latifabad Unit No VI Branch  
022-3422521-6

Qasimabad Branch  
022-2652190-92

Saddar Branch  
022-2730925-26-32

Site Branch  
022-3885192-93

## **SUKKUR**

Military Road Branch  
071-5630825-32

Shaheed Gunj Branch  
071-5627482

Society Branch  
071-5815210

Badin Branch  
0297-861203

Behar Colony Kotri Branch  
022 3410507-09

Bhiria City Branch  
0242-432131/35

Chambar Branch  
022 -3897032-35-36

Daharki Branch  
0723-641290

Digri Branch  
023-3870245

Ghotki Branch  
072-3600484

Jamshoro Branch  
022-3878103-104, 022-3878109

Kandhkot Branch  
072-2573048

Kashmore Branch  
0722-577705-7

Khairpur Branch  
024-3715316-18

Khipro Branch  
0235-879071-74

Kot Ghulam Muhammad Branch  
0233-866242-4

Kunri Branch  
023-8558163-66

Larkana Branch  
074-4058603

Maatli Branch  
029-7841514

Mehar Branch  
025-4730307-308-309

Mirpur Khas Branch  
023-3876001-4

Mirpur Mathelo Branch  
0723-663315

Mithi Branch  
0232-261650

Moro Branch  
0242-413200

Nawabshah Branch  
024-4330564

Nowshero Feroz Branch  
0242-448415-16-18

Pano Aqil Branch  
071-5809304

Sanghar Branch  
023-5800163

Sehwan Shareef Branch  
025-4620305/7

Shahdadkot Branch  
074-4013169

Shahdadpur Branch  
023-5581523-18

Sheikh Bhirkio Branch  
0345-8211923/24

Shikarpur Branch  
072-6540374-75

Sultanabad Branch  
022-3404106-7

Tando Adam Branch  
023-5571880-85

Tando Allah Yaar Branch  
022-3892001/4

Tando Jam Branch  
022-2765612-14

Tando Mohammad Khan Branch  
022-3340594/022-3340617-8

Thatta Branch  
029-8550934

Umer Kot Branch  
023-8570156-59

## **BALUCHISTAN**

Gawadar Branch  
086-4210246

Khuzdar Branch  
0848-550334-336

Loralai Branch  
0824-410104

MA Jinnah Road Branch  
081-2865503-04

Muslim Bagh Branch  
0823-66933-36

Ormara Branch  
086-3310142-0-3

Quetta Cantt Branch  
081-2863335



Turbat Branch  
085-2414201-4

Zarghoon Road Branch  
081-2472981-2

Zhob Branch  
0822-412027028

## **PUNJAB**

### **LAHORE**

Air Port Road DHA  
Devine Mega Branch  
042-35700081-84

Allama Iqbal Town Branch  
042-37805026-37804479

Azam Cloth Market Branch  
042-37671195-96

Badami Bagh Branch  
042-37946853/54

Baghbanpura Branch  
042-36858873/74

Bahria Town Branch  
042-35976212-14

Brandreth Road Branch  
042 3738 1316 /9 /

Cavalry Branch  
042-36610282-87

Chowburji Branch  
042-37362981/8

Circular Road Branch  
042-37667921/24

College Road Township Branch  
042 -35117491-3

Daroughawala, Branch  
042-36530311-15

DHA Block "T" Phase 2 Branch  
042-35707651/6

DHA Phase 3 III Block "Y" Branch  
0423-5898010-11

DHA Phase VI Branch  
042-37180745

Ferozepur Road Branch  
042-35402151-53

Gulberg Branch  
042-35771036-38

Gulshan Ravi Branch  
042-35464541- 45

Gulyana Branch  
053-7588459

Ichra Bazar Branch  
042-37428406 / 08

Johar Town Branch  
042-35241088/89

Mandi Faizabad Branch  
056-2882081-83

Mcleod Road Branch  
042-36311176

MM Alam Road Branch  
042 -35778721 /24

Model Town Branch  
042-35915613/14

Mughalpura Branch  
042-36533818-822

New Garden Town Branch  
042-35940463-67

PECO Road Branch  
042-35203014-13

Raiwind Road Branch  
042-35291247-70

Shadbagh Branch  
042-37604549-51

Shadman Branch  
042-37503712/20

Shah Alam Market Branch  
042-37375734-37

Shahdara Branch  
0423-7931903-5

State Life Cooperating  
Housing Society Branch  
042-35474163

Sundar Industrial  
Estate Branch  
0311-0013425-26

The Mall Branch  
042-36285673-75

Upper Mall Branch  
042-35776515-18/35776530

Urdu Bazar Branch  
042-37115915 /7,20

Valancia Society Branch  
042-35226045-47

Walton Road Branch  
042-0556-333151

Wapda Town Branch  
042- 35182877-74-75

Zarar Shaheed Road Branch  
042-36639902-05

### **GUJRANWALA**

Bank Square Gujranwala II Branch  
055-4234401-3

GT Road Branch  
055-3257363/055-3257365/  
055-3254407

Sheikhupura Road Branch  
055-4233855-56

Wapda Town Branch  
055-4285571

### **FAISALABAD**

Ghulam Mohammad Abad Branch  
041-2692192-94-97

Grain Market Branch  
041-2633382/84

Gulistan Colony Branch  
041-8785791-5

Jaranwala Branch  
041-4313032-35

Karkhana Bazar Branch  
041-2624501-3

Liaquat Road Branch  
041 2541284-86

Satiana Road Branch  
041-8556382/84

## **SIALKOT**

Cantt Sialkot Branch  
052-4272351/53

Gohadpur Branch  
052-4265498-99

Kashmir Road Sialkot Branch  
052-4272703-04-05

Paris Road Sialkot Branch  
052-4266535-6

Pasroor Road Nekapura Branch  
052-3543582-4

Shahabpura Sialkot Branch  
052-3242681/84

Ugoki Branch  
052-3513953/54

## **MULTAN**

Abdali Road Branch  
061-4574363/4574496/97

Bosan Road Branch  
061-6223416 /17

Vehari Road Branch  
061-6241102-4

Wapda Town Phase I Branch  
061-6524733-38

Mailsi Branch  
067-3370163

## **RAWALPINDI**

Air Port Cop Housing  
Society (AECHS) Branch  
051-5497012-15

Bahria Town Phase IV  
Rawalpindi Branch  
051-5731351-4

Bahria Town Phase VII  
Rawalpindi Branch  
051-5154891-4

Bank Road Branch  
051-5120731-3

Chaklala Scheme 3 Branch  
051-5766277-78

Chakri Road Branch  
051-5129024

GHQ Branch  
051-5202354-55

Gulberg Geen  
Islamabad Road Branch  
0310-5998931

Jinnah Road Branch  
051 5778560-62-64

Kurri Road Branch  
051-4930342/43/45

Peshawar Road Branch  
051-5492873-75

Range Road Rawalpindi Cant Branch  
051-5128871,051-5128875

RCCI Industrial Estate Rawat Branch  
0345-8210861/71

Saidpur Road Branch  
051-5768049/51/53

Satellite Town Branch  
051-4264187-86, 4842991,

## **ISLAMABAD**

Blue Area Branch  
051 111 572 265 & 051 281 0121/4

Bara Kahu Branch  
051-2165032-7

Dha Phase II Islamabad Branch  
051-5161525

F-10 Markaz Branch  
051-2112960/61

F-11, Islamabad Branch  
051-2103404-402

F-7 Markaz Branch  
051-2653901/4-051-2608404/05

F-8 Markaz Branch  
051-2818296-98

G-11 Markaz Branch  
051-2363475/77

G-15 Markaz Branch  
051-2160240-41

G-8 Islamabad Branch  
051-2340537-8

I-8 Markaz Branch  
051-4862471-2

I-9 Markaz Branch  
051-4431296/8

Islamabad Stock Exchange Branch  
051-2894407/09

Khanna Pul Branch  
051-4478006/07

NPF O-9 Pwd Road Branch  
051-5170584-5

Tarlai Branch  
051-2241860-4-66

Wah Cantt Islamabad  
051-4256308/309

Agrow Chishtian Branch  
0345-8233957

Arifwala Branch  
0457-835478-81

Bahawalnagar Branch  
063-2279435/38

Bahawalpur Branch  
062-2889176/78

Bhakkar Branch  
0453-510407-9

Burewala Branch  
067-3770363/65

Chak 89 Dist Sahiwal Branch  
040-4550409/10/11/16

Chak#72 Rahim Yar Branch  
068-5708072

Chichawatni Branch  
040 5481792/95

Chiniot Branch  
047-633259192

Daska Branch  
052-6610461/63

Depalpur Branch  
044-4542246-49

DG Khan Branch  
064-2470952/56

Dharanwala Branch  
063-2440080

Dinga Branch  
053-7401368

Ghakkhar Mandi Branch  
055-3882556-59,055-3882561

Gojra Branch  
046-3513637/40

GT Road Gujrat Branch  
053-3729479-76

Hafizabad Branch  
0547-583249-252,276

Haroonabad Branch  
063-2250615

Hasilpur Branch  
062-2441302-1310-1308

Jhang Branch  
047-7652941 /43

Kacheri Chowk Branch  
053-3600584-6

Kamoki Barnch  
055-6810282-83-85

Kasur Chandni Chowk Branch  
049 2761581-84

Khanewal Branch  
065-2557491-93

Kharian Branch  
0537-602781-84

Lala Musa Branch  
0537-519656/8

Layyah Branch  
0606-415045/47

Lodhran Branch  
0608-361892/93/96

Luddon Road Branch  
067-3351443 ,0673351441

Mandi Bahauddin Branch  
0546-509452-53-55

Mian Channu Branch  
065-2661282-85

Mouza Gajju Hatta Shujabad Branch  
061-4396082-9

Mouza Kachi Jamal Khanpur Branch  
068-5577191-195

Mouza Parhar Sharqi  
Kot Addu Branch  
066-2240146-49

Muridke Branch  
042 37166454-7

Muzaffargarh Branch  
066-2424691-92

Nankana Sahab Branch  
056-2877503-504

Narowal Branch  
0542-411271/73

Okara Branch  
044-2528728-30

Pak Pattan Sharif Branch  
045-7352591-93-94

Pattoki Branch  
049-4424053-4

Qaboola Dist Pak Pattan Branch  
045-7851248-51

Rabwa Branch  
047-6214042/44

Rahimyar Khan Branch  
068 5879511/14

Sadiqabad Branch  
068-5803933/38

Sahiwal Branch  
040 4222733/35

Sambrial Branch  
052-6524106/07

Sargoodha Branch  
048-3768123/24/25

Shiekhupura Branch  
056 3810273/6

Taunsa Sharif Branch  
064-2601155 EXT 107

Toba Tek Singh Branch  
046- 2512052-55

Vehari Branch  
067-3360715/18

Wazirabad Branch  
055-6605841-4

## **KPK**

### **PESHAWAR**

Dabgari Garden Branch  
091-2591425-7

Fakhr-E-Alam Road Branch  
091-5279981/4

Gallanai Branch

GT Road Peshawar Branch

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# Pattern of Shareholding

As at December 31, 2020

S.No. No. of Shareholders			Shareholdings			Total Shares Held
1	576	Shareholding From	1	to	100	7,126
2	606	Shareholding From	101	to	500	245,221
3	606	Shareholding From	501	to	1,000	569,139
4	1,258	Shareholding From	1,001	to	5,000	3,637,821
5	409	Shareholding From	5,001	to	10,000	3,262,407
6	613	Shareholding From	10,001	to	50,000	14,826,099
7	113	Shareholding From	50,001	to	100,000	9,246,040
8	102	Shareholding From	100,001	to	500,000	20,464,402
9	17	Shareholding From	500,001	to	1,000,000	12,790,081
10	40	Shareholding From	1,000,001	to	1,297,464,262	1,232,415,926
<b>Total</b>	<b>4,340</b>				<b>Percentage: 100%</b>	<b>1,297,464,262</b>

# Pattern of Shareholding

As at December 31, 2020

Particulars	Shares Held	Percentage %
<b>Directors and their spouse(s) and minor children</b>		
Mr. Kalim-ur-Rahman	1,500,001	0.12
Mr. Adil Matcheswala	200,000	0.02
Mr. Ashraf Nawabi	1	0.00
Mr. G.M.Sikander	1	0.00
Mr. Munawar Alam Siddiqui	1	0.00
Ms. Nargis Ghaloo	33,001	0.00
Mr. Hassan Afzal	1	0.00
Mr. Sohail Aman	1	0.00
Mr. Basir Shamsie	1	0.00
Mrs. Safia Munawar	185,000	0.01
Mrs. Hafsa Shamsie	1,132,320	0.09
<b>Sub-Total</b>	<b>3,050,328</b>	<b>0.24</b>
<b>Associated companies, undertakings and related parties</b>		
Jahangir Siddiqui & Co. Limited	973,307,324	75.02
<b>Executives</b>	1,002	0.00
<b>NIT &amp; ICP</b>	972	0.00
<b>Banks, development finance institutions, non-banking finance companies,</b>	172,451	0.01
<b>Insurance Companies</b>	19,509,194	1.50
<b>Modarabas and Mutual Funds</b>	9,216,143	0.71
<b>Foreign Investors</b>	11,104	0.00
<b>Others</b>	140,346,465	10.82
<b>Individual - Local</b>	151,849,279	11.70
<b>Totals</b>	<b>1,297,464,262</b>	<b>100.00</b>

**Details of the transactions carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2020 to December 31, 2020.**

None of the Directors, CEO, CFO and Company Secretary their spouse and minor children during the year January 01, 2020 to December 31, 2020 carried out transactions in the shares of the bank, except Ms. Hafsa Shamsie spouse of Mr. Basir Shamsie who purchase 804,000 shares of the Bank and Ms. Safia Munawar spouse of Mr. Munawar Alam who purchase 30,000 shares of the Bank.

# Notice of Fifteenth Annual General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting ("AGM") of the shareholders of JS Bank Limited (the "Bank") will be held on Monday, March 29, 2021 at 10:00 a.m. 15<sup>th</sup> Floor, The Centre, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi to transact the following business:

## ORDINARY BUSINESS:

- i. To receive, consider and adopt the Annual Audited Standalone and Consolidated Financial Statements of the Bank for the year ended December 31, 2020 together with the Directors' and Auditors' Reports thereon.
- ii. To appoint Bank's Auditors for the year ending December 31, 2021 and fix their remuneration. The term of the present auditors Messrs. EY Ford Rhodes, Chartered Accountants, (a member firm of Ernst & Young Global Limited) shall expire at the AGM and cannot, in compliance of the Listed Companies (Code of Corporate Governance) Regulations, 2019, be re-appointed as having completed a term of five years. The Board of Directors, on the suggestion of the Audit Committee of the Bank, has recommended KPMG Taseer Hadi & Co., Chartered Accountants as auditors for the year 2021.

## SPECIAL BUSINESS:

- i. To consider and if thought fit, approve the conversion of Term Finance Certificates ("TFCs"), rated, privately placed, unsecured and subordinated TFCs of PKR 3,000 Million (TFC-I; issued on December 14, 2016) and PKR 2,000 Million (TFC-II; issued in December 29, 2017) of JS Bank Limited (the "Bank") into common shares if (i) directed by State Bank of Pakistan ("SBP") on the occurrence of a point of non-viability as determined by SBP, pursuant to the 'Instructions for Basel III Implementation in Pakistan' issued by the SBP, subject to a maximum of 467,836,257 in respect of TFC-I and 319,982,544 in respect of TFC-II additional ordinary shares to be issued respectively, and which ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017.

The resolutions to be passed by the members as Special Resolutions are as under:

"Resolved that with respect to the Tier-II capital raised by JS Bank Limited (the "Bank") in the amount of up to PKR 3,000,000,000/- (Pak Rupees Three Billion) in the form of rated, privately placed and unsecured, subordinated, Term Finance Certificates ("TFC-I") as approved by the Board of Directors on August 25, 2016, and in accordance with the 'Instructions for Basel III Implementation in Pakistan' ("Basel III Regulations") issued by the State Bank of Pakistan ("SBP") under BPRD Circular No. 06 dated August 15, 2013, as amended from time to time, regarding loss absorbency, in the event SBP exercises its option to convert the TFC-I into ordinary shares of the Bank upon the occurrence of a Point of Non-Viability ("PONV"), such ordinary shares shall be issued, subject to the approval of the Securities and Exchange Commission of Pakistan ("SECP"), other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 (the "Act"), subject to a maximum of 467,836,257 shares, or such other number as may be agreed to in consultation with the SBP ("TFC-I Additional Shares")."

"Further resolved that with respect to the Tier-II capital raised by the Bank in the amount of up to PKR 2,000,000,000/- (Pak Rupees Two Billion) in the form of rated, privately placed, listed, unsecured and subordinated Term Finance Certificates ("TFC-II") as approved by the Board of Directors on September 27, 2017, and in accordance with the 'Instructions for Basel III Implementation in Pakistan' ("Basel III Regulations") issued by the SBP under BPRD Circular No. 06 dated August 15, 2013, as amended from time to time, regarding loss absorbency, in the event SBP exercises its option to convert the TFC-II into ordinary shares of the Bank upon the occurrence of a PONV, such ordinary shares shall be issued, subject to the approval of the SECP, other than by way of rights in accordance with Section 83(1)(b) of the Act, subject to a maximum of 319,982,544 shares, or such other number as may be agreed to in consultation with the SBP ("TFC-II Additional Shares")."



"Further resolved that any two of the President & CEO, Chief Operating Officer, Chief Financial Officer and Company Secretary of the Bank be and are hereby authorized to take all steps necessary, ancillary, and incidental to the above-mentioned resolutions, as and when required, and are further authorized to sign, execute, and deliver all necessary documents, agreements, and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above-mentioned."

- ii. To approve the remuneration paid to the Directors of the Bank for attending Board and Board's Sub-Committees meetings on post facto basis in terms of Prudential Regulation No. G-1 C(2) by passing the following ordinary resolution:

"Resolved that the remuneration of PKR 250,000/- per meeting payable to the Directors of the Bank for attending Board meetings and PKR 150,000 per meeting payable to the Directors for attending Board's Sub-Committees meetings, be and is hereby approved."

By Order of the Board

**Ashraf Shahzad**

Company Secretary

Karachi: March 8, 2021

#### Notes:

- a) Share transfer books of the Bank will remain closed from March 22, 2021 to March 28, 2021 (both days inclusive). Transfers received in order at Bank's Independent Share Registrar, CDC Share Registrar Services Limited, CDC House, Shakra-e-Faisal, Karachi at the close of business on March 21, 2021 will be treated in time for purpose of attending and vote at the Meeting.
- b) A member of the Bank entitled to attend, and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
- c) Proxies must be received at the Registered Office of the Bank not later than 48 hours before the time of the Meeting.
- d) Beneficial owners of the shares registered in the name of CDC Share Registrar Services Limited (CDCSRSL) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan:

#### For Attending the Meeting

- In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the account number at the time of attending the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- Members whose names are appearing in the register of members as of 21 March, 2021 are entitled to attend and vote at the meeting.
- The proceedings of the AGM shall also be held online through video link.
- The members who wish to attend the Annual General Meeting through video link are requested to get themselves registered by sending the particulars prescribed in the table below at the following email address AGM@jsbl.com by the close of business hours (5:00pm) on March 26, 2021.

Name of member	
Authorised	
Representative (in case of corporate member)	
CNIC No. /NTN No.	
CDC Participant ID / Folio No.	
Cellphone #	
Email address	

- The Video Conference Link would be emailed to the registered members or their proxies who have provided all the requested information.

#### For Appointing Proxies

- In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

- Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Bank.
- Shareholders are requested to notify immediately for any change in their address to the Bank Registrar.

#### **Notice to Shareholders who have not provided CNIC:**

The Companies (Distribution of Dividends) Regulations, 2017 requires that the dividend warrants should bear the Identification Number which includes: (i) in the case of a registered shareholder or an authorized person, the Computerized National Identity Card Numbers (CNIC); (ii) in the case of a minor, child registration number or juvenile card number; and (iii) in the case of corporate shareholders registration number or national tax number. The Identification Number of the shareholders is, therefore, mandatory for the issuance of dividend warrants and in the absence of such information, payment of dividend may be withheld in terms of the Companies (Distribution of Dividends) Regulations, 2017. Therefore, the shareholders who have not yet provided their Identification Numbers advised to provide their Identification Numbers (if not already provided) directly to our Independent Share Registrar at the address given herein above without any further delay.

#### **Placement of Financial Statements**

The Bank has placed the annual Audited Financial Statements for the year ended December 31 2020, along with the Auditors and Directors Reports on its website: [www.jsbl.com](http://www.jsbl.com).

#### **Mandate for E-DIVIDENDS for shareholders**

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account,

shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited, CDC House, Shahra-e-Faisal, Karachi in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/ CDC account services.

#### **Deduction of Income Tax from Dividend at Revised Rates**

Pursuant to the provisions of the Finance Act deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No	Nature of Shareholders	Rate of deduction
1	Filers of Income Tax Return	15%
2	Non-Filers of Income Tax Return	30%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

#### **E-Voting**

Pursuant to SECP S.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Bank on the appointment by the Intermediary as a Proxy.

#### **Provision of Video Link Facility**

Shareholders may participate in the meeting via video-link facility. If the Bank receives a demand (at least 7 days before the date of meeting) from shareholder(s) holding an aggregate 10% or more shareholding residing in any other city, to participate in the meeting through video link, the Company will arrange video link facility in that city.

Shareholders, who wish to participate through video-link facility, are requested to fill in 'Video Link Facility Form' available at Bank's website and send a duly signed copy to the Registered Address of the Company.

## Distribution of Annual Report

The audited financial statements of the Bank for the year ended December 31, 2020 have been made available on the Company's website (<http://www.jsbl.com/>) in addition to annual and quarterly financial statements for the prior years.

Further, Annual Report of the Bank for the year ended December 31, 2020 is dispatched to the shareholders through CD. However, if a shareholder, in addition, requests for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Accounts" has also been made available on the Bank's website (<http://www.jsbl.com/>).

## Statement Under Section 134(3) of the Companies Act, 2017

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of JS Bank Limited (the "**Bank**") to be held on March 29, 2021.

Conversion of Tier –II Term Finance Certificates of PKR 3,000 million (TFC-I) and/or PKR 2,000 million (TFC-II) into common shares.

The Bank on December 14, 2016 and December 29, 2017 issued rated, privately placed, unsecured, subordinated and non-cumulative Term Finance Certificates ("TFCs") of PKR 3,000 million (TFC-I) and PKR 2,000 million (TFC-II) respectively, as Tier-II Capital. The State Bank of Pakistan ("SBP"), through Banking Policy and Regulation Department Circular No. 06 dated August 15, 2013 ("SBP Circular"), prescribes a "loss absorbency" feature for it to be qualified as Tier-II capital instruments, pursuant to which the TFCs will be converted into ordinary shares of the Bank at the Point of Non-Viability ("PONV") trigger event as defined in the Basel III regulations. In accordance with the requirements of the SBP Circular, the Bank has agreed with the SBP for the issuance of common shares against TFC-I and TFC-II in case of the occurrence of a conversion event as per the terms of the TFCs and SBP Circular ("Conversion Events").

The relevant portion of the SBP Circular relating to "loss absorbency" is reproduced below:

"A-5-3 Loss Absorbency of Non-Equity Capital Instruments at the Point of Non-Viability

- i. The terms and conditions of all non-CET1 and Tier 2 instruments issued by banks must have a provision in their contractual terms and conditions that the instruments, at the option of the SBP, will either be fully and permanently converted into common share or immediately written off upon the occurrence of a non-viability trigger event called the Point of Non-Viability (PONV) as described below;
- ii. The PONV trigger event is the earlier of;
  - a. A decision made by SBP that a conversion or temporary/ permanent write-off is necessary without which the bank would become non-viable.
  - b. The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by SBP.
- iii. The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.
- iv. The amount of non-equity capital to be converted/ written-off will be determined by the SBP.
- v. Where an Additional Tier-1 capital instrument or Tier-2 capital instrument provides for conversion into ordinary shares, the terms of the instruments should include provision that upon a trigger event the investors holding 5% or more of paid-up shares (ordinary or preferred) will have to fulfill fit and proper criteria (FPT) of SBP.
- vi. The conversion terms of the instruments must contain pricing formula linked to the market value of common equity on or before the date of trigger event. However, to quantify the maximum dilution and to ensure that prior shareholder/ regulatory approvals for any future issue of the required number of shares is held, the conversion method must also include a cap on the maximum number of shares to be issued upon a trigger event.
- vii. The conversion method should describe and take into account the order (hierarchy of claims) in which the instruments will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents. However, such hierarchy should not impede the

ability of the capital instrument to be immediately converted or to be written off.

- viii. There should be no impediments (legal or other) to the conversion i.e. the bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion.
- ix. The contractual terms of all Additional Tier 1 and Tier 2 capital instruments must state that SBP will have full discretion in deciding/ declaring a bank as a non-viable bank. SBP will, however, form its opinion based on financial and other difficulties by which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the CET1/ MCR of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures will include complete write-off/ conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the SBP."

As per the loss absorbency conditions, upon the occurrence of a "Point of Non-Viability" event

("PONV"), SBP may at its option, fully and permanently convert the TFCs into common shares of the issuer, i.e. the Bank and / or have them immediately written off (either partially or in full).

In light of the above contemplated PONV events, the Bank is required to obtain all approvals for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank, on the date of trigger of PONV as declared by the SBP, and shall be subject to a cap of 467,836,257 for TFC-I and 319,982,544 for TFC-II additional ordinary shares being issued, or such other number as may be agreed to in consultation with the SBP. It may be noted that issuance of such additional shares shall further be subject to approval of the Securities and Exchange Commission of Pakistan ("SECP") in accordance with the proviso under Section 83(1)(b) of the Companies Act, 2017.

At the time of obtaining prior approval from SECP for conversion of TFC-I and TFC-II into ordinary shares of the Bank at the Point of Non-Viability trigger event as defined in the Basel III regulations, the SECP vide its letter dated March 16, 2020 advised the Bank to submit the revised approval from the shareholders in this regard.

The information required to be annexed to the notice is set out below:

Name and brief profile of the banks/financial institutions to whom such shares are proposed to be issued	The shares will be issued to the holders of TFC-I and/or TFC-II (at that time) in accordance with the directions of SBP at the time of trigger of PONV.
Price at which the proposed shares will be issued	The price of the shares shall be issued at the market value of the shares of the Bank, on the date of trigger of PONV as declared by the SBP.
Purpose of the issue of shares other than right, utilization of the proceeds of the issue and benefits to the Bank and its shareholders with necessary details	To convert the outstanding TFC-I and/or TFC-II (in whole or part) into shares of the Bank, as per the directions of the SBP.
Existing shareholding of the banks / financial institutions to whom the proposed shares will be issued	Not Applicable
Total shareholding of the banks / financial institutions after the proposed issue of shares	Not Applicable
Whether the banks/financial institutions have provided written consent for purchase of such shares	The terms of the Trust Deeds for the TFC-I issue and TFC-II issue contain the details regarding such conversion.

Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of the SBP vide its Circular No. 6 of Banking Policy and Regulation Department dated August 15, 2013 and further directions of SBP in this matter.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value.	Not Applicable
Details of the average market price during the last 3 (three) months and 6 (six) months preceding the board announcement as well as the latest available market price.	Not Applicable

The shares issued will rank *pari passu* in all respects with the existing ordinary shares of the Bank. The issue of shares other than by way of rights is subject to approval from the SECP

The directors of the Bank, whether directly or indirectly, have no personal interest in the resolutions except in their capacity as shareholders of the Bank, to the extent of their respective shareholdings in the Bank.

**To approve the remuneration paid to the Directors of the Bank for attending Board and Board's Sub-Committees meetings:**

The remuneration paid to Directors was approved by the Board of Directors in terms of Article 64 of the Articles of Association of the Bank. The remuneration requires approval (which is permissible on post facto basis) of the shareholders in the Annual General Meeting in accordance with the requirements of the Prudential Regulations (Regulation G 1 C(2)) issued by the State Bank of Pakistan.

**Statement under Regulation 4 (2) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2012**

The Bank in its Annual General Meeting held on March 27, 2020 had approved long term equity investments of up to PKR 675 million in ordinary shares of EFU Life Assurance Limited an associated company of the Bank. The resolution is valid for a period of three years commencing from March 27, 2020.

S.No	Name of Company	Total Investment approved upto PKR	Amount of Investment till Dec. 31, 2020 PKR	Reasons for not making complete investment in the specified time	Material change in Financial Statement of Associated Company
1	EFU Life Assurance Ltd	675 million	250.7 million	Time Remaining	No

# FORM OF PROXY

15th Annual General Meeting

The Company Secretary  
JS Bank Limited  
Shaheen Commercial Complex  
Dr. Ziauddin Ahmed Road  
P.O. Box 4847 Karachi 74200 Pakistan

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of JS Bank Limited holding \_\_\_\_\_ Ordinary shares as per Register Folio No./CDC/A/c No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 15th Annual General Meeting of the Bank to be held on March 29, 2021 and / or any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_ day of \_\_\_\_\_ 2021 signed by \_\_\_\_\_ in the presence of (name & address) \_\_\_\_\_

Witness:

1. Name: \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_  
Signature \_\_\_\_\_

Signature on Rs. 5/-  
Revenue Stamp

The signature should  
agree with the specimen  
registered with the Bank

Witness:

2. Name: \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_  
Signature \_\_\_\_\_

**Important:**

1. A member of the Bank entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her.
2. The proxy form, duly completed and signed, must be received at the Office of the Bank situated at Shaheen Commercial Complex Dr. Ziauddin Ahmed Road, Karachi 74200 not less than 48 hours before the time of holding the meeting.
3. No person shall act as proxy unless he / she himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
4. If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
5. Beneficial Owner of the physical shares and the shares registered in the name of CDC Share Registrar Services Limited (CDCSRSL) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form of proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, address and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the Passport of the beneficial owner and the proxy. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney along with the specimen signature shall be submitted (unless it has been provided earlier along with the proxy form to the Bank).



پراکسی فارم  
پندرہواں سالانہ اجلاس عام

کمپنی سیکریٹری  
جے ایس بینک لمیٹڈ  
شاہین کرشل کمپلیکس  
ڈاکٹر ضیاء الدین احمد روڈ  
پی او باکس نمبر 4847، کراچی 74200 پاکستان

میں/ہم \_\_\_\_\_ جے ایس بینک لمیٹڈ کے ممبران اور برطابق رجسٹرڈ فولیو نمبر/سی ڈی سی/اکاؤنٹ نمبر \_\_\_\_\_  
عمومی حصص کے مالکان ہیں، جناب \_\_\_\_\_ یا ان کی عدم دستیابی کی صورت میں جناب \_\_\_\_\_  
کو بینک کے پندرہویں سالانہ اجلاس عام منعقدہ 29 مارچ 2021 یا کسی ملتوی شدہ تاریخ پر اپنی جانب سے حاضر ہونے، حصہ لینے اور ووٹ دینے کے  
لئے عوضی (Proxy) مقرر کرتا ہوں/کرتے ہیں۔

گواہان (نام اور پتے) کی موجودگی میں آج بروز \_\_\_\_\_ 2021 کو میں نے ذاتی طور پر دستخط کئے/مہر ثبت کی۔

گواہ:

1- نام:

دستخط:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر: \_\_\_\_\_

گواہ:

2- نام:

دستخط:

پتہ:

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر: \_\_\_\_\_

5 روپے کی ریونیو اسٹیپ پر دستخط

کئے جائیں

دستخط بینک میں موجود نمونے کے

دستخط کے مطابق ہونا چاہئیں

## اہم نوٹ:

- 1- بینک کا کوئی ممبر کسی دوسرے ممبر کو اپنی جگہ اجلاس میں حاضر ہونے، حصہ لینے اور ووٹ دینے کے لیے عوضی مقرر کر سکتا ہے۔
- 2- باقاعدہ مکمل اور دستخط شدہ پراکسی فارم اجلاس عام کے انعقاد سے کم از کم 48 گھنٹے قبل بینک کے دفتر بمقام شاہین کمرشل کمپلیکس، ڈاکٹر ضیاء الدین احمد روڈ، پی او باکس نمبر 4847، کراچی 74200 پاکستان پر موصول ہو جانا چاہئیں۔
- 3- ایسا کوئی شخص بطور عوضی اجلاس میں شریک نہیں ہو سکتا جو بینک کا/کی ممبر نہ ہو، سوائے کوئی کارپوریشن جو کسی غیر ممبر کو اپنا عوضی مقرر کر سکتی ہے۔
- 4- اگر کوئی ممبر ایک سے زائد عوضی مقرر کرتا ہے اور ایک سے زائد عوضی فارم بینک کو موصول ہوتے ہیں تو ایسے تمام فارم منسوخ تصور کیے جائیں گے۔
- 5- فزیکل حصص کے ہینڈشل مالکان اور سی ڈی سی شیئرز رجسٹرار سروس لمیٹڈ (سی ڈی سی ایس آر ایس ایل) میں رجسٹرڈ حصص کے مالکان اور/یا ان کے عوضی اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ شناختی مقاصد کے لیے پیش کرنا ہوگا۔ باقاعدہ مکمل اور دستخط شدہ پراکسی فارم بینک میں مقررہ وقت پر جمع کروادیا جائے، جس پر دو گواہوں کے دستخط، نام، پتہ، کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر درج ہو۔ اس کے ہمراہ ہینڈشل مالک اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاسپورٹ کی تصدیق شدہ نقل بھی منسلک ہونا ضروری ہے۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی بمعہ نمونے کے دستخط جمع کروائی جائے (اگر پہلے سے پراکسی فارم کے ہمراہ جمع نہیں کروائی گئی)۔

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