

ENRICHING LIVES
EMPOWERING PEOPLE



SPREADING COLORS OF PROSPERITY

A N N U A L R E P O R T

2020

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The Bank of Punjab

The Bank of Punjab was established in 1989 through an act of Provincial Assembly of Punjab, as a non-scheduled Bank. The Bank earned the status of a scheduled Bank in 1994 and currently carries a vast network of 636 online branches spanned across the Country along with ATM network of 588 offering 24/7 banking services to its diverse clientele. The Bank's Head Office is located in Lahore.

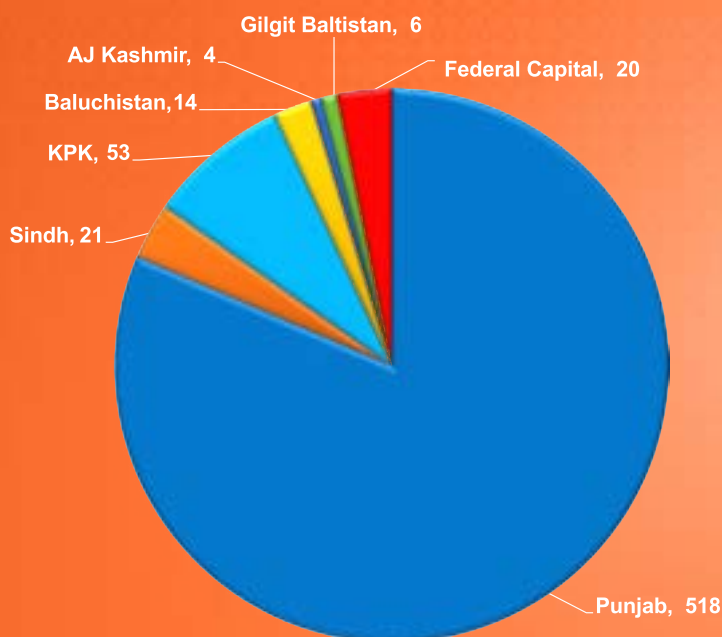
636	&	588
Branches		ATMs
24/7 BANKING SERVICES		

Geographical breakdown of Bank's branch network as on December 31, 2020 is as under:



Province/Territory	No. of Conventional Branches*	No. of Islamic Branches*	Total Branches*
Punjab	442	76	518
Sindh	20	1	21
KPK	39	14	53
Baluchistan	8	6	14
AJK	3	1	4
Gilgit Baltistan	6	-	6
Federal Capital	14	6	20
Total	532	104	636

*Including Sub Branches



The Government of the Punjab (GOPb) being majority shareholder and sponsor of the Bank, holds 57.47% shares of the Bank and it standouts among peer group as a robust & very rapidly growing commercial Bank. Currently, the Bank with a book size of over Rs. 1.0 trillion is 2nd largest Public Sector Commercial Bank of Pakistan.

Besides offering a range of permissible products and services to its clients for meeting their modern days' banking requirements, the Bank has also established its footprint in the areas of consumer financing, agriculture credit, corporate/wholesale & investment banking and Alternative Delivery Channels (ADCs). While achieving the objective of financial inclusion through its presence in remote and unbanked areas, the Bank is playing its due role in the economic growth of the Country.

The Bank launched Islamic Banking operations in the year 2013 and currently has a strong network of over 104 Taqwa Islamic Banking branches. The Bank is offering a wide range of Shariah compliant products and services to its valued clients through this platform, as well. Considering the better market response, the Bank plans to further enhance its Islamic Banking network in coming years.

The Bank of Punjab has following Subsidiaries:

1. Punjab Modaraba Services Private Limited
2. First Punjab Modaraba
3. Punjab Capital Securities Private Limited



VISION STATEMENT

“Your banking partner in creating value and improving lives”

MISSION STATEMENT

“Meet customer needs through innovative technology products/ services to drive business growth while promoting financial inclusion, diversity and prosperity across the nation with a motivated team through culture of excellence and empathy”

VALUES "E-time"

- Empathy - Teamwork - Innovation - Meritocracy - Excellence to ensure best in class customer service



Credit Rating	2020
Long Term	AA
Short Term	A1+

ENTITY RATINGS BY PACRA

Long Term: AA
Short Term: A1+

RATING DEFINITION

LONG TERM RATING

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

SHORT TERM RATING

A1+: Obligations supported by the highest capacity for timely repayment.



Products & Services

Details of some key conventional banking liability products are as under:

CURRENT DEPOSITS

TAJARAT CURRENT ACCOUNT

BOP Tjarat Account is a current account especially designed to cater needs of business Individuals as well as Business entities including but not limited to Proprietorships, Partnerships, Limited / Unlimited Companies, NGOs, NPOs, Trusts , business oriented government / Semi government entity and any legal entity

YOUTH EDUCATION ACCOUNT

It is a current account especially designed for young students of schools, colleges and universities up to 30 years of age with additional feature of Education Insurance.

CURRENT ACCOUNT

This is a basic current account to cater day to day banking needs of general public including individuals, partnership, Public / Private Limited Companies, Trust, Not for profit organizations, government and semi government organizations and any type of business entities.

LIFE CURRENT ACCOUNT

It is a current account especially designed to cater banking needs of individuals.

SALARY PLUS ACCOUNT

It is a current account designed for salaried individuals working for an organization that is maintaining its salary disbursement account with BOP with a focus on employees of govt/semi govt organizations, their allied corporations, autonomous bodies and private sector entities.

CURRENT DIRECT PENSION CREDIT ACCOUNT

It is a current account opened in the light of Supreme Court's SUO MOTO notice (in year 2007) regarding problems being faced by the pensioners and its subsequent order that pension may be disbursed through all branches of all the licensed banks in Pakistan. BOP Current Direct Pension Credit Account can be opened by any individual pensioner. Purpose of account opening will be specifically mentioned on the AOF as "Direct Credit of Pension" only.

BOP BASIC
BANKING ACCOUNT

It is a current account available especially for customers like students, mustehkeen-e-zakat, salary accounts of government and semi government employees, pensioners, widows and children of deceased employees eligible for family pension/benevolent fund grant.

BOP ASAAN
REMITTANCE
CURRENT ACCOUNT

Opening of a bank account to receive home remittances from our dear ones is not easy nowadays and involves a long list of formalities. The Bank of Punjab has introduced "BOP Asaan Remittance Current Account" to facilitate opening of bank accounts by low risk/ low income unbanked/ under banked customers for receipt of home remittances directly into bank account instead of resorting to traditional over the counter cash transactions. These segments of society may include but are not limited to skilled/unskilled work force, farmers, less educated/uneducated people, laborers/daily wagers, women/housewives, self-employed individuals, pensioners, young adult population etc.

BOP ASAAN
CURRENT ACCOUNT

Opening a bank account is not an easy task nowadays. A long list of formalities is required to open a bank account. The Bank of Punjab has introduced a simplified account "BOP Asaan Current Account". This is a current account for low risk/low income unbanked/under banked individuals who face difficulties in account opening due to strict requirements/formalities. These segments of society may include but are not limited to self-employed, pensioners, students, farmers, women/housewives, young adult population, work force etc.

SAVING DEPOSITS

BOP PLS SAVING
BANK ACCOUNT

It is a saving account available for general public, govt/semi govt organizations, companies, business entities etc who are eligible to open account as per bank's criteria.

BOP KISSAN DOST
CURRENT ACCOUNT

BOP Kissan Dost Current Account is a current account Agricultural Business Solution to cater to banking needs of agricultural sector.

BOP BEHTAREEN
MUNAFI ACCOUNT

It is a saving account for general public, govt./semi govt. organizations, companies, business entities etc. who are eligible to open account as per bank's criteria.

Products & Services

BOP CORPORATE PREMIER ACCOUNT

This is a saving account especially designed to cater the needs of business entities/corporate entities. Account can be opened singly or jointly.

BOP YOUNG LIONS SAVING ACCOUNT

It is a Saving account which provides a disciplined method of savings for children. The account will be opened with Parent/Guardian.

BOP PLS DIRECT PENSION CREDIT ACCOUNT

It is a saving account opened in the light of Supreme Court's SUO MOTO notice (in year 2007) regarding problems being faced by the pensioners and its subsequent order that pension may be disbursed through all branches of all the licensed banks in Pakistan. BOP PLS Direct Pension Credit Account can be opened by any individual pensioner. Purpose of account opening will be specifically mentioned on the AOF as "Direct Credit of Pension" only.

BOP KISSANDOST SAVING ACCOUNT

BOP Kissan Dost Saving Account is a saving account Agricultural Business Solution to cater to banking needs of agricultural sector.

BOP ASAAN SAVING ACCOUNT

Opening a bank account is not an easy task nowadays. A long list of formalities is required to open a bank account. The Bank of Punjab has introduced a simplified account "BOP Asaan Saving Account". This is a saving account for low risk/low income unbanked/ under banked individuals who face difficulties in account opening due to strict requirements/formalities. These segments of society may include but are not limited to self-employed, pensioners, students, farmers, women/ housewives, young adult population, work force etc.

BOP PLS LG ACCOUNT

In order to ensure monitoring of Local Govt. Accounts and to provide them required banking facilities, BOP has introduced a BOP PLS LG Account only for Local Government under Government of Punjab. All Local Government bodies as per Punjab Local Government Act, 2019 will be eligible to open this account including Metropolitan Corporation, Municipal Corporation, Municipal Committees, Town Committees, Tehsil Councils and Village Panchayats & Neighborhood Councils.

BOP FCY SAVING ACCOUNT

This is a foreign currency saving account available for all customers who are eligible to open foreign currency account with BOP as per Bank's criteria.

TERM DEPOSITS

BOP BONUS MUNAFI TERM DEPOSIT

BOP Bonus Munafa Term Deposit (BMTD) a term deposit available for general public i.e. anyone who is eligible to open bank account and invest as per bank's criteria. The term deposit can be booked singly or jointly.

BOP PLS TERM DEPOSIT

It is a saving account for general public, govt./semi govt. organizations, companies, business entities etc. who are eligible to open account as per bank's criteria.

BOP FOREIGN CURRENCY TERM DEPOSIT

BOP Foreign Currency Term Deposit is term deposit available for all customers who are eligible to open foreign currency account with BOP as per Bank's criteria.

RETAIL FINANCE

BOP CAR LEASE CARGAR

BOP Cargar (Auto Financing) is assisting the small and large businessmen, salaried individuals in fulfilling their desire of having a car of their own, by helping them to purchase local/ imported new or used vehicles at a very minimum documentation and flexible financing options with low down payment.

BOP APNA GHAR LOW COST HOUSING FINANCE

The Bank of Punjab, under guidance of State Bank of Pakistan through Prime Minister's NAYA Pakistan Housing Program and NAPHDA is contributing towards country's development and prosperity by fulfilling dreams of millions through financing for affordable (Low Cost) housing.

BOP APNA GHAR HOUSE FINANCING

Your home is the center of your world, a place where you find peace and comfort. BOP understands your desire to make your house truly your home. BOP House Financing ensures this happens.

BOP ADVANCE SALARY PERSONAL LOAN

A need based unsecured term loan that can help you meet your immediate financial needs, through cash pay back vide equal monthly installments.

Products & Services

SOLAR ENERGY

Power your home with solar energy Avail BOP's Revolutionary financing offer BOP is the pioneer bank in financing option for customers to purchase solar power on east terms and discounted prices.

CARVAAN FLEET FINANCING

Carvaan Asan is making efforts to explore new opportunities and expand the horizons by taking your business to new destinations. BOP Carvaan Fleet Financing is offering commercial vehicles on easy and simple financing options by leasing Cars, Vans, Small and Large Trucks etc. with Tracker facility.

KISSAN DOST PRODUCTION LOAN

To provide short-term facility to the Individual & Corporate farmers for purchase of Farm Inputs (Seeds, Fertilizers, Pesticides, Fungicides etc).

KISSAN DOST LEASE FINANCE FACILITY

The scheme has been designed to provide financial assistance to farmers for purchase of Agri implements/Machinery etc. exclusively for agri related activities.

KISSAN DOST COLD STORAGE FINANCE FACILITY

The purpose of this loan is to establish compartmentalized cold storage units where perishable Agri commodities can be stored for a longer duration to obtain a year round supply, reducing post-harvest losses.

KISSAN DOST LIVESTOCK DEVELOPMENT SCHEME

Encourage dairy farmers to establish dairy farm to meet the growing demand of dairy products at reasonable prices.

AGRI VEHICLE LEASING

All Commercial & Semi Commercial (Light Commercial) vehicles for Agricultural use.

SME PRODUCTS

Small and medium enterprises (SMEs) play an important role in economic and social development of Pakistan. They foster economic growth, generate employment and contribute to the development of a dynamic private sector. The whole economy of Pakistan is highly dependent on the pace and productivity of SMEs.

The Bank of Punjab is playing its due role in supporting Small & Medium Enterprise sector. In year 2013, BOP created SME Financing Department to specifically cater for the financial needs of Small & Medium Enterprises. This department has its representation in five zones which cover (5) Regions of the bank that cover not only the entire thirty four (34) Districts of the Punjab but also has its representation in other provinces of the country.

The department has wide array of products & services specifically tailor-made for the needs of Small & Medium Enterprises. This segment is manned with a dedicated team of professionals who have been provided adequate training to assess and evaluate the needs of Small & Medium Enterprises.

SOME OF THE SME LOAN PRODUCTS ARE:

1. Sonepe Sohaga
2. BOP Rapid Finance
3. SME Financing
4. BOP Supply Chain Finance
5. BOP Kamyab Karobar
6. BOP Apni Doka

CORPORATE AND INVESTMENT BANKING

LIABILITY PRODUCTS

The Bank of Punjab has recently created a new segment of “Corporate Banking” targeted at providing seamless banking services to its Commercial and Corporate clients by sharing maximum value with its relationships and to ensure improved services under one roof.

Dedicated teams of Relationship Managers ensure the delivery of our entire range of financial products and services to our clients and provide tailored financial solutions to the customers with respect to their business needs.

SOME OF THE CORPORATE BANKING LOAN PRODUCTS ARE AS UNDER:

- Project Finance
- Debt Syndications and Consortium Financing
- Corporate Finance
- Long Term/Demand Finance
- Working Capital Finance
- Letter of Credit, Contracts and Export collection services
- FE Loans, Pre and Post Shipment Export Financing
- Import Financing
- Bills Discounting
- Letter of Guarantees

TAQWA ISLAMIC BANKING PRODUCTS

LIABILITY PRODUCTS

BASIC BANKING ACCOUNTS

Basic Banking Account is based on the Islamic principle of Qard such that the Bank is the 'Borrower' and the depositor is the 'Lender'. Main purpose of introducing Basic Banking Account is to facilitate and provide basic banking facilities to the low income people.

CURRENT ACCOUNTS

Current Accounts are based on the Islamic principle of Qard such that the Bank is the 'Borrower' and the depositor is the 'Lender'.

PROFIT AND LOSS SHARING ACCOUNTS

The relationship between the Bank and customers holding Savings accounts shall be based on the principles of Mudaraba/ Musharakah, where the Bank shall be Mudarib and customers shall be Rabbulmal. Further, the relationship is based on unrestricted Mudaraba arrangement. The salient features of this account are as follows:

The minimum initial deposit will be Rs. 100/- However, no initial deposit would be required for opening of accounts by (i) Mustahkeen of Zakat, (ii) Students, (iii) Employees of Government or Semi Government institutions for salary and pension purposes (including widows/children of deceased employees eligible for family pension/benevolent fund grant, etc.) and other similar types of accounts.

Products & Services

TAQWA RAHAT CORPORATE ACCOUNT

The relationship between the Bank and customers holding Savings accounts shall be based on the principles of Mudaraba, where the Bank shall be Mudarib and customers shall be Rabbulmal. Further, the relationship is based on unrestricted Mudaraba arrangement.

TAQWA ASAAN SAVING ACCOUNT

The relationship between the Bank and customers holding Taqwa Asaan Savings accounts shall be based on the principles of Mudaraba, where the Bank shall be Mudarib and customers shall be Rabb-ul-maal. Further, the relationship is based on unrestricted Mudaraba arrangement.

TAQWA RAHAT ACCOUNT

The relationship between the Bank and customers holding Savings accounts shall be based on the principles of Mudaraba, where the Bank shall be Mudarib and customers shall be Rabbulmal. Further, the relationship is based on unrestricted Mudaraba arrangement.

TAQWA BUSINESS ACCOUNT

With TAQWA Business Account customers can now transact their entire banking related activities nationwide through single platform. Additionally, this product is packed with exclusive free of cost services which will facilitate customers on every touch point of their business cycle to ensure business prosperity and growth.

RIBA FREE CERTIFICATES (TERM DEPOSITS)

The relationship between the Bank and customers holding Riba Free Certificates shall be based on the principles of Mudaraba-tul-Musharakah, where the Bank shall be Mudarib and customers shall be Rabbulmal. Further, the relationship is based on unrestricted Mudaraba arrangement.

TAQWA MEHERBAAN CERTIFICATE

TAQWA Meherbaan Certificate (TMC) is structured within the realm of Mudarabah principles which offer's small/medium depositors a medium term low risk and high return avenue with regular stream of profit to cater their house hold and other domestic needs.

TAQWA ASAAN CURRENT ACCOUNT

Taqwa Asaan Current Account is based on the Islamic principle of Qard, such that the Bank is the 'Borrower' and depositor is the 'Lender'.

TAQWA DIRECT PENSION CREDIT ACCOUNT

Taqwa Direct Pension Credit Account is a depository account which aims at providing the necessary tool for pensioners to transact their entire Pension payment related activities through single platform. This account can be opened by any individual/single pensioner.

TAQWA ASAAN REMITTANCE ACCOUNT

Taqwa Asaan Remittance Account will facilitate low income/ unbanked customers to receive home remittances through proper account instead of resorting to traditional cash over counter transactions.

ISLAMIC FINANCING PRODUCTS

MURABAHA FINANCING

Murabaha means a sale of goods by a person to another under an arrangement whereby the seller is obliged to disclose to the buyer the cost of goods sold either on cash basis or deferred payment basis and a margin of profit included in the sale price of goods agreed to be sold. Murabaha is transacted in tangible assets only. Murabaha shall not be transacted in respect of any debt instrument including receivables. Being a sale transaction, it is essential that the commodities which are the subject of sale in a Murabaha transaction must exist, owned by the seller and in his physical or constructive possession.

Therefore, it is necessary that the seller must have assumed the risks of ownership before selling the commodities to the buyer/customer. It is a fixed price sale and normally is done for short term. The transaction can be used in order to meet the working Capital requirements by way of purchase of goods. It cannot be used to meet overheads payments such as settlement of utility bills or payment of salaries or settlement of amounts owed to others. Murabaha, as a mode of financing, has become synonymous with facility sale of goods by the Banks. As such, almost all kinds of businesses, including those providing services (hotels & hospitals, e.g.) may be the target for Murabaha facilities for their tangible assets or inventory.

DIMINISHING MUSHARAKAH FINANCING

Diminishing Musharakah (DM) is a form of co-ownership in which two or more people share the ownership of a tangible asset in an agreed proportion and one of the co-owners undertakes to buy in periodic installments the proportionate share of the other co-owner until the title to such tangible asset is completely transferred to the purchasing co-owner.

Diminishing Musharakah can be created only in tangible assets. It shall be limited to the specified Asset(s) and not to the whole enterprise or business. Proportionate share of each co-owner must be known and defined in terms of investment. There will be an undertaking by one of the co-owners to the effect to purchase the units of other co-owner at a mutually agreed price until the entire ownership of the asset is transferred to the purchasing co-owner.

Additionally, an undertaking shall be given by the other owner to the effect that he will sell the units owned by him to the first co-owner in the event the latter desires to purchase the units earlier than the agreed schedule on such price as may be mutually agreed. Also rental agreement is in place with customer enabling bank to collect the rental on bank's rented share to customer.

Products & Services

IJARAH

Ijarah refers to a transaction where the corpus of leased assets remains in the ownership of the Lessor and the Lessee is allowed to benefit from the usefulness of these assets (i.e., their usufruct) for a consideration. Only those assets can be leased which can be used while retaining their original form, e.g., land, building, machinery, tools, crockery & cutlery. During the entire term of the lease, the Lessor must retain title to the assets, and bear all risks and rewards pertaining to ownership. However, if any damage or loss is caused to the leased assets due to the fault or negligence of the Lessee, the consequences thereof shall be borne by the Lessee.

The consequences arising from non-customary use of the asset without mutual agreement will also be borne by the Lessee. The Lessee is also responsible for all risks and consequences in relation to third party liability, arising from or incidental to operation or use of the leased assets. The insurance/takaful of the leased asset preferably are in the name of Lessor and the cost of such insurance/takaful borne by him. The amount of rental must be agreed in advance in an unambiguous manner either for the full term of the lease or for a specific period in absolute terms.

ISTISNA

Istisna is a mode of sale, at an agreed price, whereby the buyer places an order to manufacture, assemble or construct, or Cause so to do anything to be delivered at a future date. Price of the goods to be manufactured must be fixed in absolute and unambiguous terms. The agreed price may be paid in lump sum or in installments in the matter mutually agreed by the parties.

Unless otherwise mutually agreed, any party may cancel the contract unilaterally if the seller has not incurred any direct or indirect cost in relation thereto. If goods manufactured conform to the specifications agreed between the parties, the purchaser cannot decline to accept them except if there is an obvious defect in such goods. However, the agreement can stipulate that if the delivery is not made within the mutually agreed time period, then the buyer can refuse to accept the goods. The BOP IBD (buyer in Istisna) can enter into a Parallel Istisna contract without any condition or linkage with the original Istisna contract. In one of them, the BOP IBD will be the buyer and in the second the seller. Each of the two contracts shall be independent of the other. They cannot be tied up in a manner that the rights and obligations of one contract are dependent on the rights and obligations of the parallel contract.

Further, Parallel Istisna is allowed with a third party only. In Istisna transactions the buyer shall not, before taking possession (actual or constructive) of the goods sell or transfer ownership in the goods to any other person. If the seller fails to deliver the goods within the stipulated period, the price of the commodity can be reduced by a specified amount per day as per the agreement. Also Murabahah can be done instead of parallel Istisna.

RUNNING MUSHARAKAH

Running Musharakah is Shariah compliant alternative of Running Finance Facility available in conventional banking system. Running Musharakah is based on the concept of Musharakah. The word Musharakah is derived from the Arabic word Shirkah meaning partnership. Islamic jurists point out that the legality and permissibility of Musharakah is based on the injunctions of the Qur'an, Sunnah, and Ijma (consensus) of the scholars.

Purpose of extending Running Musharakah facility is to finance working capital requirements of customer. Unlike Murabaha where finance is allowed for a specific purpose (sale/ purchase of item). In Running Musharakah, customer can utilize the funds for any of its Shariah Compliant working capital requirements.

ALTERNATIVE DELIVERY CHANNELS

Following payment segments have been merged under the umbrella of Digital Banking Group:

- Alternate Distribution Channels
- Payment Card Products
- Cash Management Department
- Branchless Banking
- BOP Contact Center

The Bank has also taken various initiatives under Alternate Delivery Channels (ADC) to provide different services to its valuable clients, successfully introducing the following services:

- BOP Debit MasterCard
- SMS Banking
- BOP Mobile Banking
- Utility Bills Payment System
- Interbank Funds Transfer
- BOP Phone Banking & Telesales Unit
- Customer Relationship Management (CRM) solution
- Branchless Banking platform
- Cash Management payments system
- BOP Tap & Pay for QR based payments
- Electronic Statements
- Mastercard 3D Secure

Corporate Information

BOARD OF DIRECTORS

Mr. Mohammad Jehanzeb Khan.....Director
Mr. M. Abdullah Khan Sumbal.....Director
Dr. Muhammad Amjad SaqibDirector
Mr. Shaharyar AhmadDirector
Syed Ghazanfar Abbas Jilani.....Director
Khawaja Farooq SaeedDirector
Mr. Saeed Anwar.....Director
Mr. Zafar Masud.....President & CEO

Mr. Kamran HafeezSecretary to the Board
Mr. Nadeem Amir.....Chief Financial Officer

AUDITORS

EY Ford Rhodes, Chartered Accountants

REGISTERED OFFICE

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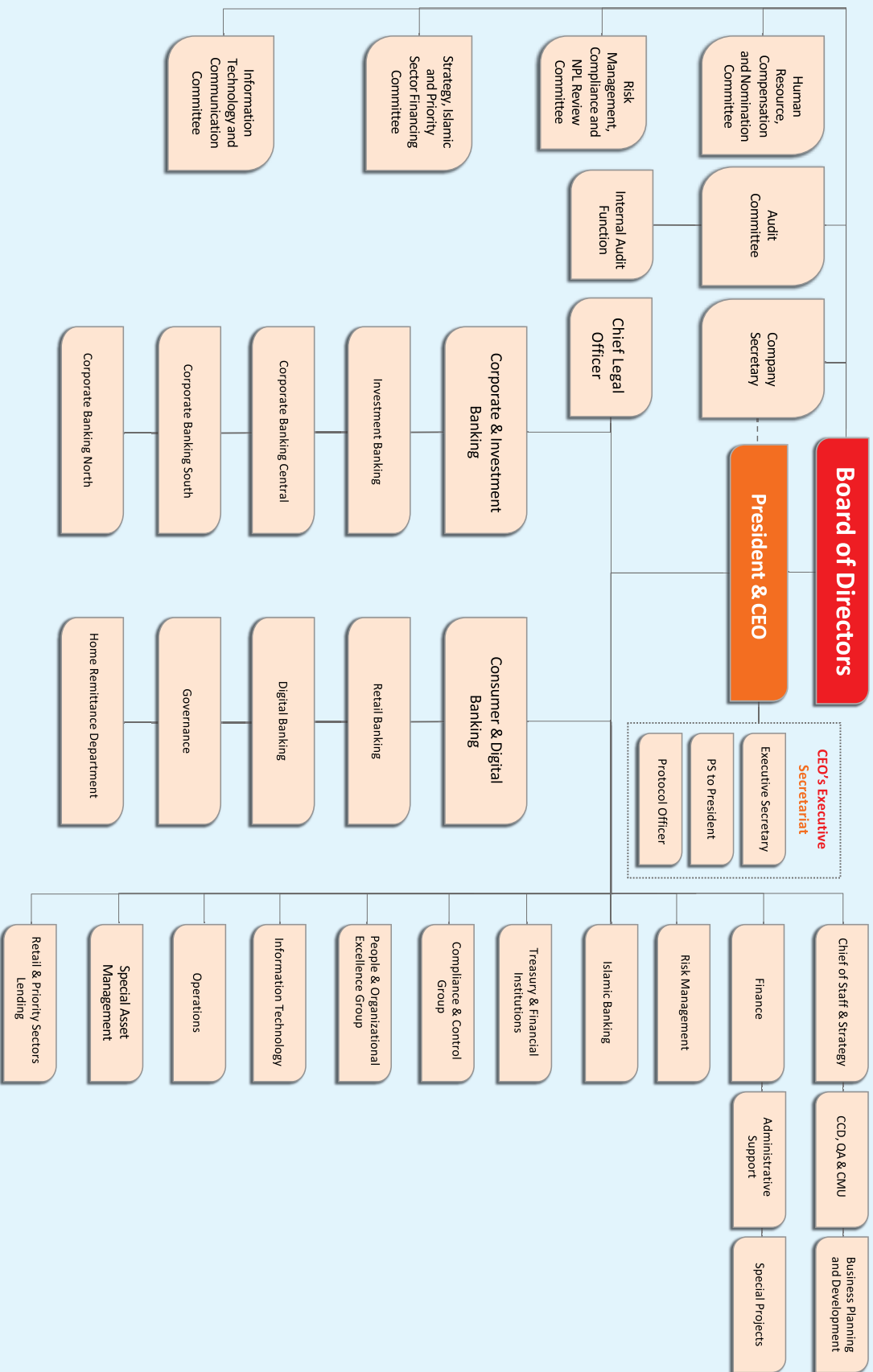
REGISTRAR

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Organogram & Organizational Structure:



Board of Directors



Standing from Left to Right

- Dr. Muhammad Amjad Saqib
- Mr. Saeed Anwar
- Mr. Muhammad Jehanzeb Khan
- Khawaja Farooq Saeed
- Mr. Shaharyar Ahmad
- Mr. Zafar Masud
- Syed Ghazanfar Abbas Jillani
- Mr. M. Abdullah Khan Sumbal

Board of Directors Composition

As of December 31, 2020, composition of Bank's Board of Directors is as under:

1	Mr. Mohammad Jehanzeb Khan	Director
2	Mr. M. Abdullah Khan Sumbal	Director
3	Dr. Muhammad Amjad Saqib	Director
4	Mr. Khawaja Farooq Saeed	Director
5	Mr. Saeed Anwar	Director
6	Mr. Shaharyar Ahmad	Director
7	Mr. Syed Ghazanfar Abbas Jilani	Director
8	Mr. Zafar Masud	President & CEO

Annual Performance Evaluation of the Board

The Board of Directors at the Bank of Punjab has the responsibility of devising strategies that contribute towards achieving the goals and objectives and overall direction for Management's compliance with laws, rules and regulations, including directives issued by State Bank of Pakistan, Securities & Exchange Commission of Pakistan, requirements of the Bank of Punjab Act, 1989, provisions and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017 the Listed Companies (Code of Corporate Governance) Regulations, 2019.

In line with the requirements of the Regulation No. 10(3)(v) of Listed Companies (Code of Corporate Governance) Regulation, 2019 and SBP BPRD Circular No.11 of 2016, dated 22.08.2016, on Performance Evaluation of Board of Directors, a formal and effective mechanism is in place for Board and its Committees' performance including individual members, since 2016.

Following key areas are broadly covered in performance evaluation of the Board, with a view to achieve strategic goals of the Bank:

- Appropriate Composition and effectiveness of the Board of Directors and Sub-Committees.

- Development of strategies
- Contribution towards robust and effective Risk Management
- Effectiveness of Internal Controls and Audit Function
- Disclosure of material information
- Performance of the management
- Quality and value of contribution of Directors in Board and Committee meetings.

The performance evaluation mechanism covers aspects of Board's structure, size, composition, responsibilities and processes including detailed analysis of the aspects where the board thinks it can improve and plan an action to address issues.

The Board of Directors at the Bank of Punjab has efficiently managed their entrusted roles and responsibilities towards ensuring maximum shareholder value to navigate the Bank in the right direction.

Brief Profile of Board Members



Mr. Mohammad Jehanzeb Khan

Mr. Mohammad Jehanzeb Khan is serving as Deputy Chairman Planning Commission, Government of Pakistan. He did his MBBS from University of Peshawar and MBA (Public Service) University of Birmingham, UK. He held various positions in Government and has 24 years diversified professional experience. His professional expertise includes Public sector financial management.



Mr. Muhammad Abdullah Khan Sumbal

Mr. Muhammad Abdullah Khan Sumbal is an officer of Pakistan Administrative Services. He has held various senior positions in Government of the Punjab and has diversified professional experience in his credit. He obtained his degrees of MA in Economics from University of the Punjab, Lahore and MSc in Development Administration and Planning from University College London, United Kingdom.

Mr. Sumbal has also been a visiting teacher and speaker at renowned Universities at National Level. He has written various papers and drafted official documents. He has participated in various trainings/workshops/conferences/seminars at National & International levels.



Dr. Muhammad Amjad Saqib

Dr. Muhammad Amjad Saqib is a prominent social worker, highly sought consultant, and a distinguished literary figure of our country. He graduated from King Edward Medical College Lahore, The American University, Washington DC, USA and joined civil service of Pakistan (DMG) in 1985. While moving towards higher echelons in his dynamic career, he resigned in 2003 with an intent to dedicate himself to become a social entrepreneur and bring about paradigm shift in the society by founding a unique interest free microfinance organization- "Akhawat" wherein he is Founding chairman/Executive Director. Akhawat, now the largest interest free microloans program in the world, being envisioned with a commitment for a poverty free society had disbursed over \$1000 million on various initiatives. Dr. Saqib renders honorary services for many Civil Society Organizations and NGOs besides Akhawat.

He has been awarded "Life Time Achievement Award, 2014" by Abu Dhabi Islamic Bank (ADIB) and Thomson Reuters in 2014. He was declared Social Entrepreneur of the Year 2018 by Schwab Foundation and World Economic Forum. Her Majesty the Queen Elizabeth awarded Dr. Amjad Saqib the Commonwealth's 31st Point of Light award in 2018 in recognition of his exceptional services in poverty alleviation in Pakistan. The President of Pakistan awarded him "Sitara-a-Imtiaz" in 2010 on account of his contributions made for social development and poverty alleviation.



Khawaja Farooq Saeed

Khawaja Farooq Saeed is a retired Justice of Lahore High Court, Lahore and former Chairman, Income Tax Tribunal Pakistan. He holds M.A and LL.B from Punjab University. He holds Role of Honor from Government College, Lahore. He was awarded Pakistan National Blue, three Gold, three Silver and three Bronze medals in National Games of Pakistan. He has attended dozens of international conferences, seminars in the field of Fiscal Law, enjoyment sports for all, sports for peace and sports leadership, in and outside Pakistan. He also contributed various papers and delivered a number of lectures.



Mr. Saeed Anwar

Mr. Saeed Anwar is a senior retired banker having 26 years of varied and rich banking experience. He started his career in UBL in 1967 as an Officer; he rose to the position of SEVP. He remained member Board of Directors United Bank Ltd. and Allied Bank of Pakistan during the period from 1996 to 2002. He was associated as a Chairman of National Savings Government of Pakistan on a brief assignment during Oct-2000 to Jul-2001. Thereafter, he served on various advisory assignments of United Bank Ltd., SMEDA, Zari Taraqiati Bank Ltd., and Global Trade Corporation, CANADA.

He holds B.Sc. (Hons) Chemical Engineering and M.Sc. Chemical Technology from Punjab University, Lahore. He is also a fellow of Institute of Bankers in Pakistan.



Mr. Shaharyar Ahmad

Mr. Shaharyar Ahmad has over 38 years of diversified domestic and international banking experience. He started his banking career with Bank of Credit and Commerce International. S.A. London in 1976. He served in various senior level positions at Banco de Descuento (BCC Espana) Madrid, Spain, National Commercial Bank, Jeddah, Saudi Arabia, Barclays Bank (Suisse) SA Geneva, Switzerland, Escorts Investment Bank, Prime Commercial Bank Limited, United Bank Limited and President/Chief Executive Officer Askari Bank Limited. His last assignment was Managing Director/CEO Pakistan Kuwait Investment Company (Pvt) Limited. During his long and illustrious career he remained on Board of Directors of Khushali Bank, Karachi Stock Exchange, Escorts Investment Bank, Islamabad Stock Exchange, Pak Kuwait Takaful Company Ltd, Meezan Bank Ltd, Bank of Khyber and various other companies.

He graduated in Economics from Government College Lahore and served articles with Deloitte Touche Ross, Chartered Accountants, London.



Syed Ghazanfar Abbas Jilani

Syed Ghazanfar Abbas Jilani joined Pakistan Audit and Accounts Service in 1984 and retired as Federal Secretary, Economic Affairs Division, Ministry of Finance in 2018. During his long and distinguished career he has held various senior positions in the Government and has diversified professional experience to his credit.

He remained posted in Pakistan and USA in various capacities having close interactions with donors like the World Bank, Asian Development Bank, Islamic Development Bank, Asian Infrastructure Investment Bank, United Nations Development Program, European Union and Bilateral Economic Development Partners.

He was on the Board of Directors of Pak-Arab Refinery Company, Pakistan International Airlines Company, Sui Southern Gas Company Limited, Government Holding Private Limited, National Highway Authority, National Engineering Services Pakistan, Pakistan Television and Islamabad Electric Supply Company.

His international exposure comprises as first Secretary in Pakistan's Mission to United Nations, delegate to the UN General Assembly and the focal person for Plenary Session to General Assembly. He held various positions as nominee of the Government of Pakistan i.e. i) Alternate Governor of the World Bank, Washington DC, ii) Alternate Governor of Asian Development Bank, Manila, iii) Asian Infrastructure Investment Bank, Beijing, iv) Alternate Governor and Director of Islamic Development Bank and member of Finance Committee, v) Director Pak-China Investment Company Limited and was Chairman of its Finance Committee.

He was leader of Pakistan's delegation to the Annual meeting of the Islamic Development Bank in Tunisia (2018), Asian Development Bank in Manila, Philippines (2018) and Asian Infrastructure Investment Bank at Mumbai, India (2018). Attended World Bank/IMF Spring Meeting in Washington DC and Annual Meetings of the World Bank/IMF in Bali, Indonesia.

He holds a Masters degree in Business Administration and Bachelors with Major in Economics from Government College Multan.



Mr. Zafar Masud

Zafar Masud is a seasoned banker and entrepreneur, focus on Development Finance, with 27 years of proven track record of success and delivery. Served at top positions for multinational banks in Pakistan and abroad, including Regional Managing Director & CEO for Southern Africa, Barclays Bank plc. - responsible for three countries and represented on Board of Directors, managing total balance sheet size of US \$ 3Bn and around 10,000 people. Worked at senior levels in Citibank, Dubai Islamic Bank and American Express Bank.

Before that until August 2018, worked as Director General, National Savings, Ministry of Finance. Initiated digitization of organization, including online banking and ATM Cards with the support of Gates Foundation, DfID and World Bank. Successfully included Persons with Disabilities and Shuhadah Families in welfare products of National Savings and set in motion launch of Overseas Pakistanis Savings Certificates.

Most recently, was working as CEO (Interim) for InfraZamin Pakistan - a DfID, UK driven initiative - a first of its kind credit enhancement company for social infrastructure financing in Pakistan.

Has extensive experience of working at Board of Directors level for major public and private sector entities including State Bank of Pakistan, Member of Independent Monetary Policy Committee, Oil & Gas Development Company Limited, Port Qasim Authority, Quaid-e-Azam Thermal Power (Private) Limited and Gadoon Textile Mills Limited.

Member of IMF motivated Task Force on Framing SOE Law, set-up by the Ministry of Finance.

Regular contributor to the local media on the topics of finance, economics and energy.

Board Committees Composition and Terms of Reference

BOARD AUDIT COMMITTEE (BAC)

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

Terms of Reference

TORs of the Committee include ensuring, inter alia:

- Review of annual and interim financial statements of the Bank, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, going concern assumption, any changes in accounting policies and practices, compliance with applicable accounting standards, compliance with Regulations and other statutory and regulatory requirements; and all related party transactions;
- Review of preliminary announcements of results prior to external communication and publication;
- Facilitating the external audit and discussion with external auditors of 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 of management letter issued by external auditors and management's response thereto;
- Internal audit reports are provided to external auditors for the review and that auditors shall discuss any major findings in relation to the reports with the audit committee, which shall report matters of significance to the Board;
- Determination of appropriate measures to safeguard the Bank's assets;
- Coordination between the internal and external auditors of the Bank;
- Review of preliminary announcements of results prior to external communication and publication;
- External auditor (or a person involved in the audit of the bank) is not a close relative (i.e. Spouse, parents, dependents and non-dependent children) of the CEO, the CFO, the CIA, Company Secretary or a Director of the Bank;
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;
- Review of Management Letter issued by external auditors and management's response thereto;
- Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Bank;
- Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- Review of summary of quarterly report on frauds/ forgeries/ dacoities;
- The systemic gaps, if any, that facilitated perpetration of fraud have been filled and actions being taken by the management to curb such incidents in the future;
- Identify the reasons for delay in detection and reporting to the senior management of the bank and SBP, if any;
- Monitor progress of investigations, court cases and recoveries position of cases of Rs. 0.5 million and above;
- Review the efficacy of remedial actions taken to prevent recurrence of frauds/ forgeries/ dacoities such as strengthening of internal controls, etc;
- Supervise the Whistle Blowing Unit;
- Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording and the reporting structure are adequate and effective;
- Review of the Bank's statement on internal control systems prior to endorsement by the Board and internal audit reports;
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive

officer and to consider remittance of any matter to the external auditors or to any other external body;

- Determination of compliance with relevant statutory requirements;
- Monitoring compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 and identification of significant violations thereof;
- Monitoring compliance with relevant applicable regulations and identification of significant violations thereof;
- Recommending to the Board the appointment of external auditors, their removal, audit fees and related matters;
- Consideration of any other issue or matter as may be assigned by the Board.

RISK MANAGEMENT, COMPLIANCE AND NPL REVIEW COMMITTEE (RMC&NRC)

Mr. Shaharyar AhmadChairman
 Dr. Muhammad Amjad SaqibMember
 Mr. Khawaja Farooq SaeedMember
 Mr. Syed Ghazanfar Abbas JilaniMember

Terms of Reference

TORs of the Committee include ensuring, inter alia:

- Monitoring and review of all material controls (financial, operational, compliance and risk management);
- Risk mitigation measures are robust and integrity of financial information;
- Appropriate extent of disclosure of Bank's risk framework and internal control system in Directors report;
- In addition to oversight and monitoring of ML/TF/PF risks posed to the entity, also be responsible for ensuring that entity has implemented effective AML/CFT controls (preventive measures) including Targeted Financial Sanctions (TFS) related to TF & PF, STR/CTR;
- The Board of Directors of the Bank has the ultimate responsibility of guiding and overseeing

the design and implementation of enterprise wide Compliance Risk Management Program in the Bank. The CF should assist the Board / Committee in monitoring the Bank-wide implementation of Compliance Program and the level of compliance risk that the Bank is faced with at any given point in time.

- Approve "Compliance Risk Strategy" (as part of Bank's overall risk strategy) and allied Policies of the Bank and oversee its implementation across the entity in letter and spirit;
- Establishment of a robust Compliance Function (CF) compatible with Bank's overall risk management strategy, risk profile and complexity of operations, with required authority, independence, financial resources and quality human resources.
- Approve an end to end compliance program that promotes and supports compliance risk management across the organization, at every hierarchal level of the Bank;
- Discuss compliance issues regularly, ensuring that adequate time and priority is provided in the Board agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously.
- Evaluate the effectiveness of Bank's overall management of compliance risk, at least annually; keeping in view the regulatory observations in onsite examinations, regulatory enforcement actions, internal assessments/feedback from Internal Audit Function (IAF), compliance reviews, as well as interactions with the Chief Compliance Officer (CCO).
- The Committee shall be responsible to, on advice of CEO, approve the appointment of CCO with sufficient experience, expertise, skills and qualifications to perform CCO's functions in an effective manner and related matter;
- Review the minutes of Compliance Committee of Management meetings to ascertain its effectiveness in managing compliance risk.
- Review the progress in implementing remedial actions taken with respect to instances of non-compliance or control weakness as identified by CF through its regular 'Compliance Reviews' and / or various other sources.

- Review and approve the “Internal Risk Assessment Report” of the Bank;
- Receive and review Bank’s standardized report/ MIS on the ML/ TF/ PF risks posed to the Bank and the effectiveness of available AML/ CFT controls (preventive measures), on a Quarterly basis;
- Make recommendations to the Board of Directors in ascertaining Bank’s risk appetite, formulating strategy and policies for managing risks and establish adequate systems and controls to ensure that overall risk remain within acceptable level and the reward compensate for the risk taken, make recommendations to the Board of Directors for approval of any material exceptions to the Risk Management Policies and tolerances;
- Recommend to the Board the Bank’s Credit Risk Strategy and Significant Policies relating to Credit Risk and its management which should be based on the Bank’s overall Business Strategy.
- Recommend to the Board the bank’s overall risk tolerance in relation to credit risk.
- Bank’s overall credit risk exposure is maintained at prudent levels and consistent with the available capital.
- Top management as well as individuals responsible for credit risk management possess sound expertise and knowledge to accomplish the risk management function;
- Bank implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of credit risk;
- Appropriate plans and procedures for credit risk management are in place.
- Bank’s overall market risk exposure is maintained at prudent levels and consistent with the available capital.
- The Bank implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of market risk.
- Adequate resources (technical as well as human) are devoted to market risk management;
- Devise policies and guidelines for identification, measurement, monitoring and control for all major risk categories;
- The Bank has clear, comprehensive and well documented policies and procedural guidelines relating to risk management and the relevant staff fully understands those policies;
- Reviewing and approving market risk limits, including triggers or stop losses for traded and accrual portfolios;
- Robustness of financial models, and the effectiveness of all systems used to calculate market risk, ensure that the Bank has robust Management information system relating to risk reporting;
- Review Policy for management of risks particularly in the areas of Credit, Market, Interest Rate, Liquidity, Operational, Technology, Information / Cyber Security, Shariah Compliance, Legal, Country, Financial Institutions, Conduct, Compliance, Money Laundering, Terrorism Financing, Proliferation Financing, and Reputational Risks;
- Review and recommend to the Board well defined and transparent write-off policy and review and recommend to the Board any write offs of irrecoverable / bad loans;
- There is an effective, integrated Operational Risk Management Framework which should incorporate a clearly defined organizational structure, with defined roles and responsibilities for all aspects of operational risk management/ monitoring and appropriate tools that support the identification, assessment, control and reporting of key risks;
- Review and propose to the Board the delegation of adequate and appropriate powers down the line to ensure proper management and supervision of write-offs of bad/irrecoverable loans/advances;
- Effective internal control and supervisory mechanism is in place for write offs of bad/ irrecoverable loans/advances;
- Review the report of NPLs and write offs and major rescheduling / restructurings on quarterly basis;

- While the ultimate accountability for Operational Risk Management rests with the Board, and the level of risk that the Bank accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business;
- The Committee shall be responsible for oversight of the IFRS 9 implementation process;
- Constitute an IFRS 9 Project Steering Committee to administer the Project;
- Review and approve Bank's transition plan for IFRS 9 implementation;
- Review the progress against the transition plan on a Quarterly basis;
- Smooth implementation of IFRS 9 within the timelines stipulated by State Bank of Pakistan.

HUMAN RESOURCE, COMPENSATION AND NOMINATION COMMITTEE (HRC&NC)

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

Terms of Reference

TORs of the Committee include ensuring, inter alia:

- A fair, transparent and competitive remuneration mechanism be developed and put in place that encourages the culture of "pay for performance";
- Consideration and approval of policy framework for determining remuneration of directors;
- Recommending to the Board, the structure of compensation package of Executive Directors, President & CEO, Key Executives and any other employee or group of employees institution-wide; recommendations will then be approved at appropriate level either by shareholders or by the Board of Directors according to legal and regulatory requirements;
- Approving the appointment, compensation package (including retirement benefits), promotion/demotion and renewal of the

employment contracts of Key Executives (as defined in HR Policy except Chief Operating Officer or equivalent, Chief Financial Officer, Company Secretary and Head of Internal Audit);

- Bank wide remuneration policy should take into account all cadres of employees;
- Review the Remuneration Policy and remuneration setting mechanism at least once every three years; Key aspects of Remuneration Policy would be to develop separate structures of remuneration for Material Risk Controllers (MRCs) and Material Risk Takers (MRTs);
- Undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its Committees either directly or by engaging external independent consultant;
- Recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of Group Chiefs / SEVP- G, Chief Financial Officer and Company Secretary;
- Consideration and approval on recommendations of the President & Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Group Chiefs / SEVP- G;
- Considering and making recommendations to the Board in respect of the Board's Sub-Committees and the Chairmanship of the Board's Sub-Committees;
- Keeping the structure, size and composition of the Board under regular review and for making recommendations to the Board with regard to any changes necessary;
- Additional disclosures on Governance and Remuneration in the Annual Financial Statements of the Bank are made as required by "Revised Guidelines on remuneration Practices" issued vide SBP's BPRD Circular No. 01 of 2017 dated 25.01.2017;
- Oversight of various Human Resource functions including but not limited to review of Bank's organizational structure, training and development, implementation of HR plans, HR MIS, succession planning of key executives etc.

STRATEGY, ISLAMIC AND PRIORITY SECTOR FINANCING COMMITTEE (SI&PSFC)

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

Terms of Reference

TORs of the Committee include ensuring, inter alia:

- Review and recommend to the Board the 'Corporate Strategy' of the Bank;
- Review on an annual basis, the Annual Business Plan, Cash flow Projections, Forecasts and Strategic Plan presented by the Management of the Bank and recommend these for the approval of the Board of Directors;
- Making recommendations to the Board of Directors in introducing the necessary mechanisms and risk management systems to safeguard the interests of Investment Account Holders /Profit and Loss Sharing depositors;
- Appointment of Shariah Board to perform the functions as stipulated in the "Shariah Governance Framework for Islamic Banking Institutions" and to take appropriate measures for introducing and implementing an effective Shariah compliance framework;
- Recommending to the Board of Directors the approval of the TORs of the Shariah Board and fix remuneration of the Shariah Board members;
- Review the potential and competitive status of Taqwa Islamic Banking and suggest policy measures for its growth in line with its future vision;
- Review the quarterly accounts of Taqwa Islamic Banking alongwith comparative analysis of Islamic Banks / Islamic Banking Operations in Pakistan;
- Review the existing Islamic Banking lending and deposit products of the industry and suggest enhancement to such products and / or discuss characteristics of new products;

- Work for promotion of financial inclusion through Islamic Banking under guidelines of the State Bank of Pakistan;
- Oversee Bank's Performance in financing to 'Priority Sectors' i.e. Agriculture, Housing and SME Segments.;
- Periodically review, at least on a half yearly basis, the Business Strategies and their outcome and future business plans;
- Periodically review, at least on a half yearly basis, performance of new initiatives, products etc. introduced for business growth;
- Periodically review, at least on a half yearly basis, portfolio growth trends, exposure concentrations and geographical distribution;
- Periodically review, at least on a half yearly basis, the performance versus internal and regulatory targets;
- Periodically review, at least on a half yearly basis, the measures taken for capacity building of staff through in-house and external training;
- Periodically review, at least on a half yearly basis, the use of technology to strengthen credit appraisal and monitoring.

INFORMATION TECHNOLOGY AND COMMUNICATIONS COMMITTEE (ITCC)

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

Terms of Reference

TORs of the Committee include ensuring, inter alia:

- To establish a comprehensive enterprise technology governance framework which defines the leadership, organizational structures and processes to ensure that the Bank's technology sustains and extends the enterprise's strategies and objectives; to make recommendations to the Board to this end;

- Review and approve an IT Governance Framework to ensure that Bank's IT supports and enables the achievement of corporate Strategies and objectives, the Committee shall be responsible to recommend to the Board the IT Governance Framework;
- Review and approve "IT Strategy" and "Digital Strategy" in line with the business strategy of the Bank and monitor and update the same on regular basis keeping in view potential opportunities and threats;
- Establish an efficient and effective IT organization structure in line with the IT governance framework, the Committee shall be responsible to make recommendations to the Board to this end;
- Technology risks are integrated with the enterprise risk management function to achieve security, reliability, resiliency, interoperability and recoverability of data/information and information assets; make recommendations to the Board in this regard;
- Review technology related policies and review the same periodically in light of major technological/regulatory developments at least after every three (03) years; recommend to the Board the technology related policies.
- Review relevant policies of Digital and Branchless Banking before approval of the Board;
- Review digital products and trends prevalent in the industry along with comparative analysis with peer banks;
- Risk management strategies pertaining to Digital initiatives are designed and implemented to achieve resilience, mitigating risk avenues, and service disruptions.
- Maintenance of an independent and effective Technology Audit Function commensurate with the complexity of Bank's technology risk profile; make recommendations to the Board in this respect;
- Resource gaps (people, process & technology) identified by the management are adequately and timely fulfilled; make recommendations to the Board to this end;
- Skills required for technology governance, service delivery, information security and risk management are sufficient and upto date; make recommendations to the Board in this regard;
- Approve and receive periodic updates on major technology related projects that may have significant impact on Bank's operations, earnings or capital, and shall also define the criteria for major projects; make recommendations to the Board in this respect;
- Risk management strategies are designed and implemented to achieve resilience, such as the ability to effectively respond to wide-scale disruptions, including Cyber Attacks and attacks on multiple critical infrastructure sectors;
- Technology procurements are aligned with the IT strategy and approved by the Board;
- Formulate a comprehensive policy on due-diligence and risk management of Cloud Service Provider; make recommendations to the Board for approval of this policy;
- Review and recommend to the Board Business Continuity Plan (BCP) based on a comprehensive BIA and risk assessment exercise;
- Reporting and advising to the Board on status of Digital initiatives, and programs;

Shariah Advisor Board Composition and Profile

Currently, Bank's Shariah Board consists of following members:

1. Mufti Muhammad Zahid
2. Dr. Mufti Ejaz Ahmad Samadani
3. Mufti Rafey Ashraf Usmani

BRIEF PROFILE OF MEMBERS:

Mufti Muhammad Zahid (Chairman Shariah Board)

Mufti Muhammad Zahid is a renowned personality in the field of Shariah having a long association of 26 years while serving as a teacher in various branches of Islam & Arabic language, Vice President of Jamialmdadia Faisalabad and member of its Dar-ul-Ifta since 1989.

Mufti Muhammad Zahid is working as General Secretary Centre for Islamic Economics, Faisalabad, Member Regional Focus Group on Islamic Banking State Bank of Pakistan, Member Shariah advisory cell International Islamic University Islamabad, Member Executive Committee International League of Islamic Literature Pakistan Chapter, External Examiner for viva-voce of thesis of LLM (M. Phil.), Faculty of Sharia & Law, International Islamic University, Islamabad, Member Board of Studies Faculty of Sharia & Law (Dep. Islamic Law) International Islamic University Islamabad, Member Ulema Board PIPS (Pak Institute for Peace studies), Member consultancy group Centre for Islamic Business Riphah International University, Chairman of the Shariah Supervisory Committee of Bank of Khyber and Chairman Shariah Board of Askari Bank Limited and Shariah Board Member of MCB-Arif Habib Islamic Fund.

Mufti Muhammad Zahid has authored various publications including Islamic Banking Foundation (translation from English to Urdu of the work of Mufti Muhammad Taqi Usmani).

Mufti Muhammad Zahid holds Shahadh Al-Alamiyyah from Wifaq-ul-Madaris, Al- Arabiyyah Pakistan and Masters Degree in Arabic from International Islamic University, Islamabad.

Dr. Mufti Ejaz Ahmad Samadani Member - Shariah Board

Dr. Ejaz Ahmed Samadani is an eminent Shariah scholar and has sound experience of Islamic Banking

& Finance. Dr. Samadani has strong academic background in Islamic Studies and Islamic Economics. He completed his all religious qualifications such as Takhassus fi Iftaa & Shahdatul Aalimiyyah from Jamia Dar-ul-Uloom, Karachi.

Dr. Samadani has done his Masters of Arts in Islamic Studies and LLB from Bahauddin Zakariya University and Sindh Muslim Govt. College respectively Further, he did his Doctorate (PhD) from Karachi University (on the topic of Islamic Banking and Gharar (uncertainty). He is the Faculty member of Centre for Islamic Economics, Vice Chairman of "Takhassus fi Al Dawa" in Jamia Dar-ul-Uloom, Chairman Shariah Board Maldives Islamic Bank and Member Shariah board of various banking and non-banking financial institutions in Pakistan.

He has delivered several lectures at local and international forums and has issued about more than three thousand Fatawas on different Islamic topics especially in Islamic Finance and family law. He has written many books on different Shariah matters and his several research topics have been published in various well renowned newspapers and magazines.

Mufti Rafey Ashraf Usmani Resident Shariah Board Member

Mufti Rafey Ashraf Usmani is an eminent Shariah Scholar.

Mr. Rafey has strong academic background in Islamic Studies, Islamic Jurisprudence and Islamic Economics. He completed his religious qualifications including Takhassus-fi-Iftaa & Shahdat-ul-Aalimiyyah from Jamia Darul Uloom, Karachi.

Mr. Rafey has done his MS Islamic Banking and Finance from University of Management and Technology Lahore (UMT). He is visiting faculty member at different academic institutions including Jamia Ashrafiya Lahore, Jamia Usmania Lahore, Minhaj University Lahore and University of Management and Technology Lahore.

He has delivered several lectures at different forums and has written about more than three thousand Fatawas on different Islamic topics including Islamic Finance and family law.

Management



Zafar Masud
President / CEO



Farid Ahmed Khan
Group Chief Corporate and Investment Banking



Zahid Mustafa
Group Chief Consumer and Digital Banking



Nadeem Amir
Chief Financial Officer



Ijaz ur Rehman Qureshi
Group Head Operations



Asif Riaz
Group Head Retail and Priority Sector Lending



Khawar S. Ansari
Group Head Treasury and FI



Faisal Ejaz Khan
Chief Information Officer



Arslan M. Iqbal
Chief Risk Officer - Additional Charge as
Group Head SAMD



Alia Zafar
Group Head People and Organizational
Excellence



Samih Khan
Chief of Staff and Strategy



Umer Iqbal Sheikh
Group Head Islamic Banking



Waqas Mahmood
Chief Compliance Officer



Asadullah Khan
Chief Internal Auditor



Kamran Hafeez
Secretary to the Board

Management and its Committees

MANAGEMENT

SR. #	NAME	DESIGNATION
1	Mr. Zafar Masud	President and CEO
2	Mr. Farid Ahmed Khan	Group Chief Corporate and Investment Banking
3	Mr. Zahid Mustafa	Group Chief Consumer and Digital Banking
4	Mr. Nadeem Amir	Chief Financial Officer
5	Mr. Ijaz Ur Rehman Qureshi	Group Head Operations
6	Mr. Asif Riaz	Group Head Retail and Priority Sector Lending
7	Mr. Khawar Shahid Ansari	Group Head Treasury and FI
8	Mr. Faisal Ejaz Khan	Chief Information Officer
9	Mr. Arslan Muhammad Iqbal	Chief Risk Officer - Additional Charge as Group Head SAMD
10	Ms. Alia Zafar	Group Head People and Organizational Excellence
11	Mr. Samih Khan	Chief of Staff and Strategy
12	Mr. Umer Iqbal Sheikh	Group Head Islamic Banking
13	Mr. Waqas Mahmood	Chief Compliance Officer
14	Mr. Asadullah Khan	Chief Internal Auditor

KEY MANAGEMENT COMMITTEES

SR. #	COMMITTEE	PURPOSE
1	MANCOM	A discussion forum, constituting of all Group Heads reporting directly to P&CEO, to review performance of the Bank and all its key functions vis-a-vis business strategy & targets. Further, to discuss issues critical for meeting Bank's objectives.
2	ALCO (+ Investment Committee)	This constitutes of members from Treasury, Risk, Finance and Business to devise comprehensive strategies and guidelines for measurement, monitoring and control of Market, Interest and Liquidity Risks. It also reviews and approve Bank's investment Strategy.
3	Compliance Management Committee	This comprises of all Group Heads reporting to P&CEO, to oversee of implementation of Bank's Compliance Program.
4	IT Steering Committee	Has representation of IT, Business, Strategy, Finance and Operations to set IT direction and strategies for expansion of technology and related requirements in line with business requirements of the Bank.
5	Procurement & Premises Committee	To examine, review and approve purchasing, renting, upgradation and shifting etc. of Banks' premises. It consists of members from Business, ASG, Finance and Operations.

SR. #	COMMITTEE	PURPOSE
6	Non-Banking Asset Management Committee	To ensure effective management and/or disposal of Bank's NBAs.
7	Marketing & Communication Committee	To approve annual Media Budget of the Bank along with periodic media and publicity campaigns. The committee has representation from Strategy function and relevant Group Head
8	Fraud Risk Management Committee	Oversee implementation of Fraud Risk Management Policy and take decisions on the investigative findings of internal & external frauds.
9	Operational Risk Management committee	Comprises of members from Risk, Business, Strategy, Finance, Operations and HR to Ensure Implementation of Operational Risk Policy and review status of key risk indicators of the Bank.
10	Credit Risk Management Committee	Has representation of Business and Risk to Ensure Implementation of credit risk policy/strategy approved by BOD. Further, monitor credit risk on a bank wide basis and ensure compliance with limits approved by BOD.
11	BASEL Implementation Committee	Constitutes of members from Business, Risk and Finance to ensure bank wide implementation of Basel framework as per SBP instructions and guidelines issued from time to time.
12	Business Continuity Planning (BCP) Committee	The committee consists of members from Treasury, Business, Risk, Operations, Compliance and technology to oversee the effectiveness of Bank's BCP throughout the organization.
13	Islamic Banking Steering Committee	The committee reviews the performance of Taqwa Islamic Banking Group vis a vis its Business Plan & Strategy.

Policies and Governance



In order to ensure effective governance across organization Bank has put in place necessary policies duly approved by Bank's Board of Directors. Key policies along with salient features are as under:

1. Human Resource Framework

The significance of an accomplished, well-formed and well informed group of people to lead an organization cannot be over-emphasized. Going by its vision to be the "Employer of Choice" and our focus on "Welfare of all Employees", the Human Resource Department at The Bank of Punjab, in 2020, was renamed as the People & Organizational Excellence Group and adopted a multi-pronged strategy in terms of Learning & Development, operational and cultural transformation through use of digital and technology platforms and re focusing on talent acquisition, retention and development. In line with the new vision and strategy of the Bank, whereby the focus will be to build a culture of learning, Pay for Performance, Employee Engagement, Diversity and Inclusion

and Team Building. The People & Organizational Excellence Group embarked on inking agreements with a few centers of learning excellence namely the Institute of Business Administration (IBA), Karachi as well as the National University of Sciences & Technology (NUST), Islamabad for supporting the under-privileged students in their various academic pursuits.

The year 2020 was marred by the global spread of the Covid-19 pandemic which hampered the ongoing training of existing human resource through classroom trainings, which is essential to ensure effective implementation of all learning and development areas. In response to such a challenge, the People & Organizational Excellence group remodelled its learning & development strategy and created the Learning Management System (LMS), to virtually train the employees. Through these unique trainings, 94% of the employees (7,418) were trained through the effective and innovative use of technology.



Realizing the importance of recruitment, the hiring and selection procedures were revamped to improve the quality of fresh resource, whereby the hiring of fresh staff (up to OG-III) has been made conditional with clearance of written test, all vacant positions (AVP & above) are announced through internal job postings and interviews by cross-functional Departments have been made mandatory for hiring. It is worthwhile to highlight that in the last quarter of 2020, 447 candidates were issued offer letters with an average Turn-around-Time of 4 days, as well as written tests of 1600 entry level candidates were conducted.

The management believes in frequent and effective communication with all employees. In pursuit of this philosophy, the People & Organizational Excellence Group took a unique initiative, "Coffee with the President", where the staff members were invited to informally interact with the President / CEO. These sessions were held in Lahore and Islamabad and more sessions are planned for the

current year as well. Additionally, the POEG took another unique initiative of hosting live webinar sessions on Facebook where the new three years strategy of the Bank was given by the management with live Question & Answer session with the staff members.

Diversity and inclusion are an essential pillar of the new strategy of the Bank. Recognizing this important element, the People & Organizational Excellence Group signed two Memorandums of Understanding with Special Talent Exchange Program (STEP) and COMCON, to work for creation of an HSE compliant, accessible and inclusive environment, as well as recruitment and training of Differently-abled persons.

The Human Resource Compensation & Remuneration Committee (HRC & NC) of the Board maintains oversight of the Human Resource framework of the Bank. As per guidelines of the HRC & NC, a performance-based appraisal system has been implemented which will continue to evolve over the coming years.

The employer employee value equation requires a clear and transparent system of communication and redressal of any deviations from policy or any kind of discrimination. As an equal opportunity employer and committed to zero tolerance on any kind of abusive conduct including harassment, BOP came up with a renewed policy in these areas and further strengthened the area of transparency and communication through Employees' Grievances & Redressal Unit has been restructured to redress the employees' grievances.

2. Information Security Policy:

The purpose of Information Security ("IS") is to ensure that the information remains confidential, its integrity is maintained and it is available when needed. The purpose of this document is to define the principles to which all the employees must adhere to when handling or coming across the information, owned by or entrusted to BOP in any form.

The policy establishes principles for management of risk originating from threats and vulnerabilities that could impact Information assets or Information Systems environment. The environment includes all Information Systems operated by The Bank of

Punjab (BOP) or contracted with a third party by BOP. It covers related documentation, physical and logical controls, hardware, software, and data (together with I.T assets). The policy defines parameters to ensure confidentiality, integrity, availability and appropriate use of information assets that are owned or managed by BOP. Throughout this document, reference to the IT should be taken to include all computing facilities and systems including their underlying infrastructure to support various IT services.

State Bank of Pakistan (“SBP”), being the regulator of financial institutes in Pakistan, has laid requirements in various regulations for the security of banks’ information. This document intends to comply with all such requirements laid down by SBP. The guidelines contained in this policy are to be followed by all users, having access to bank’s information, including management, bank’s employees, employees of outsourcing agencies, vendors and third parties etc.

3. IT Policy:

- a. The main goal of deploying information technology within the Bank is to support the strategic business plan of the Bank, to enhance customer services and provide effective control over the Bank operations through automation and MIS. The IT Policy lays down the principles that are to be followed for achieving the above broad objectives. However, specific implementation plans and procedures to achieve these goals should be developed separately.
- b. The information technology function in The Bank of Punjab (at present named as “Information Technology Division - ITD”) will be responsible for implementation of the Policy and will coordinate with the stakeholders for development of related plans, procedures and/or operational manuals to achieve compliance with the Policy.
- c. The IT Policy is to be read in conjunction with the Bank’s Information Security Policy which addresses specific areas of information and information technology security. While the IT Policy covers most of the areas pertaining to use of IT within the Bank, the other mentioned policy covers security issues with more detail. The aim of the Bank is to achieve best practices in information security.

- d. The goals of the IT Policy in different spheres of the Bank’s operations along with relevant policy statements are enumerated hereunder.

4. Whistle Blowing (WB) Program:

This WB Program serves to provide a new channel for the bank’s staff, shareholders, vendors, customers etc. to raise concerns, expose irregularities, help uncover financial malpractices, prevent frauds, eliminate personnel harassment, point out improper conduct or wrong doing and attend to grievances of those associated without any fear of reprisal or adverse consequences. The scope of the program will mainly cover the cases that escaped the existing normal procedures and systems.

In line with instructions issued from time to time and an effort to further improve governance and service quality, Bank has formulated and designed a new mechanism for raising flags and even addressed concerns like staff protection, preservation of confidentiality and even embedded rewards for the Whistle Blowers (WBs).

The WB Program is in addition to the existing systems of complaint and dispute resolution. It is part of a new effort to further improve governance and service quality at The Bank of Punjab. This program sets out the procedures for lodging of complaints and concerns by the WBs, handling of complaints by the bank, reporting requirements, disciplinary actions / rewards / penalties and periodic monitoring of the program.

The WBs are encouraged to use the guidance provided by this program for reporting wrong doing / improper conduct. It is emphasized that this program is intended to assist individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the bank nor should it be used to reconsider matters which have already been suitably addressed under harassment, complaint, disciplinary or other procedures.

5. Internal Control Policy:

The purpose of this document is to ensure existence of an effective system of internal controls

in The Bank of Punjab (BoP) that is consistent with the nature, complexity and risks inherent in its on/off balance sheet activities and that responds to changes in the bank's environment and conditions.

Internal control refers to policies, plans and processes as affected by the Board of Directors (Board) and performed on continuous basis by the senior management and all levels of employees within the bank. These internal controls are used to provide reasonable assurance regarding the achievement of organizational objectives and all layers are required to act accordingly.

The internal control system encompasses the policies, processes, tasks, behaviors and other aspects of the organization. A properly designed and consistently enforced system of internal controls helps the management to ensure operational efficiency, produce reliable financial reports and comply with laws and regulations.

Effective internal controls respond appropriately to business, operational, financial, compliance and other risks. This includes the safeguarding of assets from inappropriate use or from loss and fraud. The effective internal controls also reduce the possibility of significant errors, lapses and irregularities and assists in their timely detection when they occur.

Strong control culture is an essential element of an effective control system. It is developed by the Board and management promoting high ethical and integrity standards and establishing a culture that emphasizes and demonstrates to all levels of personnel the importance of internal controls.

6. Fraud Risk Management Policy:

This Policy has been established to provide necessary guidelines for BOP employees to take steps to prevent, detect acts or attempted acts of the frauds, forgeries, robberies, thefts etc and their reporting in compliance with all statutory regulations and minimum standards required by SBP and BOP's applicable policies and procedures.

The risk of fraud and forgeries can be reduced through a combination of prevention and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees or third parties. Moreover, effective financial and management controls amidst internal controls such as budgetary controls, segregation of duties, internal checks and staff supervision are designed to minimize the incidence of fraud, limit its impact and assure its prompt detection. Prevention and detection of fraud is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management are therefore essential.

The implementation of a culture of strong management control will have a deterrent effect when it is known that management is actively involved in ensuring that procedures are followed.

Risk Management Framework and Risk & Opportunities



The year 2020 was unprecedented in terms of challenges it brought forth in the aftermath of COVID 19 pandemic, and pervasiveness with which it affected all economies across the globe. The year 2020 witnessed a steep economic recession in the first world countries which were hardest hit by the pandemic. With economic activity coming to a complete standstill in the developed economies within first half of 2020, the trickle down impact on emerging as well as developing economies, though gradual, was more pronounced given their lower risk absorption capacities.

Country's domestic economy fared well in comparison to India, Iran, Afghanistan and Middle East, and exhibited resilience to complete lockdowns in its major importing and exporting economies; largely on support of concessions allowed by the Central Bank,

expansionary fiscal policies of the Government and a low interest rate regime to support businesses in wake of pandemic.

The new normal post surfacing of pandemic brought about wide ranging changes not only in conventional Ways of Doing Business but also resulted in a paradigm shift in consumption / saving patterns. The pandemic and ensuing lockdown caused a massive economic disruption, leading businesses to make a rapid transition towards inculcation of digital transformation as an integral cornerstone of their business strategies.

In the post-pandemic world, services that relied heavily or entirely on customer mobility having been worst-hit, transcended beyond the brick and mortar / personalized selling models to online service delivery.



This consequently impacted the financial services industry, by necessitating a complete removal of rigid structures and a shift towards a data-driven and technology-powered enterprise that can anticipate and nimbly adapt to rapidly evolving dynamics of superior service delivery.

Given a marked change in external environment, Risk Management needs to realign itself to new realities of post-COVID world, so as to outperform despite enormity of the challenge.

RISK MANAGEMENT AS A BUSINESS STRATEGIST FOR CONTAINMENT OF ECONOMIC VALUE

The role of Risk Management is expected to transform largely from that of containment of risks within approved tolerance thresholds to that of a business

strategist focusing on the preservation of business value. The focus of revenue generation must not solely be accumulation of greater business volumes. Instead, Risk Adjusted Return on Capital (RAROC) and Economic Value Added (EVA) must drive the quest for profitable and sustainable annuity streams.

Not only is BOP gearing up in that direction, but Responsibility with Accountability has also been structured in the Remuneration of Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) under the concept of both Fixed versus Variable, as well as a combination of Upfront as well as Deferred compensation systems.

ADVANCED ANALYTICS

Prudent risk management needs to take a quantum leap through an increase in the acceptance and usage of Advanced Analytics across the entire banking value chain. The need to use existing data repositories to predict futuristic trends to enhance preparedness for any untoward events cannot be overemphasized. Analytics would drive BOP's Risk Management going forward, further bracing up the function to pre-empt credit / financial losses taking heed from Early Warning Signals. Advanced Risk Modeling for Probability of Default, Exposure at Default and Loss Given Default metrics within Expected Credit Loss Model under the IFRS 9 Approach through use of an Automated Engine would significantly enhance the Bank's capability to recognize and absorb losses far ahead of their actual occurrence.

At BOP, under a forward looking approach, risk mitigation is bolstered by applying advanced risk management tools of Revaluation, Beta, Duration, Sensitivity Analysis, Value at Risk, Risk Rating Models, Risk Control and Self Assessments (RCSAs), and development of Key Risk Indicators (KRIs) etc., for proactive assessment of the quantum of risks inherent in the entire range of the Bank's operations.

Since Compliance Risk has assumed significant importance due to implementation of FATF Recommendations at a Sovereign level, the Bank has also prepared its own risk profile for Trade Based Money Laundering (TBML) and developed a Customer Assessment Calculator for its Trade based clientele. The Bank is also working on profiling of AML/CFT/CPF risks so as to be able to book sustainable and compliant business.

The integrated impact of all enterprise level risks on the Bank's capital is being captured by the Bank's Enterprise Risk & Governance Division through the Internal Capital Adequacy Assessment Process (ICAAP), along with maintenance and updation of a Bank wide Risk Register as a regular feature of the ongoing risk assessment process. Treasury and Equity Capital Markets (ECM) based risk processes and reporting (monitoring of limits) are automated. Basel engine for calculation of Capital Adequacy Ratio has been implemented. Furthermore, Bank has already purchased IFRS 9 Engine, Market, Liquidity and ALM Risk engines which are under the process of implementation. The Bank is in finalization phase for purchase of a Loan Origination System (LOS), which shall substantially enhance post disbursement monitoring whilst instituting an automated system for generation of Early Warnings Signals which would be instrumental in reining in incremental infections.

RECALIBRATION OF RISK APPETITE(S) AND BUILDING UP OF CONSERVATION BUFFERS

In the post COVID-19 world, given the increase in non-performing loans (NPLs), risk management is expected to revisit and recalibrate its Risk Appetite by opting for low-risk assets. Under this very spirit, the Risk Appetite statements for Credit, Market, Liquidity, Operational, and Equity Price Risks are revisited annually and aligned to the actual experiences accumulated across successive cycles.

Events that unfolded in the out-turn of the pandemic, call for an enhanced level of preparedness for any unforeseen downside risks having long term repercussions on the Bank's business model and envisioned growth strategies. Therefore, selection of Risk Weighted Assets of pristine quality resulting in lesser charge on Capital spearheads the Bank's Business Strategy, concomitant with the beefing up of Liquidity, and Capital Conservation Buffers while maintaining Leverage Ratios under the Basel Framework within prudent levels, which is a fundamental pre-requisite for Financial Stability in the long run.

The post COVID world calls for a greater and enhanced collaboration amongst varied control functions, i.e. Risk Management, Compliance, Operations, IT, Internal Audit and other surveillance functionaries. This is attained through multiple cross functional

working Groups at various Management Committees constituted within the Bank that strive to attain synergies through collective efforts to enable the Bank achieve its envisioned strategy for the next 3-5 years.

Paradigm Shifts in the Risk Profile of Banks: With COVID 19 having completely redefined the genre(s) of risks Banks have been traditionally managing; the critical risk categories that have assumed dominance pertain to Technology, Information Security and Money Laundering Risks. With a large number of transactions being performed online, Banks technology systems are encountered with an amplified vulnerability to risks of penetration, data theft, loss / misuse of confidential customers' information along with a myriad of network / security breaches of the Bank's own and its customers' data. Likewise, under the garb of charity to help businesses and families adversely affected by the pandemic; Money Laundering in all its forms under layered structures / shrouded arrangements is a colossal challenge to be dealt with.

Since one of the cornerstones of the Bank's growth strategy is the launch of a Challenger Bank in the digital arena for provision of a range of essential banking services inclusive of credit extension; this necessitates astute mitigation of both Technology and Information Systems Risks, which are being managed at BOP under SBP's Framework for Enterprise Technology Governance & Risk Management Framework for Financial Institutions. As the Bank's footprint on the digital banking front continues to grow in line with the competition, it would call for a concurrent fortification of both Technology and Information Security Risk functions, which is already enshrined and duly accommodated in the Bank's Risk Management Strategy over the next three years.

BOARD REMUNERATION Policy 2020

KEY HIGHLIGHTS:

The Board of Directors in its 266th meeting have approved the Board's Remuneration Policy-2020 of the Bank for attending the Board and its Committee(s) meetings in Compliance of State Bank of Pakistan BPRD Circular 03 of 2019 dated August 17, 2019.

The salient features of the policy are as under:

1. The Policy ensures a comprehensive and transparent remuneration structure for the Chairman and other Directors.
2. This Policy has been formulated with clear mandate and charter keeping in view the ownership structure, governance mechanism, risk profile, scope of operations and performance of the bank.
3. The Policy aims to set out the methodology for the determination of scale of the remuneration to be paid to the Directors and Chairman other than President/CEO for attending the Board and its Committee(s) meetings.
4. The Policy is applicable to Non-Executive/Independent Directors, President/Executive Director and the Chairman of the Board.
5. The terms & conditions of the Chairman shall be presented to the shareholders for approval in the Annual General Meeting on pre or post facto basis.
6. The Bank shall facilitate the directors for travelling, boarding & lodging relating to the Board and Committee(s) meetings.
7. No consultancy or allied work shall be awarded to a director or to the firm(s), institution(s), or company(ies) etc., in which he individually and/or in concert with other directors of the Bank hold substantial interest.
8. Proper disclosure of remuneration and other benefits / facilities provided to the Board of Directors shall be made in the Annual Financial Statements of the Bank.
9. The Board members shall be accountable for their conduct according to the scope of their responsibilities and Annual Performance Evaluation of the Board as a whole and its Committees will be carried out. Based on the evaluation of performance scale of remuneration may be reviewed/adjusted.
10. Remuneration for attending Board and its Committee meetings would be Rs.150,000/- per meeting, net of taxes for an Independent/Non-Executive Director and Chairman of the Board.

Independent Auditors' Review Report

To The Members of The Bank Of Punjab

Review Report on the Statement of Compliance contained in 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 (the Regulations) prepared by the Board of Directors of The Bank of Punjab (the Bank) 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: Lahore

Date: 19 February 2021

Statement of Compliance

With Listed Companies Code of Corporate Governance Regulations, 2019

THE BANK OF PUNJAB – DECEMBER 31, 2020

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

- The total number of directors are eight as per the following:

- Male: 8
- Female: 0

- The composition of board is as follows:

a	Independent Directors	2
b	Non-executive Director	5
c	Executive Directors	1

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;

- 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;

- 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;

- 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 Act and these Regulations;

- 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;

- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

- By 30th June, 2020, the Board had already

arranged training Program for 50% of Directors. Further, the Board is in process to arrange training Program for another 25% of Directors by 30th June 2021.

Moreover, the newly appointed Director Mr. Zafar Masud (President & CEO) had already acquired the prescribed certification under eligible director training Program at the time of joining the Bank;

- The Board has approved appointment of Chief Financial Officer, Bank Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment and complied with relevant requirements of the Regulations;

- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

- The Board has formed committees comprising of members given below:-

a) Audit Committee

i)	Mr. Saeed Anwar	Chairman
ii)	Mr. Mohammad Jehanzeb Khan	Member
iii)	Mr. Shaharyar Ahmad	Member
iv)	Syed Ghazanfar Abbas Jilani	Member

b) Human Resource, Compensation and Nomination Committee

i)	Khawaja Farooq Saeed	Chairman
ii)	Mr. Mohammad Jehanzeb Khan	Member
iii)	Dr. Muhammad Amjad Saqib	Member
iv)	Mr. Muhammad Abdullah Khan Sumbal	Member
v)	Syed Ghazanfar Abbas Jilani	Member

c) Risk Management, Compliance and NPL Review Committee

i)	Mr. Shaharyar Ahmad	Chairman
ii)	Dr. Muhammad Amjad Saqib	Member
iii)	Khawaja Farooq Saeed	Member
iv)	Syed Ghazanfar Abbas Jilani	Member

d) Strategy, Islamic and Priority Sectors' Financing Committee

i)	Dr. Muhammad Amjad Saqib	Chairman
ii)	Mr. Saeed Anwar	Member
iii)	Mr. Muhammad Abdullah Khan Sumbal	Member
iv)	Mr. Shaharyar Ahmad	Member

e) Information Technology and Communications Committee

i)	Mr. Mohammad Jehanzeb Khan	Chairman
ii)	Mr. Saeed Anwar	Member
iii)	Mr. Muhammad Abdullah Khan Sumbal	Member
iv)	Khawaja Farooq Saeed	Member

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following;

a)	Board Audit Committee	Quarterly
b)	Human Resource, Compensation and Nomination Committee	Quarterly
c)	Risk Management, Compliance and NPL Review Committee	Quarterly
d)	Strategy, Islamic and Priority Sectors' Financing Committee	Quarterly
e)	Information Technology and Communications Committee	Quarterly

15. The Board has set up an effective internal audit function and concerned staff is considered suitably qualified and experienced for the purpose and are conversant with the Policies & 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, Bank 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; and

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Reference Clauses from Listed Companies (Code of Corporate Governance) Regulations - 2019	Corresponding Provisions of The Bank of Punjab Act - 1989
<p>9 (2) Chairman of the Board The Chairman shall be elected subject to such terms & conditions and responsibilities as provided under Section 192 of the Act and these Regulations.</p>	<p>Section 10(2) & 10(3) The Chairman of the Board shall be nominated by the Government from amongst official Directors. Further, in terms of Section 10(3), the Chairman shall preside over the meetings of the Board and shall have a casting vote, but he shall not exercise any executive authority or powers.</p>

The Chairman has not yet been nominated by Government after expiry of previous term.

For & on behalf of the Board

Shaharyar Ahmad
Director/Chairman

Statement of Internal Controls

The Management of The Bank of Punjab (the "Bank") is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The internal control system encompasses the Bank's policies, procedures, circulars and instructions issued by the Bank. This system of Internal Control continues to be reviewed, refined and improved from time to time and corrective action is taken to minimize the risk which are inherent in banking activities and operations. All significant policies and procedural manuals are in place; which are re-viewed, revised, and improved to keep them current to cope with latest challenges.

The Bank's internal control structure involves different monitoring layers i.e. line management, Compliance & Control Group (CCG), Risk Management Group and Internal Audit Function, which cover all banking activities in general and key risk areas in particular. The management has Compliance Committee of Management (CCM) and Operational Risk Management Committee (ORMC), which focuses on compliance risk issues and reviews the adequacy of controls and systems to meet the regulatory requirements. All significant and material findings identified by the internal/ external auditors and regulators are addressed on priority basis by CCG. The CCG also proactively monitors the implementation of corrective measures to ensure the identified risks are mitigated to safeguard the interest of the Bank. Moreover, the Board's Risk Management, Compliance & NPL Committee has an oversight responsibility to monitor all significant and material issues.

The IAF, independent from the line management, is entrusted with the supervisory function with respect to the review of internal controls. IAF evaluates, validates, monitors and contributes to ongoing effectiveness of control systems as part of its scope. It periodically reports significant findings, directly to the Board Audit

Committee (BAC). The IAF is also entrusted with the function to assess adequacy and effectiveness of the control activities as well as testing implementation of and compliance with all the prescribed policies and procedures.

In compliance with SBP's directives, the Bank had completed all stages of SBP roadmap on Internal Control over Financial Reporting (ICFR). The Bank has been granted exemption from the requirement of submission of Long Form Report (LFR) by the External Auditors vide SBP Letter No. OSED/SEU-04/016995/2019 dated July 25, 2019. Consequent to the grant of exemption by SBP, the annual assessment of bank's ICFR has been reviewed by the Internal Audit Function and now Bank submits Annual Assessment Report, on efficacy of ICFR duly endorsed by the Audit Committee, within regulatory timeline. Upon successful completion of bank's ICFR assessment for the year ended 2019, the Bank will remain cognizant of its responsibility to continuously improve and with this view continues to strengthen its system of internal controls in an ongoing basis.

Internal Controls System evolves continuously and hence its evaluation is an ongoing process. This statement of internal controls is based on the management's assessment towards various aspects of the Internal Controls System of the Bank. The Internal Control Systems of the Bank are designed to minimize and manage risks rather than eliminate the risk of failure to achieve the desired objectives; hence it can only provide reasonable assurance and not absolute assurance, against material misstatement or loss. The system of internal control followed by the Bank is considered to be adequate in design and is being implemented and continuously monitored.

ZAFAR MASUD
President/CEO

Economic Review



During the first eight months of FY20, prudent monetary and fiscal policies, supported by the IMF's Extended Fund Facility program, helped the economy move progressively along the stabilization path. The economy also saw a notable, smooth transition to a market-based exchange rate system, which was pivotal to addressing the external imbalances and rebuilding the foreign exchange reserves buffer. This structural adjustment, along with the government's adherence to its commitment of zero SBP borrowing, improved overall monetary management and functioning of financial markets. A significant contraction in the twin deficits was visible from the start of the year.

However, just as early signs of this recovery were beginning to emerge, the global and domestic spread of the coronavirus (COVID-19), and ensuing containment measures, hit the economy hard. Manufacturing, retail, transport and trade-related activities were disrupted, causing a severe contraction in real GDP growth. At this critical point, better macroeconomic fundamentals and subdued inflation risks provided policy space to extend relief measures to businesses and households;

without these measures, the economic and social fallout of the COVID crisis would have been much worse.

The Country's external and fiscal sectors posted strong performances compared to last year, before the domestic spread of COVID-19. In particular, the current account had posted a significant improvement in the first 8 months of the year. The economy also saw a record surge in foreign investment in the domestic debt market, as global fund managers expressed confidence in better macroeconomic and exchange rate policies while tapping on the interest rate differential and tax-related reforms. The elevated level of foreign exchange inflows allowed the SBP to unwind its short-term forward and swap contracts to the tune of US\$ 5.2 billion during the period.

Similarly, on the fiscal front, the consolidation momentum gathered pace during the pre- COVID-19 period, as reflected in the first primary surplus over the first nine months of the fiscal year since FY16. On the revenue side, the government reversed multiple tax

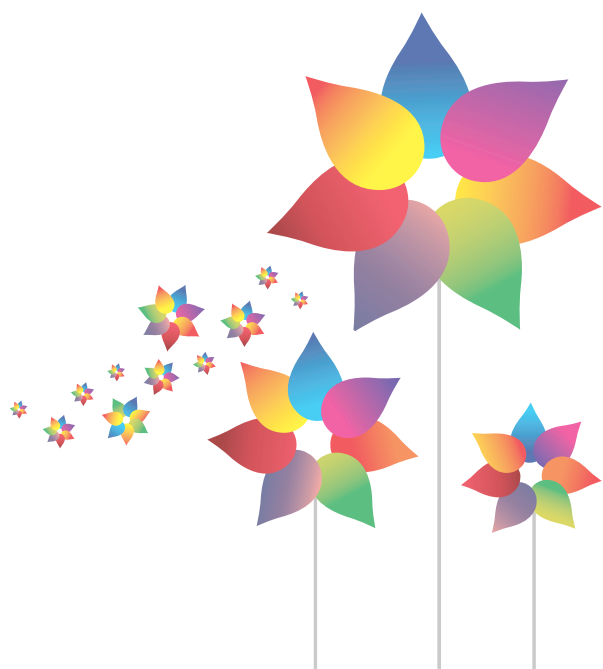


concessions given last year, which led to an increase in the GST rate on petroleum products, resumption of collections on telecom, and an increase in the minimum threshold for income tax collection.

Trends in inflation also pointed toward subsiding demand-side pressures. Although inflation in the non-food-non-energy segment of CPI remained at an elevated. Nonetheless, supply-side pressures remained strong in the food market, as temporary disruptions triggered speculative sentiments and contributed to price build-up.

Thus, at the time the COVID -19 infections began to increase, the country had already made noticeable gains on the macroeconomic stability front. This made it possible to extend aggressive policy support to businesses and households to help them cope with the necessary mobility restrictions and ensuing supply-chain disruptions. Those in special need of immediate policy support included manufacturing firms and a number of services concerns, especially in the hospitality industry. Wherever possible, the adoption of digital channels supported business continuity, but given the weak digital landscape, most businesses struggled.

Although the agriculture sector remained largely immune to the COVID -19 shock (since major crops for the year had already been harvested), repayment risks began to emerge in the farm segment of micro loans. Consequently, the scale and breadth of the needed efforts meant that the relief measures would entail large fiscal and quasi-fiscal costs, requiring adjustments in the consolidation agenda. Accordingly, the government expanded the volume and outreach of its ongoing social uplift programs, enabling over 12 million households to receive emergency cash transfers (Rs 12,000 per family) for meeting essential needs.



At the same time, the SBP arranged cut in policy rate by 625 bps in a roughly 3-month time period, which not only favorably re-priced most of the existing loans by the private sector, but also made borrowing viable for firms that would otherwise have been priced out due to high interest rates and weakened profitability. Importantly, the SBP also rolled out multiple unprecedented schemes, including the deferment of principal repayments; subsidized financing for firms to pay salaries to their employees; relaxations in operational criteria for export-related refinance schemes; and concessionary refinance facilities for investment projects and hospitals. Businesses have shown a keen interest in these financing schemes and actively used them to plug their cash flow gaps. Put together, the estimated liquidity impact of the SBP's relief measures was equivalent to 4.0 percent of GDP.

As things stand, Pakistan has managed to control the virus spread to a great extent during its first wave. While the prevalent risk of another spike calls for a continuation of social distancing norms, the reopening of the economy, including services, has helped reduce some of the uncertainty around the overall macroeconomic outlook.

President/CEO's Review



I took over the charge of The Bank of Punjab (BOP) in April 2020 and at that time COVID-19 pandemic already started taking its toll on the economy of the Country. With most of businesses and services coming to a standstill; Country moving towards lockdown, my first and far most priority was to ensure safety and health of all our staff members while making sure that our valued clients have access to uninterrupted banking services in a secure environment. In order to achieve the desired objectives, drastic measures were taken on war footing basis and strict SOPs were put in place and implemented across the Organization. Besides availability of necessary safety tools at all branches and front offices, awareness campaign was also launched for staff and general public.

I feel proud that BOP was the first Bank of the Country to award cash honorarium to its frontline staff for ensuring provision of seamless banking services to customer in a very tough and challenging environment. I must admit that steps taken by the management were implemented down the line in a very efficient manner and efforts made by BOP team has earned respect and appreciation from all stakeholders. As we rightfully laud the services of doctors, paramedics and law enforcement agencies in COVID-19 pandemic, I am of the view that role of banking industry in keeping the Country's economy afloat during those very trying times must also be applauded.

While ensuring banking services to clients, the Bank also remained focus on its role of revitalization of economy. As State Bank of Pakistan rolled out various initiatives for the provision of concessional subsidized loans to the business community to dampen the impact of COVID-19 on economy, BOP remained in forefront and fully participated in all such initiatives with full commitment and vigor.

This is our resolve that we will do all those businesses which are unconventional for commercial banks but are most crucial for economy, banking industry and our own growth to achieve our target to become part of the top five banks in the next five years while ensuring that risk and control remains unimpaired. This fresh perspective also required the change in our vision, mission and values, atleast for the next five years, which we're very pleased to share with you in this annual report of 2020.

During year 2020, Government of Pakistan (GoP) launched a massive drive for the revival of housing industry in the Country. One of the main focus of this initiative was to provide low cost housing to the general public on concessional basis under Naya Pakistan Housing & Development Authority. With a view to augment Government's drive, BOP has taken a lead in providing financing to general public under low cost housing scheme with the objective to meet one of the most fundamental necessities of housing for every citizen. To manage its risk appropriately in this novel and uncharted territory, BOP entered into a

first loss coverage agreement with Pakistan Mortgage Refinance Company and REALL of UK. The Bank has also partnered with Lahore Development Authority, Ravi Riverfront Urban Development Project and the Government of Punjab to take care of supply side constraints in housing. Your Bank also has the honor of financing the first-ever private sector affordable housing project in Eminabad, Gujranwala.

In GoP's Kamyab Jawan Program of subsidized loans to promote entrepreneurship in the Country, The Bank of Punjab is playing its due role as a lead partner. BOP also has the distinction of being the sole executing agency under Punjab Rozgar Program which remains a flagship scheme for the revival of economy in the province post COVID impact.

I am extremely proud to share that we remained the sole bank to disburse social security payments across the province in various programs of the GoPb including Bahimat Buzurg, Silah-e-Funn, Zawar-e-Taleem, Ham Qadam, Sehat aur Ghizayat, etc.

Your Bank has exhibited tremendous financial performance in last few years and has created enough financial viability to further expand its outreach and explore new business ventures. It has been tested against all odds in past and successfully weathered the storms of financial stress. Resilience shown by the Bank and its team in testing times, including economic recession created by COVID-19 pandemic, has made it more robust. Now, I feel it is the right time to take this Bank to new heights. To ensure that our growth trajectory remains sustainable, we have for first time in 2020 introduced subjective classification and created general provisioning to manage any possible future shocks. This is a real testament of the strength of your Bank and its balance sheet.

From day one, my vision about this Bank is very clear. I want this Bank to be the best financial institution in the Country with respect to governance, people policies, customer service and creating new markets. In order to achieve the desired objective, it had become necessary to revamp the organizational structure of the Bank and align it with the best industry practices. Accordingly, process of necessary restructuring was initiated across the Organization. Besides revamping and restructuring of certain functions, new functions have also been created as per industry practice and to cater modern banking needs of our most valued clients.

Your Bank has put in place a comprehensive strategic plan to achieve the set goals. The Bank shall be rolling out new products & services, entering into new business ventures and expanding its branch network in areas earlier ignored. The Bank shall pursue an

aggressive marketing policy to help improve Bank's brand image and turn it into a Bank of preferred choice for every segment of society. Employing new technologies and rolling-out digitalization would remain the main stay for us.

While going-ahead with aggressive expansion plans, your Bank will never undermine and compromise on control and compliance. The Bank has already initiated project for improvement in Bank's processes and controls to implement and improve policies, procedures and controls to enhance stakeholders' value and achieve business growth. The Bank hired consultancy services of M/s A.F. Ferguson, Chartered Accountants, for documentation of Bank's operational processes, development of Risk Control Matrices and identification of gaps and control weaknesses. Further, a comprehensive remediation exercise for Accounts data cleansing and enrichment has also been initiated to mitigate inherent risks of fraud, misappropriation and, last but not the least, avoid penalties.

I am fully aware that without experienced and professional team, strategic goals could not be achieved. Accordingly, Human Resources function has been strengthened and named "People & Organizational Excellence Group". The Bank continuously evaluate internal roles and functions to align the same with best market practices and inculcate "pay for performance" culture while ensuring that just and transparent policies are introduced and implemented. I religiously believe that committed and motivated staff is the only key to success and this is a resolve of me and my team that we will leave no stone unturned for the welfare of our employees and their families while customer satisfaction will remain our core.

At the end, let me thank all the stakeholders for their unwavering support which had made 2020 a year of turning around for the Bank.

I take this opportunity to extend my very humble gratitude to Government of Punjab, Board of Directors and State Bank of Pakistan for reposing confidence in me and assure all stakeholders that we will make your Bank stronger and healthier with every passing day. I am particularly grateful to all depositors, customers and shareholders for their patronage. Looking forward to your continued support in future as we enter into a new era of growth and prosperity with our motto: "Public Sector risk appetite supporting Private Sector ideas/initiatives".

ZAFAR MASUD
President/CEO

Directors' Report



The Board of Directors is pleased to present the 31st Annual Report of The Bank of Punjab together with the audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2020.

PERFORMANCE AT A GLANCE

Despite financial constraints resulted from outbreak of COVID-19 pandemic, the Bank was able to maintain its growth trend by mitigating the negative impact on economic recession. The Bank ensured provision of banking services to its clients in a very challenging operating environment. The Bank further expanded its outreach from 624 to 636 Branches with focus on unbanked areas.

As of December 31, 2020, the Deposits of the Bank reached at the level of Rs. 835.1 billion as against Rs. 691.0 billion as of December 31, 2019 showing a growth of 21%. The Bank focused on growth in low cost CASA Deposits and efficient repricing of Assets & Liabilities in the wake of prevalent interest rate scenario.



As on December 31, 2020, the Advances portfolio stood at Rs. 442.8 billion while the NPLs remained at the level of Rs. 57.3 billion. The Bank stands fully compliant with the provisioning requirement under Prudential Regulations of SBP, while all possible legal measures are being taken to ensure recovery of legacy NPLs portfolio. The Investments & Lending to FIs stood at Rs. 583.9 billion mainly comprising of Government Securities (95%) with substantial unrealized capital gains. The Total Assets of the Bank also crossed Rs. 1.0 Trillion and stood at Rs. 1,095.4 billion as against Rs. 868.9 Billion as of December 31, 2019 thereby registering a growth of 26%.

During the year 2020, owing to global recession witnessed in all sectors of economy due to COVID-19, the Bank opted for a long term investment strategy resulting in accumulation of substantial capital gains on books of the Bank. Consequently, Non-Markup/ Interest Income increased to Rs. 13.0 billion as against Rs. 3.9 billion showing a substantial increase of 233%. Whereas, Net Interest Margin (NIM) remained a little subdued and was recorded at Rs. 23.3 billion.

During the year 2020, pre-provision profit improved to Rs. 18.9 billion as against Rs. 15.8 billion during last year thereby registering a rise of 20%. However, in view of risks of shocks in the COVID-19 aftermath, in addition to subjective assessment, the Bank also opted to create general provision against loans and advances on prudent basis. During the year, provision

against advances amounting to Rs. 1.7 Billion has been recorded on account of subjective classification on self-assessment basis for the first time in the history of the Bank. Further, general provision of Rs. 3.3 Billion has also been made.

Despite above mentioned provisioning, the Bank posted After Tax Profit of Rs. 6.9 Billion as against Rs. 8.2 Billion during year 2019. Had the Subjective and General Provisions not been recorded, the Profit After Tax for year 2020 would have been higher by Rs. 1.7 Billion (20%) over year 2019. Earnings per Share (EPS) for year 2020 remained at the level of Rs. 2.63 per share.

The financial results exhibited by the Bank throughout the year 2020 have created enough financial viability for the Bank to remain fully compliant with SBP's regulatory capital and provisioning requirements and also share the good performance with its worthy shareholders. Accordingly, the Board is pleased to announce cash dividend payout @ 10.0% to shareholders for the year 2020.

Financial Highlights 2020

	Rs. In Million
Profit before taxation	11,989.413
Taxation-net	5,045.672
Profit after taxation	6,943.741
Earnings per share (Rupees)	2.63

Capital Adequacy and Minimum Capital Requirements

As on December 31, 2020, paid-up capital (net of losses) amounted to Rs. 28.4 billion and the Bank stands compliant with SBP's minimum capital requirement of Rs. 10.0 billion. Further, the Bank's Capital Adequacy Ratio (CAR) improved to 16.23% (2019: 14.80%) against the regulatory requirement of 11.50%. Current level of CAR is 41% higher than the required level of 11.50% as prescribed by SBP.

Internal Controls

The Board of Directors of The Bank of Punjab has overall responsibility for ensuring existence of an adequate and effective system of internal controls that is designed to manage the Bank's risks within an acceptable risk profile. The Board is pleased to endorse the Statement on Internal Controls made by the Management, which is included in the annual report.

Treasury Single Account:

Keeping in view implementation of Single Treasury Account (TSA) Regime by the Government of the Punjab (GoPb) in future and its impact on Bank's business, it has become imperative to put in place a comprehensive strategy to mitigate eminent future risk on Bank's financial position. Accordingly, the Bank has geared up to take impact of TSA as and when implemented by the GoPb either 100% or in phased manner.

Bank's Board of Directors:

As on December 31, 2020, the Bank's Board of Directors consists of 8 members as per following:

1. The total number of directors are eight as per the following:
 - a. Male: 8
 - b. Female: 0
2. The composition of board is as follows:

a	Independent Directors	2
b	Non-executive Directors	5
c	Executive Directors	1

13 meetings of Board were held during 2020 with following attendance:

Name of Director	No. of meetings
Mr. Mohammad Jehanzeb Khan	13
Dr. Muhammad Amjad Saqib	13
Mr. Shaharyar Ahmad	13
Mr. Muhammad Abdullah Khan Sumbal	13
Syed Ghazanfar Abbas Jilani (Joined on 28-05-2020)	7
Mr. Saeed Anwar (**)	13
Khawaja Farooq Saeed (**)	13
Mr. Zafar Masud (Joined on 16-04-2020)	6
Mr. Khalid S Tirmizey(*)	3
Mr. Ijaz-ur-Rehman(*)	3

* Acting President /CEO

(**) Elected Directors retired on 30-06-2018 are allowed to continue till their successors are elected.

BOD'S COMMITTEES:

1- Board Audit Committee:

6 meetings of Board Audit Committee Meeting (BAC) were held during 2020 with following attendance:

Name of Director	No. of meetings
Mr. Saeed Anwar	6
Mr. Mohammad Jehanzeb Khan	3
Mr. Shaharyar Ahmad	4
Syed Ghazanfar Abbas Jilani	3
Khawaja Farooq Saeed(*)	3
Mr. Muhammad Abdullah Khan Sumbal(*)	2

(*)Committee reconstituted in 273rd Board of Directors meeting held on 04-08-2020, members replaced in the said meeting.

2- Board Risk Management, Compliance and NPL Review Committee:

4 meetings of Board Risk Management, Compliance and NPL Review Committee Meeting

(RMC&NRC) were held during 2020 with following attendance:

Name of Director	No. of meetings
Mr. Shaharyar Ahmad	3
Khawaja Farooq Saeed	2
Dr. Muhammad Amjad Saqib	3
Syed Ghazanfar Abbas Jilani	2
Mr. Mohammad Jehanzeb Khan(*)	2
Mr. Saeed Anwar(*)	2
Mr. Muhammad Abdullah Khan Sumbal(*)	2

(*) Committee Reconstituted in 273rd Board of Directors meeting held on 04-08-2020, members replaced in the said meeting.

3- Board Human Resource, Compensation and Nomination Committee:

Name of Director	No. of meetings
Khawaja Farooq Saeed	8
Mr. Mohammad Jehanzeb Khan	8
Dr. Muhammad Amjad Saqib	8
Mr. M. Abdullah Khan Sumbal	7
Syed Ghazanfar Abbas Jilani(*)	4

(*)Joined Board as Director on 28-05-2020.

4- Board Strategy, Islamic and Priority Sector Financing Committee:

Name of Director	No. of meetings
Dr. Muhammad Amjad Saqib	3
Mr. Saeed Anwar	2
Mr. Abdullah Khan Sumbal	2
Mr. Shaharyar Ahmad	2
Khawaja Farooq Saeed(*)	1
Mr. Mohammad Jehanzeb Khan	4

(*)Committee reconstituted in 273rd Board of Directors meeting held on 04-08-2020, member replaced in the said meeting.

5- Board Information Technology and Communications Committee:

Name of Director	No. of meetings
Mr. Mohammad Jehanzeb Khan	4
Mr. Saeed Anwar	4
Khawaja Farooq Saeed	3
Mr. M. Abdullah Khan Sumbal (**)	1
Dr. Muhammad Amjad Saqib(*)	2

(*)Committee reconstituted in 273rd Board of Directors meeting held on 04-08-2020, member replaced in the said meeting.

(**) Joined Committee after reconstitution in 273rd Board of Directors meeting held on 04-08-2020.

STATEMENT OF COMPLIANCE WITH CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to give the following statement in respect of Code of Corporate Governance:

- The financial statements, together with notes thereon have been prepared in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017. These Statements present fair state of affairs, the result of its operations, cash flows and changes in equity and comprehensive income. Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting and Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there-from has been adequately disclosed in the Annual Accounts. The system of internal control is sound in design and has been effectively implemented and monitored.

- There is no significant doubt upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.
- Value of investment of Staff Provident Fund and Gratuity Fund, based on latest audited accounts is Rs.3.02 billion & Rs. 1.08 billion, respectively.
- Statement showing pattern of shareholding as on December 31, 2020 is presented at page No. 320 of the Annual Report.
- Statement showing key operating and financial data for the last six years is presented at page No. 64 of the Annual Report.
- Statement of compliance with code of corporate governance is presented at page No. 43 of the Annual Report.
- Risk management framework is presented at page No. 38 of the Annual Report.
- Board remuneration policy is presented at page No. 41 of the Annual Report.

CREDIT RATING

While acknowledging the improved risk profile of the Bank, M/s Pakistan Credit Rating Agency (PACRA) has maintained the Long-term Entity Rating of "AA", while the Short-term Entity Rating has been maintained at "A1+".

As per standard rating scale and definition "AA" long term rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments, not significantly vulnerable to foreseeable events. Similarly, "A1+" short term rating denotes obligations supported by the highest capacity for timely repayment.

SUBSIDIARIES

The detail of Bank's subsidiaries are as follows:

Rs. In Million			
Sr #	Name	Net Assets as of December 31, 2020	Net Assets as of December 31, 2019
1	Punjab Modaraba Services Private Limited	(37,840)	(21,505)
2	First Punjab Modaraba	138,408	194,255
3	Punjab Capital Securities Private Limited	72,521	70,103

OUTLOOK FOR THE YEAR 2021

Keeping in view financial performance during last years, the Bank would continue to expand its outreach in unbanked areas and improving business volume & spread thereby ensuring better returns for the shareholders. The Bank shall also continue to invest in technologies to further improve operational oversight and effective monitoring development.

AUDITORS

The retiring auditors M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment for the year ending December 31, 2021.

The Board of Directors, on the suggestions of Audit Committee, recommended the above firm as statutory auditors of the Bank for year 2021.

ACKNOWLEDGEMENT

I acknowledge that valuable support and guidance of State Bank of Pakistan and Government of the Punjab proved pivotal in achieving desired results. I am also grateful to our shareholders and valued clients for their continued patronage and convey appreciation to Bank's management and staff for their teamwork.

For and on behalf of the Board

Shaharyar Ahmad
Director

ڈائریکٹرز رپورٹ

برائے سال 31 دسمبر 2020

باوجود درج بالا ادائیگیوں کے بینک نے بعد از ٹیکس منافع 6.9 ارب روپے منافع کمایا جو کہ سال 2019 میں اسی دوران 8.2 ارب روپے تھا۔ اگر درج بالا پرویژن نہ کی جاتی تو برائے سال 2020 کا نفع بعد از ٹیکس 1.7 ارب (20%) سال 2019 کی نسبت زیادہ ہوتا۔ سال 2020 میں شیئر آمدن 2.63 روپے فی شیئر کی سطح پر رہی۔

دی بینک آف پنجاب کا بورڈ آف ڈائریکٹرز بینک کی 31 ویں سالانہ رپورٹ مع مالی اسٹیٹمنٹ اور آڈیٹرز رپورٹ انتہائی مسرت کے ساتھ پیش کر رہا ہے۔

کارکردگی پر ایک طائرانہ نظر

کووڈ-19 کی وبا کے باعث پیدا ہونے والی مالی روکاوٹوں کے باوجود بینک منفی معاشی وجوہات پر قابو پا کر بڑھوتری برقرار رکھنے میں کامیاب رہا۔ بینک نے اپنے صارفین کو انتہائی مشکل آپریشنل حالات میں بینکاری خدمات فراہم کیں۔ بینک نے دور دراز علاقوں پر توجہ دیتے ہوئے اپنا دائرہ کار 624 سے 636 برانچوں تک وسیع کیا۔

بینک کی جانب سے 2020 میں سارا سال غیر معمولی معاشی نتائج دیکھانے کے سبب سٹیٹ بینک آف پاکستان کی مقرر کردہ سرمائے کی ضروریات کے ساتھ مکمل طور مطابقت رکھی اور اپنی اچھی کارکردگی کے نتائج حصص داران تک بھی پہنچائے۔ اسی طرح بورڈ سال 2020 کے ہولڈرز کے لیے، بخوشی 10.0% کیش ڈیویڈنڈ کا اعلان کرتا ہے۔

31 دسمبر 2020 کو بینک کے ڈیپازٹس 21 فیصد اضافے کے ساتھ 835.1 ارب روپے تک پہنچ گئے جو کہ 31 دسمبر 2019 کو 691.0 ارب روپے تھے۔ بینک نے موجودہ شرح منافع کو برقرار رکھنے کیلئے کم لاگت CASA ڈیپازٹس، اثاثوں کی تنظیم نو پر توجہ مبذول رکھی۔

سال 2020 کے مالیاتی نتائج

ملین روپے

11,989.413	منافع قبل از ٹیکس
5,045.672	ٹیکس نیٹ
6,943.741	منافع بعد از ٹیکس
2.63	فی شیئر آمدنی (روپے)

کپیٹل ایڈوکیسی اور کم از کم مطلوبہ سرمایہ
31 دسمبر 2020 کو پیڈ اپ کپیٹل (نقصانات کا نیٹ) 28.4 ارب روپے تک پہنچ گئی اور بینک سٹیٹ بینک آف پاکستان کی کم از کم مطلوبہ سرمائے کی حد 10.0 ارب روپے ہے۔ مزید یہ کہ بینک کی کپیٹل ایڈوکیسی ریشو (CAR) ریگولیٹری ضرورت 11.50% سے بہتر ہو کر 16.23% (2019: 14.80%) ہو گئی۔ CAR کی موجودہ سطح اسٹیٹ بینک آف پاکستان کی 11.50% مطلوب سطح سے 41% زیادہ ہے۔

انٹرنل کنٹرول

بینک کے خطرات کو میں تخفیف کرنے کیلئے انٹرنل کنٹرول کا مناسب اور موثر نظام دی بینک آف پنجاب کا بورڈ آف ڈائریکٹرز کی ذمہ داری ہے۔ بورڈ سالانہ رپورٹ میں انتظامیہ کی جانب سے کیے گئے انٹرنل کنٹرول کے انتظامات کی پر مسرت توثیق کرتا ہے۔

ٹریڈری سنگل اکاؤنٹ:

مستقبل میں حکومت پنجاب کے سنگل ٹریڈری اکاؤنٹ (ٹی ایس اے) کے نفاذ اور اس سے بینک کے کاروبار پر پڑنے والے اثرات کو مد نظر رکھتے ہوئے، یہ ضروری ہو گیا ہے کہ بینک کی مالی حیثیت پر مستقبل کے خطرہ کو کم کرنے کے لئے ایک جامع حکمت عملی بنائی جائے۔ اسی لیے بینک ٹی ایس اے کے سرفیصلہ یا مرحلہ وار نفاذ کے اثر کو لینے کے لیے تیار ہے۔

31 دسمبر 2020 تک بینک کے قرضہ جات 442.8 ارب روپے ہو گئے جبکہ غیر پیداواری قرضہ جات 57.3 ارب روپے کی سطح پر رہے۔ بینک سٹیٹ بینک آف پاکستان کے مطلوبہ تدبیراتی ضابطوں سے مکمل طور ہم آہنگ رہا اور ہر ممکن قانونی اقدامات سے گزشتہ غیر پیداواری قرضہ جات کی بحالی کو یقینی بنانے کی کوشش کی گئی۔ مالیاتی اداروں کو سرمایہ کاری اور قرض 583.9 ارب روپے رہے جس کا اہم حصہ حکومتی سیکورٹیز (95%) مع خاطر خواہ کپیٹل گین ہے۔ بینک کے کل اثاثے 26 فیصد اضافے کے ساتھ 10 کھرب کی حد عبور کر کے 1.0 کھرب 95.4 ارب (1095.4 ارب) روپے تک پہنچ چکے ہیں جو کہ 31 دسمبر 2019 کو 868.9 ارب روپے تھے۔

سال 2020 کے دوران کووڈ-19 کی وبا کے باعث معیشت کے تمام شعبوں میں مندی رہی، جبکہ بینک نے طویل المدتی سرمایہ کاری کی حکمت عملی اپنائی جس کے باعث بینک کی کتابوں قابل ذکر کپیٹل گین کا اضافہ ہوا، نتیجتاً نان مارک اپ / انٹرسٹ آمدن میں 233 فیصد کے غیر معمولی اضافے سے 3.9 ارب روپے سے بڑھ کر 13.0 ارب روپے ہو گئی۔ جبکہ نیٹ انٹرسٹ مارجن (این آئی ایم) معمولی کمی کے ساتھ 23.3 ارب روپے ریکارڈ کیا گیا۔ سال 2020 کے دوران منافع قبل از فراہمی اپنا یا سال 2020 کے دوران قرضہ جات پر 1.7 ارب روپے کی پرویژن 20 فیصد اضافے کے ساتھ بڑھ کر 18.9 ارب روپے ہو گیا جو کہ گزشتہ برس اسی دوران میں 15.8 ارب روپے تھا۔ تاہم کووڈ-19 کے نتائج کے خطرات کے پیش نظر اور اضافی معروضی تجزیہ کے ساتھ بینک نے عمومی فراہمی کا سمجھدارانہ طریقہ اپنا یا سال 2020 کے دوران قرضہ جات پر 1.7 ارب روپے کی پرویژن کیں۔ اس سال کے دوران بینک کی تاریخ میں پہلی مرتبہ معروضی درجہ بندی کے اکاؤنٹ پر ذاتی تعین کی بنیاد پر 1.7 ارب روپے ریکارڈ کی گئی۔ مزید یہ کہ جنرل پرویژن 3.3 ارب روپے بھی کی گئی۔

بینک کا بورڈ آف ڈائریکٹرز

31 دسمبر 2020 کو بینک کا بورڈ آف ڈائریکٹرز 18 ارکان پر مشتمل تھا۔ جن کی تفصیل مندرجہ ذیل ہے۔

08	مرد
0	خواتین
02	آزاد ڈائریکٹرز
05	نان ایگزیکٹو ڈائریکٹرز
01	ایگزیکٹو ڈائریکٹر

2020 میں بورڈ کے 13 اجلاس درج ذیل ارکان کے ساتھ منعقد ہوئے۔

اجلاسوں کی تعداد	نام ڈائریکٹر
13	محمد جہانزیب خان
13	ڈاکٹر محمد امجد ثاقب
13	شہر یار احمد
13	محمد عبداللہ خان سنبل
7	سید غضنفر عباس جیلانی
13	سعید انور **
13	خواجہ فاروق سعید **
6	ظفر مسعود (تقرری مورخہ 16-04-20)
3	خالد ایس ترمذی (*)
3	اعجاز الرحمن قریشی (*)

* قائم مقام صدر / سی ای او

بورڈ آف ڈائریکٹرز کی کمیٹیاں

1- بورڈ آڈٹ کمیٹی

سال 2020 میں بورڈ آڈٹ کمیٹی کے 16 اجلاس درج ذیل ارکان کے ساتھ منعقد ہوئے۔

اجلاسوں کی تعداد	نام ڈائریکٹر
6	سعید انور
3	جہانزیب خان
4	شہر یار احمد
3	سید غضنفر عباس جیلانی
3	خواجہ فاروق سعید *
2	محمد عبداللہ خان سنبل *

* اس کمیٹی کی ترتیب نو 273 ویں بورڈ میٹنگ مورخہ 4 اگست 2020 کو کی گئی۔

2- بورڈ رسک مینجمنٹ، کمپلائنس اور این پی ایل ریویو کمیٹی

سال 2020 میں بورڈ رسک مینجمنٹ، کمپلائنس اور این پی ایل ریویو کمیٹی کے 14 اجلاس درج ذیل ارکان کے ساتھ منعقد ہوئے۔

تعداد اجلاس	نام ڈائریکٹر
3	شہر یار احمد
2	خواجہ فاروق سعید
3	ڈاکٹر محمد امجد ثاقب
2	سید غضنفر عباس جیلانی
2	محمد جہانزیب خان *
2	سعید انور *
2	محمد عبداللہ خان سنبل *

* اس کمیٹی کی ترتیب نو 273 ویں بورڈ میٹنگ مورخہ 4 اگست 2020 کو کی گئی۔

3- بورڈ افرادی قوت، معاوضہ اور نامزدگی کمیٹی

تعداد اجلاس	نام ڈائریکٹر
8	خواجہ فاروق سعید
8	محمد جہانزیب خان
8	محمد امجد ثاقب
7	محمد عبداللہ خان سنبل
4	سید غضنفر عباس جیلانی *

* مورخہ 28 مئی 2020 کو تقرری کی گئی۔

4- بورڈ حکمت عملی، اسلامی، ترقی شعبدہ مالی کمیٹی

تعداد اجلاس	نام ڈائریکٹر
3	ڈاکٹر محمد امجد ثاقب
2	سعید انور
2	محمد عبداللہ خان سنبل
2	شہر یار احمد
1	خواجہ فاروق سعید

* اس کمیٹی کی ترتیب نو 273 ویں بورڈ میٹنگ مورخہ 4 اگست 2020 کو کی گئی۔

5- انفارمیشن ٹیکنالوجی اینڈ کمیونیکیشن کمیٹی

تعداد اجلاس	نام ڈائریکٹر
4	محمد جہانزیب خان
4	سعید انور
3	خواجہ فاروق سعید
1	عبداللہ خان سنبل**
2	ڈاکٹر محمد امجد ثاقب*

* اس کمیٹی کی ترتیب نو 273 ویں بورڈ میٹنگ مورخہ 14 اگست 2020 کو کی گئی۔

** مورخہ 04 اگست 2020 کو تقرری کی گئی۔

کریڈٹ درجہ بندی

بینک کے بہتر رسک پروفائل کو تسلیم کرتے ہوئے پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے طویل المدتی ادارے کی درجہ بندی "AA" برقرار رکھی ہے جبکہ قلیل مدتی درجہ بندی "A1+" برقرار رکھی ہے۔

درجہ بندی کے معیاری پیمانے اور تعریف کے مطابق طویل المدتی "AA" درجہ بندی میں بہت ہی کم کریڈٹ رسک ہوتا ہے۔ یہ بہت مضبوط بروقت مالیاتی وعدوں کی ادائیگیوں کی صلاحیت ظاہر کرتی ہے جو تکلیف دے حالات سے محفوظ ہو۔ اسی طرح قلیل المدتی "A1+" درجہ بندی بروقت ادائیگیوں کی بہترین صلاحیت کو ظاہر کرتی ہے

ذیلی

بینک کے ذیلی اداروں کی تفصیل درج ذیل ہے

نمبر شمار	نام	31 دسمبر 2020 تک نیٹ اثاثے	31 دسمبر 2019 تک نیٹ اثاثے
1	پنجاب مضاربعہ سروس پرائیویٹ لمیٹڈ	(37.840)	(21.505)
2	فرسٹ پنجاب مضاربعہ	138.408	194.255
3	پنجاب کپٹل سکیورٹیز پرائیویٹ لمیٹڈ	72.521	70.103

کارپوریٹ اور مالی رپورٹنگ کے فریم ورک کی

اسٹیٹمنٹ

ڈائریکٹرز کو ڈی آف کارپوریٹ گورننس کے معاملے میں مسرت کے ساتھ درج ذیل بیان پیش کر رہے ہیں۔

مالیاتی اسٹیٹمنٹ مصدقہ طور پر نوٹس اور بینکنگ کمپنیز آرڈیننس 1962 اور کمپنیز ایکٹ 2017 کے تحت تیار کی گئی ہے۔ یہ اسٹیٹمنٹ درست معاملات، اس کے نتیجے میں آپریٹنگ، کیش، فلو اور ایکویٹی میں تبدیلی، جامع آمدن پیش کرتی ہیں۔ بینک کے کھاتوں کی باقاعدہ کتابیں تیار اور برقرار رکھی گئی ہیں۔

موزوں شماریاتی حکمت عملیاں مالیاتی اسٹیٹمنٹ اور موزوں شماریاتی تخمینہ سازی کے دوران تسلسل کے ساتھ مددگار انداز پر انداز میں لاگو کی گئی ہیں۔

جیسا کہ پاکستان میں بین الاقوامی شماریاتی اور مالیاتی رپورٹنگ معیارات اور اسلامی معاشی شماریاتی معیارات رائج ہیں، مالی اسٹیٹمنٹ کی تیاری اور سالانہ کھاتوں کو ظاہر کرنے میں انہیں معیارات پر عمل کیا گیا ہے۔ اندرونی اختیارات کا نظام مضبوط اور موثر انداز میں لاگو کیا گیا ہے۔

حالیہ تشریح کے معاملہ میں بینک کی قابلیت پر کوئی شک نہیں ہے۔

لسٹنگ قواعد میں درج تفصیلات کے تحت کارپوریٹ گورننس کے بہترین طریقہ سے کوئی تصادم نہیں۔

مالی اسٹیٹمنٹ میں تمام قانونی واجبات اگر کوئی ہیں تو ظاہر کر دیئے گئے ہیں۔

تازہ ترین آڈٹ شدہ کھاتوں کے مطابق سٹاف کے پراویڈنٹ فنڈ اور گریجویٹ فنڈ پر سرمایہ کاری کی مالیت 3.02 ارب روپے اور 1.08 روپے ہے۔

سالانہ رپورٹ کے صفحہ نمبر 320 پر 31 دسمبر 2020 کی شیئر ہولڈنگ کی تفصیل دی گئی ہے۔

سالانہ رپورٹ کے صفحہ نمبر 64 پر گزشتہ 6 سال کا اہم آپریٹنگ اور مالیاتی ڈیٹا ظاہر کر رہی ہے۔

سالانہ رپورٹ کے صفحہ نمبر 43 پر کارپوریٹ گورننس کے طریقہ کار کی تفصیل دی گئی ہے۔

سالانہ رپورٹ کے صفحہ نمبر 38 پر رسک مینجمنٹ فریم ورک کی تفصیل دی گئی ہے۔

سالانہ رپورٹ کے صفحہ نمبر 41 پر بورڈ ریویو نیشن پالیسی کی تفصیل دی گئی ہے۔

2021 کیلئے رائے

گزشتہ برس میں شاندار مالی کارکردگی کے پیش نظر بینک غیر بینک ایریا تک پہنچنے اور کاروبار کے حجم میں اضافے اور حصص داران کو بہتر منافع کیلئے اپنی پیش قدمی جاری رکھے گا۔ بینک مزید آپریشنل طریقہ میں بہتری اور موثر گمرانی کیلئے ٹیکنالوجی میں سرمایہ کاری جاری رکھے گا

آڈیٹرز

ریٹائر ہونے والے آڈیٹرز M/s EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس اہل ہیں جنہوں نے اپنی خدمات 31 دسمبر 2021 کو ختم ہونے والے سال کیلئے پیش کی ہیں۔ ڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے بالافرم کو بینک کے مالی آڈٹ برائے سال 2021 کیلئے تجویز کیا ہے۔

میں یہ اعتراف کرتا ہوں کہ اسٹیٹ بینک آف پاکستان اور حکومت پنجاب کی رہنمائی اور مدد مطلوبہ نتائج حاصل کرنے میں بہت اہم کردار ادا کیا۔ میں اپنے حصص داران اور صارفین کے مسلسل اعتماد کا، بینک مینجمنٹ اور سٹاف کے کام پر شکر گزار ہوں۔

بورڈ ڈائریکٹر کی جانب سے

شہر پاراچمہ

ڈائریکٹر

Review Report by Chairman of Audit Committee



The Audit Committee of the Board consists of 4 members and is being headed by an experience independent Director as Chairman. The members of Audit Committee possess rich diverse experience and has served on the Board of various entity besides holding senior management positions in different public and private sector entities.

Current composition of Board Audit Committee is as under:

1	Mr. Saeed Anwar	Chairman
2	Mr. Mohammad Jehanzeb Khan	Member
3	Mr. Shaharyar Ahmad	Member
4	Syed Ghazanfar Abbas Jilani	Member

During the year 2020, 6 meetings of Audit Committee were held. Major Responsibilities of Board Audit Committee are as under:

1. Supervision of Bank's Internal Audit Function and ensure its functional independence.
2. Provide necessary guidance to Internal Audit Function.
3. Approve annual audit plan along with allocation of required budget and resources.
4. Ensure effective implementation of Internal Control Regime as per regulatory requirements.
5. Review quarterly and annual financial statements of the Bank and address highlighted significant issues.
6. Review periodical reports of significant issues highlighted by Internal Audit Function.
7. Recommend appointment of External Auditor to BOD and ensure their independence.

During the year 2020, the Audit Committee has reviewed 3 quarterly and one annual accounts of the Bank and recommended the same to BOD for final approval. The Committee also reviewed periodical report on significant and material issues pointed out by the Internal Audit Function and provided necessary guidance on the issue. During the year 2020, Bank's Internal Audit Function has performed its role satisfactorily.

The Audit Committee shall continue to perform its role in accordance with the regulatory requirements and would also ensure complete independence of Bank's Internal Audit Function.

For & on Behalf of Audit Committee

Saeed Anwar
Chairman

Report of Shariah Board

Taqwa Islamic Banking The Bank of Punjab (TIB BOP)

(For The Financial Year 2020)

Alhamdulillah TIB BOP has completed another year of successful banking operations. The Shariah Board (SB) hereby presents its opinion on the affairs of TIB BOP operations. The Board of Directors (BOD) and the management is committed to providing an effective and comprehensive Shariah Governed environment to regulate the overall functions of the bank. During the year Shariah Board convened various SB meetings to discuss different matters referred to the Shariah Board including Internal/External Shariah Audit Reports, Shariah compliance review reports, policies and procedures, new products/ renewals of existing products, transaction structuring, business and marketing material etc.

SHARIAH COMPLIANCE:

1. TIB BOP is equipped with a team of qualified personal in its Shariah Compliance Department (SCD), working under the supervision and guidance of the Shariah Board. The prime objective of this function is to ensure Shariah Compliance at various levels and take corrective measures.
2. The main modes of financing used for the bank's financing activities during the year consist of Murabaha, Ijarah, Diminishing Musharakah, Istisna and Running Musharakah.
3. The Shariah Board supervised and analyzed various products, concepts, transactions, processes and their Shariah Compliance as an ongoing process to ensure that the transactions are valid and in conformity with Shariah injunctions.
4. The Internal Shariah Audit unit evaluates the adherence to Shariah guidelines by the Bank. During the year, Shariah Audit of various TIB BOP branches/departments was conducted that enabled the Bank to improve the Shariah control environment.
5. To strengthen and broaden the functions of Shariah control, the Shariah Compliance Department (SCD) of the bank under the supervision of RSBM, facilitated the customers by formulating customized process flows after assessment of the customers' business models and determining the most suitable product. Further for effective compliance, SCD performed random inspections to assess the purchases, evidences and invoices of financing transactions. As a part of the department's responsibilities SCD

also reviewed the process of profit distribution to the depositors on monthly basis. During the course of on-site visit of branches, SCD also guided staff regarding day to day operations while dealing with general banking customers.

PRODUCTS AND POLICES:

During the year, SB has reviewed various new products along with the review and renewal of existing products including liability and financing side products both e.g. Taqwa Direct Pension Credit Account, Taqwa LG PLS Saving Account, Taqwa Rahat Account Product, Taqwa Rahat Corporate Account Product, Taqwa Tijarah Finance Product, Taqwa Salam Finance Product, Islamic Long Term Financing Facility (ILTFF) For Plant & Machinery, Islamic Refinance Scheme for Working Capital Financing of Small Enterprises & Low-End Medium Enterprises (IWCF) and Islamic Temporary Economic Refinance Facility (ITERF) etc.. Few of products are already launched by the bank and while remaining shall be launched after system development.

Additionally, Shariah Board has also reviewed different policies including BoP's Green Banking Policy, Consumer Finance Policy, amendments in Treasury & Investment Policy, amendment in Islamic Banking Training Policy section, amendment in Policy of Charity, Islamic Banking Windows Policy & Taqwa House Finance Policy etc.

SHARIAH OPINION:

After review of reports of Shariah Compliance Department, Internal and External Shariah Audit reports we are of the opinion that:

Category of TIB BOP operations is overall satisfactory as per details given below:

1. TIB BOP has by and large complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by the Shariah Board.
2. TIB BOP has by and large complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP.
3. TIB BOP has a satisfactory mechanism in place to ensure Shariah compliance in their overall operations.

4. TIB BOP has a proper system in place to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized. Detail of the charity fund is available in the statement of financial position of TIB BOP (annexure I of Annual Report 2020 BOP).
5. TIB BOP has overall acceptable system of profit / (loss) distribution and pool management. Profit is being properly distributed to all saving account holders on Mudarabah principles.
6. Bank's BoD and management is cognizant with respect to the importance of Shariah compliance in the products and processes of the bank. In this spirit bank is continuously focusing to enhance the Islamic Banking knowledge & skill set of the staff. Islamic Banking Training Unit and SCD with the coordination of Learning & Development Centre of the Bank has imparted training on Islamic banking products.
7. Shariah Board has been provided with adequate resources enabling it to discharge its duties effectively.

In Addition to above:

RECOMMENDATIONS:

There are following significant Shariah related issues which need to be addressed:

Staff/Human Resource related Matters

It was earlier recommended that employment contracts, Staff Health Insurance and other benefits of the employees working under Taqwa Islamic banking need to be reviewed and brought in line with Shariah rulings available in the matter. In this connection bank is in process of review of its existing HR policy. It is recommended to expedite the process.

ISAU (Internal Shariah Audit Unit) was working with strength of 03 staff members. While encouraging the efforts of ISAU, keeping in view bank's current business segment growth and overall network expansion plan including launching of Islamic banking Windows, it is recommended that the strength of ISAU should be further increased and an independent internal Shariah audit unit as already recommended should be formed, in light of SBP directive mentioned in SGF.

Profit Distribution System

In order to ensure further transparency in profit distribution mechanism to its Investment Account Holders, the Bank used its automated profit distribution process, which is highly appreciated. However differences of Profit amounts were reported in reports of different branches by the ISAU. Accordingly it was advised by SB that TIB management should look into the matter and arrange resolution for the same at the earliest. In this connection, being newly automated system we recommend to have a careful monitoring of the system while matching the results with manual calculation till the confirmation of satisfactory functioning of the system.

Customer Awareness Sessions

In order to enhance customer awareness of Islamic Banking, the management has arranged public awareness session on Islamic Banking and Finance. The sessions were delivered by the Resident Shariah Board Member (RSBM) and was appraised by participants as highly interactive and informative. We recommend to arrange similar sessions in the coming years.

Staff Training

While appreciating the management's efforts and focus on HR development, we recommend for management to continue its efforts on capacity building segment with the same zeal with special focus on training to staff to be appointed at Islamic Banking windows, keeping in view SBP increased focus on this area.

The Shariah Board of TIB BOP is satisfied with overall performance of Taqwa Islamic Banking - The Bank of Punjab and we expect that the management of the bank will continue adhering to the instructions issued by SBP and the Shariah Board of the bank that will further strengthen Shariah Compliance culture at TIB BOP.

Mufti Muhammad Zahid
Chairman Shariah Board

Rafey Ashraf Usmani
Resident Member Shariah Board

Dr. Ejaz Ahmed Samadani
Member Shariah Board

Date: 23 February 2021

شریعه بورڈ رپورٹ

تقویٰ اسلامک بینکنگ - دی بینک آف پنجاب (برائے مالی سال - 2020)

الحمد للہ" تقویٰ اسلامک بینکنگ - دی بینک آف پنجاب" نے کامیاب بینکنگ آپریشنز کا ایک اور سال مکمل کر لیا ہے۔ شریعہ بورڈ "تقویٰ اسلامک بینکنگ - دی بینک آف پنجاب" کے آپریشنز کے متعلق اپنی رائے پیش کرتا ہے، بورڈ آف ڈائریکٹرز اور بینک کی ایگزیکٹو مینجمنٹ بینک کے مجموعی کاموں کو منظم کرنے کے لئے ایک موثر اور جامع شرعی اصولی ماحول فراہم کرنے کے لئے پرعزم ہے، سال کے دوران شریعہ بورڈ نے مختلف معاملات پر تبادلہ خیال کرنے کے لئے مختلف مینٹنگز طلب کیں ان میں داخلہ/خارجی شریعہ آڈٹ رپورٹس، شریعہ کمپلائنس رپورٹس، پالیسیاں، پروسیجرز، نئی پراڈکٹس، موجودہ پراڈکٹس کی تجدید، لین دین کا ڈھانچہ، برنس اور مارکیٹنگ کاموں وغیرہ شامل ہیں۔

شریعه کمپلائنس :

- * "شریعہ کمپلائنس ڈیپارٹمنٹ" "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" با صلاحیت افراد پر مشتمل ہے، جو شریعہ بورڈ کی نگرانی اور رہنمائی میں کام کر رہا ہے، اس فنکشن کا بنیادی مقصد مختلف مراحل پر شرعی احکامات کی تعمیل کو یقینی بنانا اور اصلاحی اقدامات کرنا ہے۔
- * اس سال بینک نے فنانسنگ کیلئے بالعموم مراہجہ، اجارہ، شرکت متناقصہ، استصناع، اور رنگ مشارکہ کی پراڈکٹس اختیار کیں۔
- * شریعہ بورڈ نے مختلف پراڈکٹس، عقود، اور معاملات کی شریعت سے مطابقت کو برقرار رکھنے کیلئے نگرانی کا عمل مسلسل جاری رکھا تاکہ تمام معاملات شریعت کے اصولوں کے مطابق سرانجام پاتے رہیں۔
- * "انٹرنل شریعہ آڈٹ ڈیپارٹمنٹ" بینک کے معاملات میں شرعی اصولوں کی پابندی کو جانچتا ہے اس سال کے دوران "تقویٰ اسلامک بینکنگ - دی بینک آف پنجاب" کی برانچوں اور ڈیپارٹمنٹس کا آڈٹ کیا گیا جس کے نتیجے میں بینک کے شریعہ کنٹرول کے ماحول کو بہتر بنانے میں مدد ملی۔
- * شرعی کنٹرول کے معاملات کو مزید بہتر اور وسیع بنانے کیلئے بینک کا "شریعہ کمپلائنس ڈیپارٹمنٹ" ریزیڈینٹ شریعہ بورڈ ممبر کی نگرانی میں کسٹمر کے کاروباری نظام کے جائزے اور کسٹمر کی ضرورت کے پیش نظر مناسب پراڈکٹ کے مطابق پراسس فلوز کو ترتیب دیتا ہے، اس سال کے دوران بھی "شریعہ کمپلائنس ڈیپارٹمنٹ" نے شریعہ بورڈ سے مختلف پراڈکٹس اور پراسس فلوز کی منظوری حاصل کی، "شریعہ کمپلائنس ڈیپارٹمنٹ" نے دوران سال نمونے کے طور پر جائزوں، خریداری کی تصدیق، ثبوت، اور رسیدوں کی جانچ پڑتال کا خاص اہتمام کیا، "شریعہ کمپلائنس ڈیپارٹمنٹ" کی دیگر ذمہ داریوں میں کھاتہ داروں کو نفع کی تقسیم کی مہمانی کی بنیاد پر نگرانی بھی شامل ہے جس کو اس سال بھی "شریعہ کمپلائنس ڈیپارٹمنٹ" نے بخوبی سرانجام دیا ہے، برانچوں کی جانچ کے دوران "شریعہ کمپلائنس ڈیپارٹمنٹ" نے عملہ کو روزمرہ آپریشنز میں کسٹمر کے ساتھ معاملات کے متعلق رہنمائی فراہم کی ہیں۔

پراڈکٹس اور پالیسی:

- * شریعہ بورڈ نے سال کے دوران مختلف نئی پراڈکٹس کے ساتھ موجودہ پراڈکٹس

ان میں سے کچھ پراڈکٹس پہلے ہی بینک کی طرف سے لانچ کی جا چکی ہیں اور بقیہ پراڈکٹس سسٹم بننے کے بعد لانچ کر دی جائیں گی۔

اسکے علاوہ شریعہ بورڈ نے کچھ پالیسیوں کا بھی جائزہ لیا جن میں بی۔ او۔ پی گرین بینکنگ پالیسی، کنزیومر فنانس پالیسی، ٹریڈری اور انویسٹمنٹ پالیسی میں ترمیم، اسلامک بینکنگ کی ٹریڈنگ پالیسی میں ترمیم، چیریٹی پالیسی میں ترمیم، اسلامک بینکنگ ونڈوز پالیسی، اور تقویٰ ہاؤس فنانس پالیسی وغیرہ شامل ہیں۔

شرعی آراء:

شریعہ کمپلائنس ڈیپارٹمنٹ، اندرونی و بیرونی شریعہ آڈٹ رپورٹس کا معائنہ کرنے کے بعد ہماری رائے یہ ہے کہ:

- * تقویٰ اسلامک بینکنگ دی بینک آف پنجاب کے آپریشنز مجموعی طور پر تسلی بخش ہیں جسکی تفصیل درج ذیل ہے۔
- * "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" بحیثیت مجموعی شریعہ بورڈ کی جانب سے جاری شدہ فتاویٰ اور اصول و ضوابط پر کاربند رہا ہے۔
- * "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" اسٹیٹ بینک آف پاکستان کے شریعہ سے متعلق جاری کردہ احکامات، قواعد و ضوابط، ہدایات اور رہنما اصولوں پر بحیثیت مجموعی کاربند رہا ہے۔
- * "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" میں آپریشنز کو شریعہ کمپلائنس بنانے کیلئے تسلی بخش نظام موجود ہے۔
- * ممنوعہ ذرائع سے حاصل ہونے والی آمدن کو خیراتی اکاؤنٹ میں منتقل کرنے اور اسکے مؤثر استعمال کو یقینی بنانے کیلئے "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" میں ایک مؤثر نظام موجود ہے، خیراتی رقم کی تفصیل بینک کی "سالانہ مالیاتی رپورٹ" میں موجود ہے۔
- * "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" میں نفع و نقصان کو تقسیم کرنے اور پول مینجمنٹ کا ایک قابل قبول نظام موجود ہے، "سیونگ اکاؤنٹ" میں مضاربہ کے اصولوں کے مطابق کھاتہ داروں میں مناسب طریقہ سے نفع تقسیم کیا جا رہا ہے۔

بینک کے بورڈ آف ڈائریکٹرز اور مینجمنٹ بینک کی پراڈکٹ اور پراسس کو شریعہ

نے اسلامی بینکاری اور مالیات کے بارے میں عوامی آگاہی سمینار کا اہتمام کیا ہے، جس میں ریزیڈنٹ شریعہ بورڈ ممبر کے ذریعے حاضرین کو آگاہی دی گئی، شرکاء نے سمینار کو کافی مؤثر اور معلوماتی سمجھا، ہم آنے والے سالوں میں اسی طرح کے مزید سمینار منعقد کرنے کی بھی سفارش کرتے ہیں۔

1.4. اسٹاف ٹریننگ:

ہم اسٹاف کی صلاحیتوں کو بہتر بنانے کے حوالے سے مینجمنٹ کی کاوشوں اور رجحان کی تعریف کرتے ہوئے اس بات کی سفارش کرتے ہیں کہ مینجمنٹ صلاحیتوں کو بہتر بنانے میں اپنی کاوشوں کو جاری رکھے اور اسی جزبہ اور کاوش کیساتھ عملے کی تربیت، بالخصوص اسلامک بینکنگ ونڈوز کیلئے منتخب ہونے والے عملے کی تربیت پر خصوصی توجہ دے اور "اسٹیٹ بینک آف پاکستان" کی ہدایات کو مد نظر رکھتے ہوئے اس شعبے میں مزید توجہ بڑھائے۔

"تقویٰ اسلامک بینکنگ- دی بینک آف پنجاب" کا شریعہ بورڈ بینک ہذا کی کارکردگی اور امور سے بحیثیت مجموعی مطمئن ہے اور امید کرتا ہے کہ "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" کی انتظامیہ شریعہ بورڈ اور "اسٹیٹ بینک آف پاکستان" کی جاری کردہ ہدایات پر عملدرآمد کرتی رہے گی، جو کہ "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" کے شریعہ کمپلائنس ماحول کی مزید مضبوطی کا سبب بنے گا۔

واللہ سبحانہ و تعالیٰ اعلم

مفتی محمد زاہد

چیرمین شریعہ بورڈ

مفتی رافع اشرف عثمانی

ریزیڈنٹ شریعہ بورڈ ممبر

ڈاکٹر اعجاز احمد صدیقی

شریعی بورڈ ممبر

تاریخ اجراء: 23 فروری 2021

کمپلائنس کرنے میں سنجیدہ ہے اسی وجہ سے بینک اسلامی بینکاری سے متعلق عملہ کی صلاحیتوں کی بہتری کی طرف مسلسل متوجہ ہے "اسلامک بینکنگ ٹریننگ یونٹ" اور "شریعی کمپلائنس ڈیپارٹمنٹ" نے بینک کے "لرننگ اینڈ ڈویلپمنٹ ڈیپارٹمنٹ" کے تعاون سے اسلامک بینکنگ کی پراڈکٹس پر تربیتی مجالس کا انعقاد کروایا ہے۔

* شریعہ بورڈ کو مناسب وسائل مہیا کیے گئے ہیں تاکہ وہ اپنی ذمہ داریوں کو احسن اور مؤثر طریقہ سے سرانجام دے سکے۔

سفارشات:

* شریعہ سے متعلق مندرجہ ذیل کچھ اہم امور ہیں جن پر توجہ دینے کی ضرورت ہے؛

1. اسٹاف سے متعلق معاملات:

* اس بات کی پہلے بھی سفارش کی گئی تھی کہ "تقویٰ اسلامک بینکنگ دی بینک آف پنجاب" میں ملازمت کرنے والے ملازمین کے "ملازمت کے معاہدے"، "سٹاف ہیلتھ انشورنس اور دیگر دی جانے والی سہولیات کا جائزہ لینے اور ان میں موجود معاملات کو شریعی احکامات کے مطابق لانے کی ضرورت ہے، اس سلسلے میں بینک اپنی موجودہ ایچ آر پالیسی کا جائزہ لے رہا ہے اس عمل کو جلد از جلد مکمل کرنے کی سفارش کی جاتی ہے۔

* "انٹرنل شریعہ آڈٹ یونٹ" (آئی ایس اے یو) 03 ممبران پر مشتمل عملے کے ساتھ کام کر رہا تھا۔ آئی ایس اے یو کی کاوشوں کی حوصلہ افزائی کرتے ہوئے، بینک کی موجودہ کاروباری حجم کی نمو، برانچ نیٹ ورک کی توسیع اور اسلامی بینکاری ونڈوز کے اجراء کے منصوبے کو مد نظر رکھتے ہوئے یہ تجویز کی جاتی ہے کہ "آئی ایس اے یو" کی استعداد کو مزید بڑھایا جائے اور جیسا کہ پہلے بھی سفارش کی گئی تھی کہ "ایس جی ایف" میں مذکور "ایس بی پی" کی ہدایت کی روشنی میں، ایک آزاد "انٹرنل شریعہ آڈٹ یونٹ" تشکیل دیا جانا چاہئے۔

2. نفع کی تقسیم کا نظام:

* اپنے "انویسٹمنٹ اکاؤنٹ ہولڈرز" کو منافع کی تقسیم کے طریقہ کار میں شفافیت کو مزید یقینی بنانے کے لئے، بینک نے خود کار منافع کی تقسیم کا سسٹم استعمال کرنا شروع کر دیا ہے، جو کہ قابل تعریف ہے، تاہم مختلف برانچوں کی "انٹرنل شریعہ آڈٹ یونٹ" کی رپورٹس میں منافع کی رقم میں فرق کی نشاندہی کی گئی ہے اسی مناسبت سے شریعہ بورڈ نے یہ تجویز دی تھی کہ آئی بی کی مینجمنٹ اس معاملے کی طرف توجہ دے اور اس کے جلد از جلد حل کے لئے اقدامات کرے، نئے خود کار نظام ہونے کی وجہ سے اس بات کی سفارش کی جاتی ہے کہ سسٹم کی محتاط نگرانی کی جائے نیز سسٹم کے اطمینان بخش ہونے تک نتائج کی دقتی حساب سے بھی پڑتال کی جائے۔

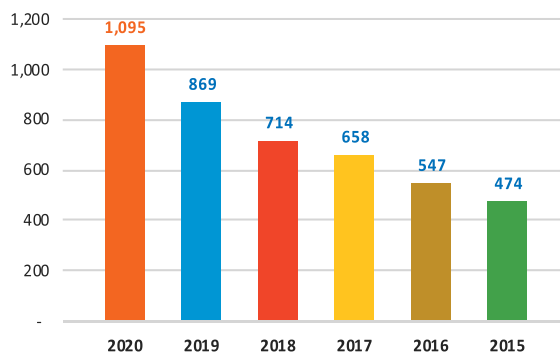
3. عوامی آگاہی سمینار:

* اسلامی بینکاری کے بارے میں کسٹمرز کی معلوماتی آگاہی بڑھانے کے لئے، مینجمنٹ

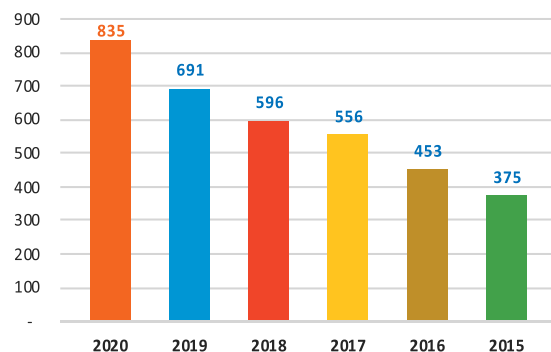
Analysis of Bank's Financial Performance

Six Years' Trend (Rupees in Billion)

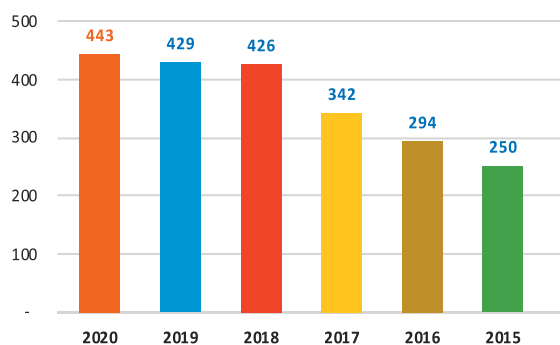
TOTAL ASSETS - CAGR 18%



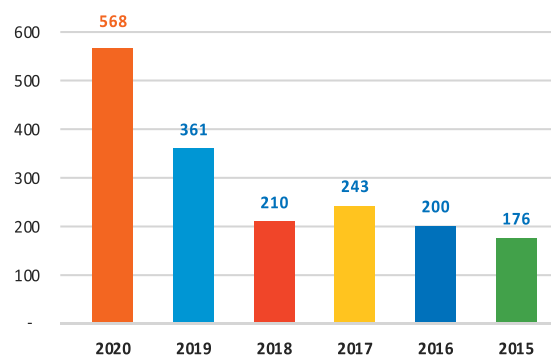
DEPOSITS - CAGR 17%



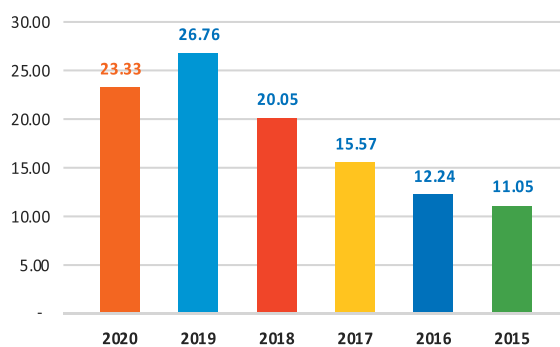
GROSS ADVANCES - CAGR 12%



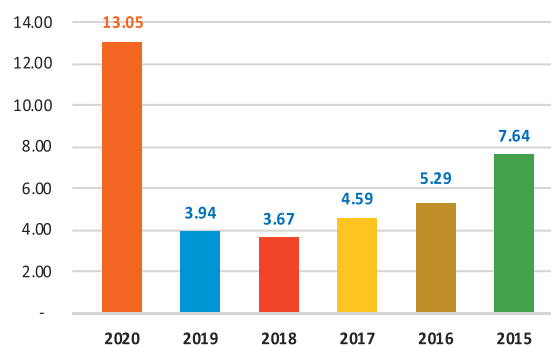
INVESTMENTS - NET - CAGR 26%



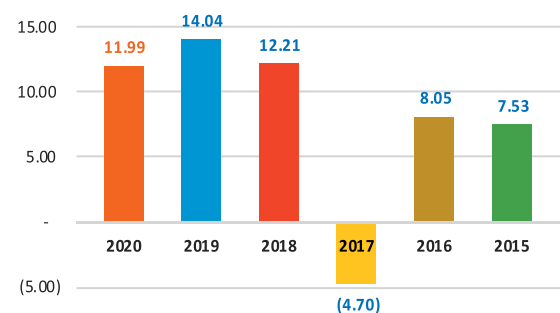
NET INTEREST MARGIN - CAGR 16%



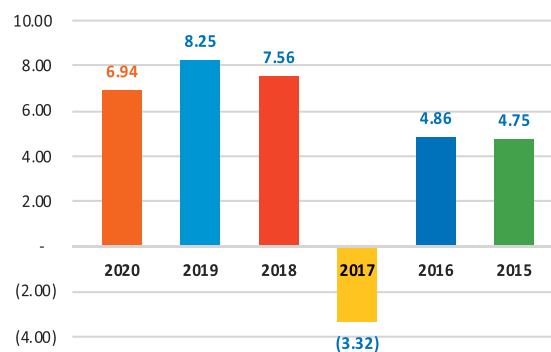
NON MARKUP INCOME - CAGR 11%



PROFIT BEFORE TAX - CAGR 10%

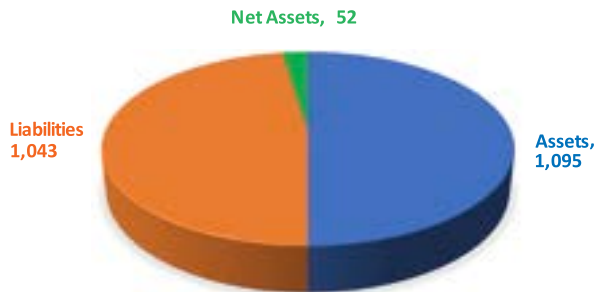


PROFIT AFTER TAX - CAGR 8%

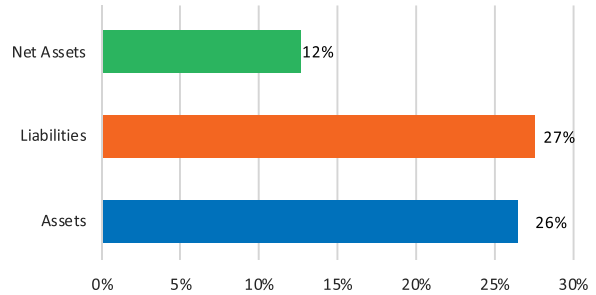


Graphical Presentation of Financial Statements (Rupees in Billion)

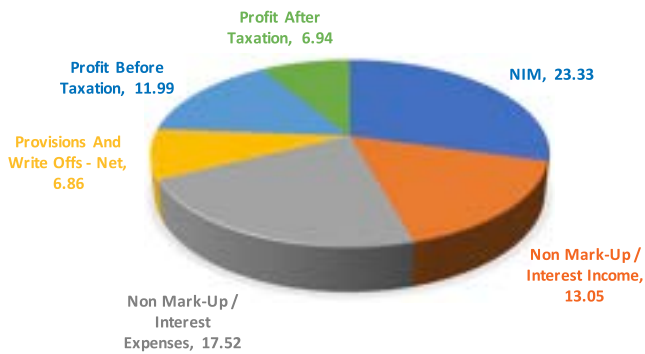
STATEMENT OF FINANCIAL POSITION 2020



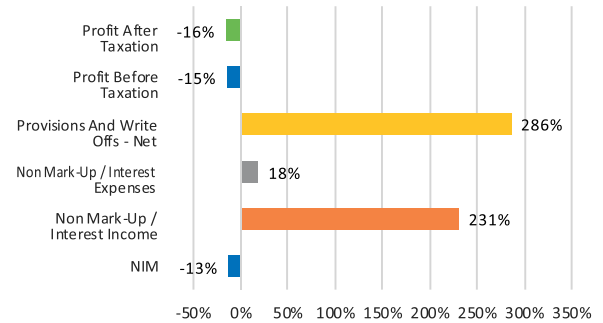
VARIANCE FROM 2019



PROFIT & LOSS ACCOUNT 2020



VARIANCE FROM 2019



CASH FLOWS 2020



CASH FLOWS 2019



Analysis of Bank's Financial Performance

Year 2020 Vs Year 2019 (Rupees in Million)

MARKUP / INTEREST EARNED

	2020	2019	Variance	%
Mark-up earned on Advances	38,860	46,190	(7,330)	-16%
Mark-up earned on Investments	45,754	31,815	13,939	44%
Mark-up earned on Lending	1,365	2,705	(1,340)	-50%
Mark-up earned on Balances with Banks	41	157	(116)	-74%
	86,019	80,867	5,152	6%

During the year 2020, Bank's income on advances declined by 16% mainly due to slowdown in economic activities and low credit demand in the market supplemented by downward movement in SBP benchmark rates. However, there was 44% increase in return on investments due to prudent management of funds and channelization of same to more lucrative / secure investment avenues.

MARKUP / INTEREST EXPENSED

	2020	2019	Variance	%
Mark-up expensed on Deposits	52,483	46,984	5,500	12%
Mark-up expensed on Borrowings	8,411	5,237	3,174	61%
Mark-up expensed on Subordinated Debts	862	1,110	(247)	-22%
Mark-up on lease liability against ROU Assets	937	779	158	20%
	62,694	54,110	8,584	16%

During the year 2020, Bank's expense on payment of profit on deposits increased by 12% which was well in line with overall growth in profit bearing deposits and movement in SBP Policy Rate. Markup on Borrowings increased by 61% owing to increase in volume of Borrowings in line with Bank's strategy. Markup expense on subordinated loans showed a decline of 22% due to early retirement of subordinated loan by the Bank. Further, markup on lease liability against Right of Use Assets increased by 20% due to increase in branch network and annual increase in rent of properties.

NON MARKUP INCOME

	2020	2019	Variance	%
Fee and commission income	3,732	3,530	202	6%
Dividend income	137	104	33	32%
Foreign exchange income	328	11	318	2998%
Gain on securities - net	8,466	222	8,245	3721%
Other income - net	382	73	308	420%
	13,046	3,940	9,106	231%

During year 2020, Non Markup Income (excluding Gain on Securities) improved by 23% as against 2% during year 2019. Slowdown in economic activities due to Country-wide lockdown adversely impacted the business and trade volumes of Banking Sector. However, the Bank was successful in mitigating the impact and its Fee & Commission Income showed a modest growth of 6%. Dividend Income registered a rise of 32% while Foreign Exchange Income also increased significantly. The Bank was able to realize substantial Capital Gains on Securities amounting to Rs. 8.47 Billion during 2020. Other Income registered a growth of Rs. 308 Million mainly on account of Gain on disposal of Non-Banking Assets.

Maturities of Assets and Liabilities *

(Rupees in Million)

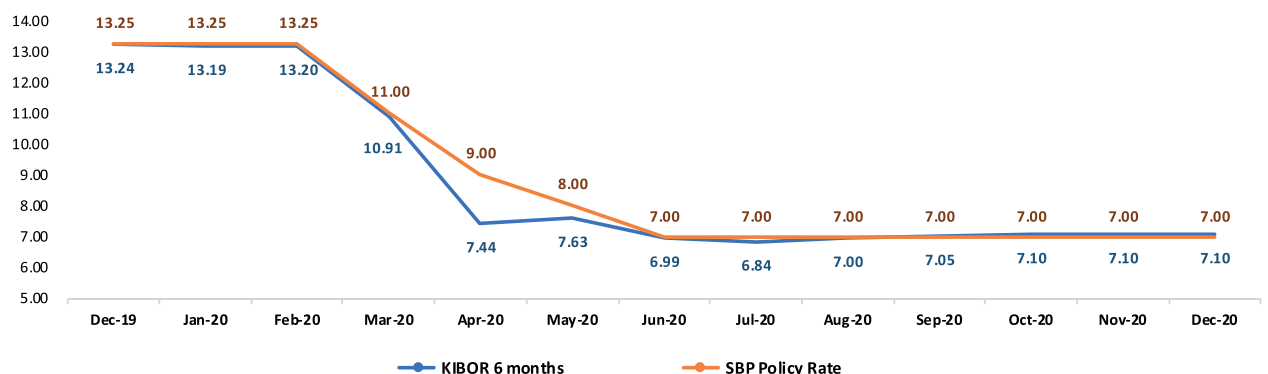
	31-Dec-20	Upto 03 Months	Over 03 Months up to 01 Year	Over 01 Year up to 3 Years	Over 03 Years up to 05 Years	Over 05 Years
Assets						
Cash and balances with treasury banks	69,272	69,272	-	-	-	-
Balances with other banks	2,398	2,398	-	-	-	-
Lending to financial institutions	16,087	16,087	-	-	-	-
Investments	567,789	101,311	237,445	79,004	51,192	98,837
Advances	391,161	97,405	63,662	79,108	78,910	72,075
Other assets	25,465	16,977	8,488	-	-	-
Operating fixed assets	14,813	288	720	2,004	2,431	9,370
Intangible assets	689	57	172	459	-	-
Deferred tax assets	7,774	-	-	-	7,774	-
	1,095,446	303,795	310,487	160,575	140,308	180,282
Liabilities						
Bills payable	4,169	4,169	-	-	-	-
Borrowings from financial institutions	154,841	92,093	42,057	10,182	3,005	7,504
Deposits and other accounts	835,068	304,794	246,848	115,149	59,093	109,184
Sub-ordinated loans	6,792	-	3	5	5	6,778
Other liabilities	42,315	24,132	3,302	3,775	4,979	6,128
	1,043,185	425,187	292,209	129,111	67,083	129,594
Net assets	52,262	(121,392)	18,277	31,464	73,225	50,688

* Based on expected maturities.

Key Interest Bearing Assets & Liabilities

(Rupees in Million)

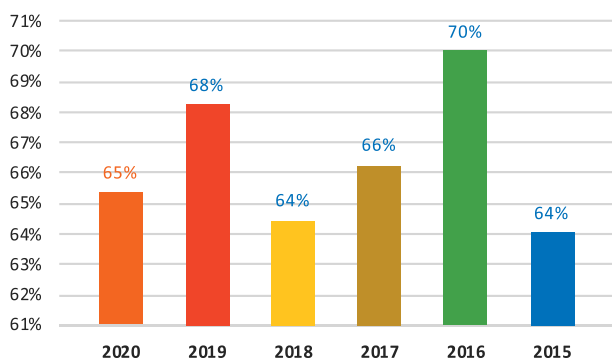
	2020			2019		
	Avg. Volume	Effective Interest rate %	Interest	Avg. Volume	Effective Interest rate %	Interest
Interest Earning Assets						
Lending to Financial Institutions	13,114	10.41%	1,365	24,429	11.07%	2,705
Gross Advances (excluding NPLs)	356,802	10.89%	38,860	356,764	12.95%	46,190
Gross Investments (excluding equity investments)	466,313	9.81%	45,754	263,227	12.09%	31,815
Interest Bearing Liabilities						
Deposits (excluding current deposits)	605,076	8.68%	52,548	479,374	9.80%	46,984
Borrowings	89,394	8.68%	7,761	38,453	12.35%	4,750
Subordinated loan	7,673	11.23%	862	8,796	12.62%	1,110



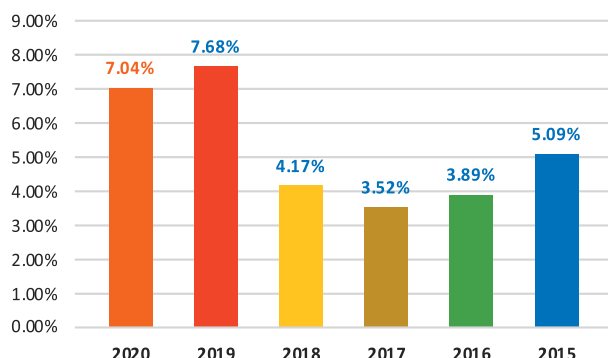
Analysis of Bank's Financial Performance

Deposits and Advances (Rupees in Million)

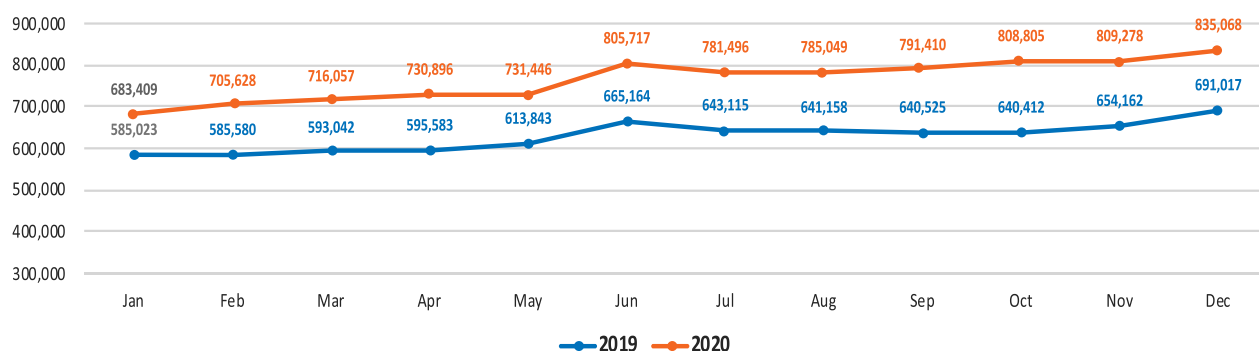
CASA MIX



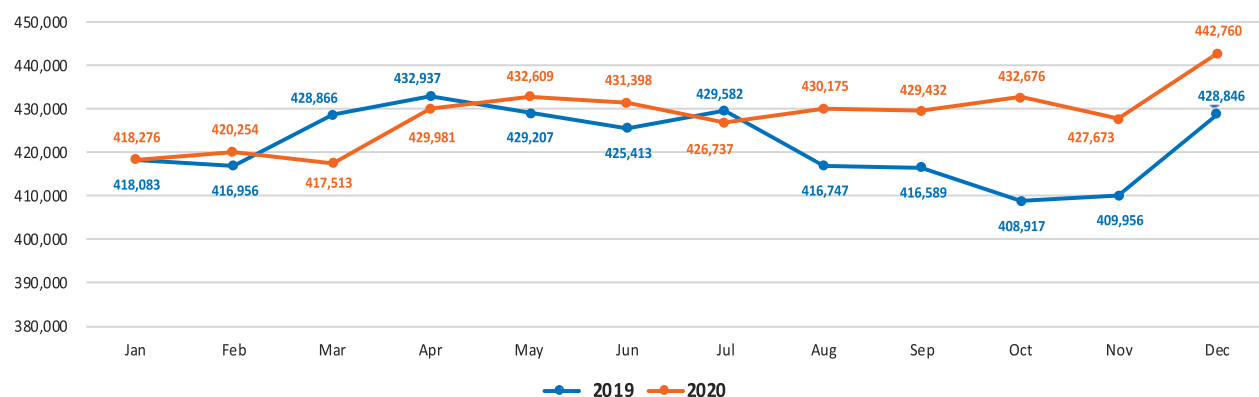
COST OF DEPOSITS



MONTHLY TREND OF BOP DEPOSITS



MONTHLY TREND OF BOP ADVANCES - GROSS



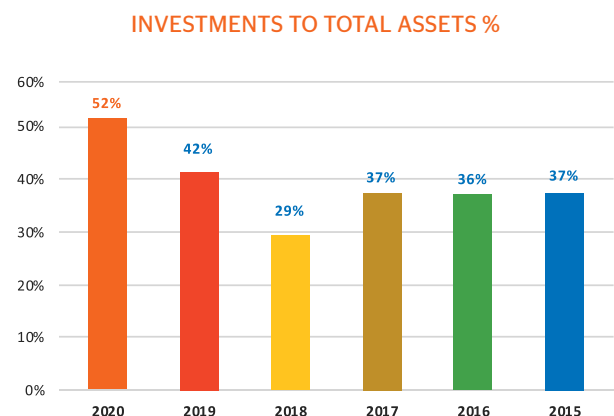
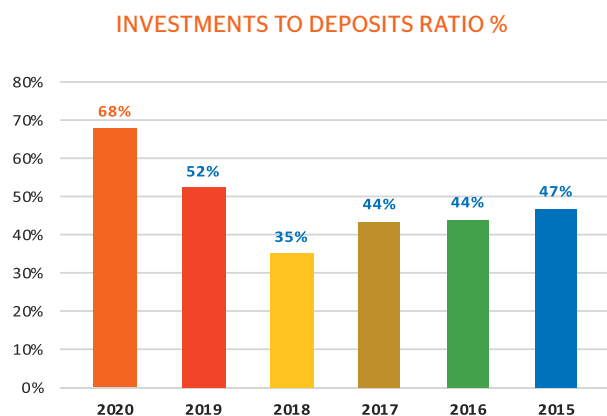
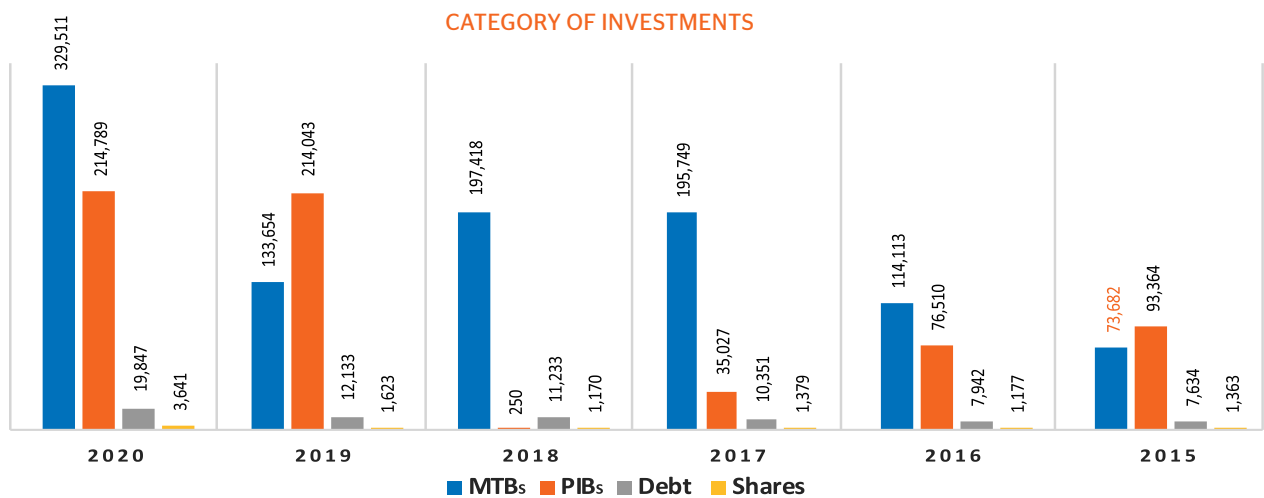
Investments (Rupees in Million)

TOP TEN LISTED EQUITY HOLDINGS AS OF 31.12.2020

Name of Company	Shares in Numbers	Book Value	Market Value
Engro Fertilizer Company Limited	2,973,500	200	188
Allied Bank Limited	1,999,500	153	171
Pak Elektron Limited	3,600,000	136	144
Hub Power Company Limited	1,671,169	133	133
Habib Bank Limited	925,000	122	122
Fauji Fertilizer Company Limited	1,212,744	121	132
Oil & Gas Development Company Limited	1,098,542	119	114
Sui Northern Gas Pipelines Limited	2,503,309	111	111
United Bank Limited	908,076	110	114
MCB Bank Limited	613,638	109	114

INVESTMENTS IN SUBSIDIARIES

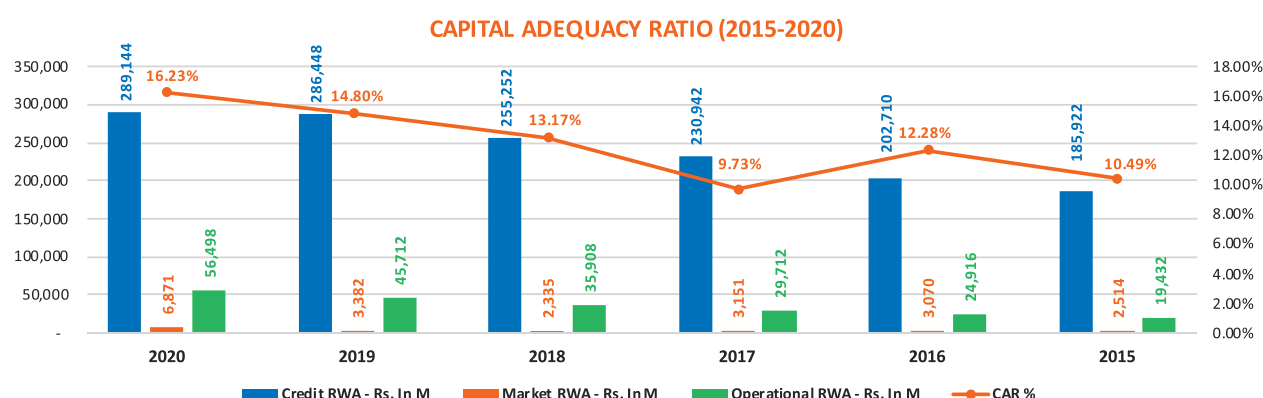
Subsidiaries	2020	2019
Punjab Modaraba Services (Private) Limited	100.00%	100.00%
First Punjab Modaraba	39.16%	39.16%
Punjab Capital Securities (Private) Limited	39.16%	39.16%



Analysis of Bank's Financial Performance

Capital Adequacy Ratio (Rupees in Million)

Capital Structure	2020	2019	2018	2017	2016	2015
Tier 1 Capital						
Share Capital	26,174	26,174	26,174	26,174	15,288	15,288
Share Premium	2,215	2,215	2,215	2,215	-	-
Shares Deposit Money	-	-	-	-	7,038	7,038
Reserves	5,814	4,425	2,776	1,263	1,263	2,291
Unappropriated Profit	12,103	8,497	3,296	(2,806)	659	(5,220)
	46,306	41,311	34,460	26,845	24,248	19,397
Deductions:						
Other Deductions	4,370	3,385	5,529	6,770	2,564	1,846
	4,370	3,385	5,529	6,770	2,564	1,846
Total Tier 1 Capital	41,937	37,926	28,931	20,075	21,683	17,551
Tier 2 Capital						
Qualifying Tier 2 Instruments	6,792	7,194	7,597	3,699	4,100	2,000
General Provision subject to 1.25% of Total Risk Weighted Assets	3,748	413	348	425	391	346
Revaluation Reserves	4,831	4,140	1,899	1,682	2,163	1,928
	15,371	11,747	9,844	5,806	6,654	4,274
Deductions:						
Other deductions	5	5	5	215	7	10
Tier 2 un recognized	96	-	108	-	-	-
Total Tier 2 Capital	15,270	11,742	9,731	5,591	6,647	4,264
Total Regulatory Capital Base	57,207	49,669	38,662	25,666	28,330	21,815
Risk Weighted Assets						
Credit Risk	289,144	286,448	255,252	230,942	202,710	185,922
Market Risk	6,871	3,382	2,335	3,151	3,070	2,514
Operational Risk	56,498	45,712	35,908	29,712	24,916	19,432
Total RWAs	352,514	335,542	293,495	263,805	230,696	207,868
Capital Adequacy Ratio						
Total Eligible Regulatory Capital Held	57,207	49,669	38,662	25,666	28,330	21,815
Total Risk Weighted Assets	352,514	335,542	293,495	263,805	230,696	207,868
Capital Adequacy Ratio	16.23%	14.80%	13.17%	9.73%	12.28%	10.49%

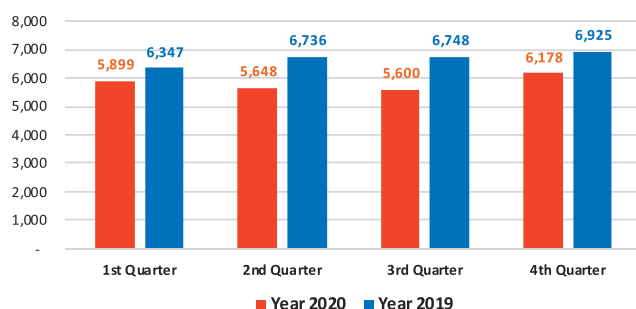


Quarterly Performance

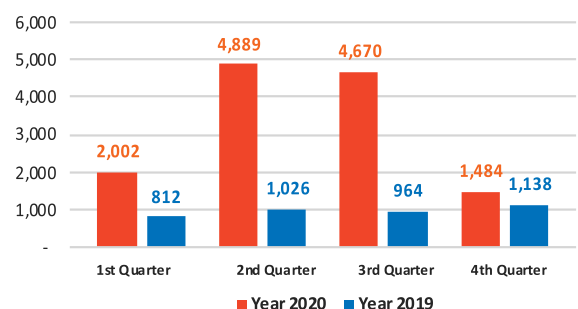
2020 & 2019 (Rupees in Million)

	2020				2019			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up / return / interest earned	19,515	19,636	22,655	24,212	23,732	23,016	18,031	16,087
Mark-up / return / interest expensed	13,338	14,036	17,007	18,313	16,807	16,268	11,295	9,740
Net mark-up / interest income	6,178	5,600	5,648	5,899	6,925	6,748	6,736	6,347
Fee and commission income	944	976	960	852	924	932	908	767
Dividend income	45	28	23	42	29	17	30	28
Foreign exchange income	91	32	133	73	43	(63)	33	(3)
Gain on securities - net	166	3,535	3,761	1,004	113	75	20	14
Other income - net	238	99	13	32	30	3	35	5
Total non-markup / interest income	1,484	4,670	4,889	2,002	1,138	964	1,026	812
Total income	7,661	10,270	10,538	7,902	8,063	7,712	7,762	7,159
Operating expenses	4,612	4,110	3,958	4,201	3,914	3,581	3,509	3,449
Workers welfare fund	66	107	104	58	285	-	-	-
Other charges	-	16	1	288	33	103	2	1
Total non-markup / interest expenses	4,678	4,233	4,062	4,546	4,232	3,684	3,511	3,450
Profit before provisions	2,983	6,038	6,476	3,355	3,831	4,028	4,252	3,709
Provisions and write offs - net	1,006	2,366	2,803	687	303	439	784	250
Profit before taxation	1,977	3,671	3,672	2,668	3,529	3,588	3,468	3,459
Taxation - net	862	1,493	1,524	1,168	1,460	1,417	1,354	1,564
Profit after taxation	1,116	2,178	2,149	1,501	2,068	2,171	2,114	1,895
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	69,272	61,231	68,703	49,038	53,415	43,383	54,575	43,383
Balances with other banks	2,398	726	8,436	3,504	10,311	4,211	11,022	4,211
Lendings to financial institutions	16,087	6,470	9,089	39,639	4,060	20,334	28,204	20,334
Investments - net	567,789	555,114	497,664	387,887	361,453	203,769	274,321	203,769
Advances - net	391,161	378,722	382,956	371,383	383,313	384,780	380,679	384,780
Fixed assets	14,813	14,137	14,709	14,986	15,219	8,815	13,833	8,815
Intangible assets	689	748	784	792	793	878	858	878
Deferred tax assets - net	7,774	7,270	3,491	4,565	6,568	7,725	8,058	7,725
Other assets - net	25,465	26,167	32,615	27,322	33,797	30,111	30,690	30,111
	1,095,446	1,050,583	1,018,446	899,114	868,928	704,007	802,240	704,007
Liabilities								
Bills payable	4,169	4,083	3,095	2,927	3,421	3,536	4,155	3,536
Borrowings	154,841	157,185	102,792	78,019	77,045	29,862	49,853	29,862
Deposits and other accounts	835,068	791,410	805,717	716,057	691,017	593,042	665,164	593,042
Subordinated debts	6,792	6,793	6,793	8,794	8,794	8,797	8,796	8,797
Other liabilities	42,315	39,812	44,953	43,312	41,968	31,082	35,294	31,082
	1,043,185	999,283	963,350	849,110	822,245	666,319	763,262	666,319
Net Assets	52,262	51,300	55,095	50,004	46,682	37,687	38,979	37,687
Represented by								
Share capital - net	26,174	26,174	26,174	26,174	26,174	26,174	26,174	26,174
Reserves	8,029	6,640	6,640	6,640	6,640	4,991	4,991	4,991
Surplus on revaluation of assets - net of tax	5,955	6,056	12,073	9,149	5,371	3,230	2,457	3,230
Unappropriated profit	12,103	12,430	10,208	8,040	8,497	3,293	5,357	3,293
	52,262	51,300	55,095	50,004	46,682	37,687	38,979	37,687

QUARTERLY NIM



QUARTERLY NON MARKUP INCOME

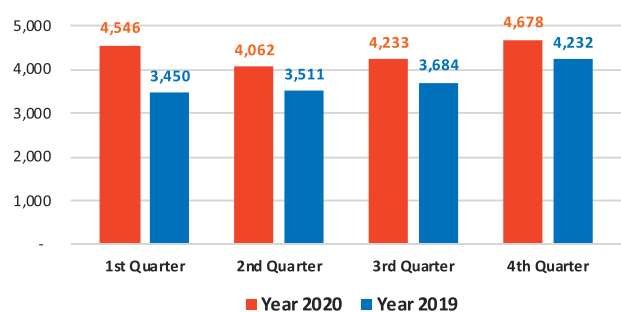


Analysis of Bank's Financial Performance

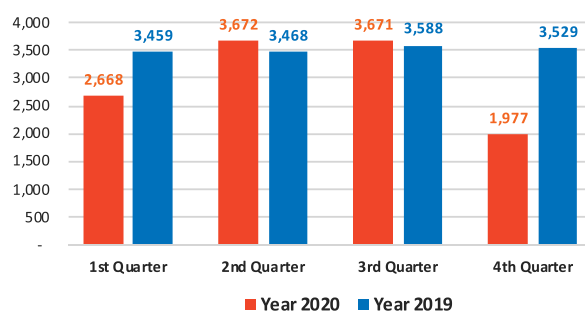
Quarterly Performance 2020 & 2019 (Rupees in Million)

Quarter	Net Interest Margin	Non-Markup Income	Operating Expenses	Profit Before Tax
1st	Bank's NIM for 1st quarter of 2020 was recorded at Rs. 5,899 billion as compared to Rs. 6,347 billion during 1st quarter of year 2019 showing a decline of 7%. This decline was mainly attributed to a cautious approach towards book expansion due to Covid-19, as a strategy, and realization of capital gains.	Bank's Non-Markup Income for 1st quarter of 2020 was recorded at Rs. 2,002 billion as compared to Rs. 0,812 billion during 1st quarter of year 2019 showing a rise of 147%. This increase was on account of realization of gain on securities.	Bank's Operating Expenses for 1st quarter of 2020 were recorded at Rs. 4,201 billion as compared to Rs. 3,449 billion during 1st quarter of year 2019 showing a rise of 22%. There was a rise of 32% in personnel cost due to increase in number of Branches/ staff and annual performance appraisal. IT Expenses increased by 17% while property expenses increased by 6%.	Bank's Profit Before Tax for 1st quarter of 2020 was recorded at Rs. 2,668 billion as compared to Rs. 3,459 billion during 1st quarter of year 2019 showing a decline of 23%. This decline was on account of decrease in Bank's NIM, rise in operating expenses and increase in provisions.
2nd	Bank's NIM for 2nd quarter of 2020 was recorded at Rs. 5,648 billion as compared to Rs. 6,736 billion during 2nd quarter of year 2019 showing a decline of 16%. This decline was on account of realization of substantial capital gains during 2nd quarter 2020. It also includes impact of downward movement in SBP Policy Rate and resultant time lag in maturities of Fixed Deposits falling in subsequent quarters of 2020.	Bank's Non-Markup Income for 2nd quarter of 2020 was recorded at Rs. 4,889 billion as compared to Rs. 1,026 billion during 2nd quarter of year 2019 showing a rise of 377%. This increase was on account of realization of gain on securities.	Bank's Operating Expenses for 2nd quarter of 2020 were recorded at Rs. 3,958 billion as compared to Rs. 3,509 billion during 2nd quarter of year 2019 showing a rise of 13%. Apart from impact of inflation, there was increase in personnel/ property expenses due to business expansion. Further, an honorarium of Rs. 100 M was paid to frontline staff during 2nd quarter 2020 in the wake of Covid-19 pandemic.	Bank's Profit Before Tax for 2nd quarter of 2020 was recorded at Rs. 3,672 billion as compared to Rs. 3,468 billion during 2nd quarter of year 2019 showing a rise of 6%. This increase was on account of net impact of gain realized on securities and provision against advances.
3rd	Bank's NIM for 3rd quarter of 2020 was recorded at Rs. 5,600 billion as compared to Rs. 6,748 billion during 3rd quarter of year 2019 showing a decline of 17%. This decline was on account of realization of substantial capital gains during 3rd quarter 2020.	Bank's Non-Markup Income for 3rd quarter of 2020 was recorded at Rs. 4,670 billion as compared to Rs. 0,964 billion during 3rd quarter of year 2019 showing a rise of 384%. This increase was on account of realization of gain on securities.	Bank's Operating Expenses for 3rd quarter of 2020 were recorded at Rs. 4,110 billion as compared to Rs. 3,581 billion during 3rd quarter of year 2019 showing a rise of 15%. Personnel Cost increased by 19%, while IT Expenses increased by 13%. Other Operating Expenses increased by 12%, including impact of inflation.	Bank's Profit Before Tax for 3rd quarter of 2020 was recorded at Rs. 3,671 billion as compared to Rs. 3,588 billion during 3rd quarter of year 2019 showing a rise of 2%. This increase was on account of net impact of gain realized on securities and provision against advances.
4th	Bank's NIM for 4th quarter of 2020 was recorded at Rs. 6,178 billion as compared to Rs. 6,925 billion during 4th quarter of year 2019 showing a decline of 11%. This decline was on account of realization of capital gains during 2020. However, due to repricing of Fixed Deposits at respective maturities and markup recoveries against NPLs, the NIM for 4th quarter 2020 registered a growth of 10% from 3rd quarter 2020.	Bank's Non-Markup Income for 4th quarter of 2020 was recorded at Rs. 1,484 billion as compared to Rs. 1,138 billion during 4th quarter of year 2019 showing a rise of 30%. This increase was mainly on account of gain on disposal of Non-Banking Assets.	Bank's Operating Expenses for 4th quarter of 2020 were recorded at Rs. 4,612 billion as compared to Rs. 3,914 billion during 4th quarter of year 2019 showing a rise of 18%. Personnel Cost increased by 15%, while Other Operating Expenses increased by 41%, mainly on account of rise of Rs. 198 M in Marketing Expenses and Rs. 66M in Outsourced Staff Services.	Bank's Profit Before Tax for 4th quarter of 2020 was recorded at Rs. 1,977 billion as compared to Rs. 3,529 billion during 4th quarter of year 2019 showing a decrease of 44%. This decline was on account of booking of provisions against advances and increase in operating expenses.

QUARTERLY NON MARKUP EXPENSE



QUARTERLY PROFIT BEFORE TAXATION



Six Years' Financial Performance

Financial Ratios 2015-2020

		2020	2019	2018	2017	2016	2015
Profit and loss account							
Mark-up/ return earned	Rs. in Million	86,019	80,867	46,893	34,668	29,676	31,267
Mark-up/ return expensed	Rs. in Million	62,694	54,110	26,840	19,095	17,432	20,217
Net interest margin	Rs. in Million	23,325	26,757	20,053	15,574	12,244	11,050
Fee, Commission, brokerage & FX income	Rs. in Million	4,442	3,614	3,564	3,184	2,709	2,584
Dividend and capital gains	Rs. in Million	8,603	325	109	1,407	2,586	5,056
Total income	Rs. in Million	36,371	30,696	23,726	20,165	17,539	18,691
Total Non markup expenses	Rs. in Million	17,519	14,876	12,666	10,132	8,380	7,408
Operating profit before tax and provision	Rs. in Million	18,852	15,820	11,060	10,033	9,159	11,282
WWF	Rs. in Million	335	285	-	-	-	-
Admin expenses	Rs. in Million	16,880	14,453	12,613	10,089	8,346	7,388
Provisions / write-offs	Rs. in Million	6,862	1,776	(1,148)	14,731	1,109	3,753
Profit before tax	Rs. in Million	11,989	14,044	12,208	(4,698)	8,050	7,529
Profit after tax	Rs. in Million	6,944	8,249	7,564	(3,322)	4,858	4,748
Cash dividend *	Rs. in Million	2,644	1,983	1,983	-	-	-
* Includes dividends announced after year end							
Statement of Financial Position							
Authorised capital	Rs. in Million	50,000	50,000	50,000	50,000	50,000	50,000
Paid up capital - net	Rs. in Million	26,174	26,174	26,174	26,174	15,288	15,288
Reserves	Rs. in Million	8,029	6,640	4,991	3,478	1,301	2,329
Unappropriated Profit	Rs. in Million	12,103	8,497	3,296	(2,806)	659	(5,220)
Shareholder's equity	Rs. in Million	46,306	41,311	34,460	26,845	17,248	12,397
Surplus on revaluation of assets - net of tax	Rs. in Million	5,955	5,371	3,260	2,887	3,607	3,282
Total Assets	Rs. in Million	1,095,446	868,928	714,380	657,737	547,424	473,940
Earning Assets	Rs. in Million	972,981	747,797	617,234	562,067	453,774	378,708
Gross Advances	Rs. in Million	442,760	428,846	425,756	341,735	293,922	250,342
Advances - net of provisions	Rs. in Million	391,161	383,313	381,877	295,752	262,068	219,399
Non-Performing Loans (NPLs)	Rs. in Million	57,251	51,363	49,385	50,951	54,954	57,069
Investments	Rs. in Million	567,789	361,453	210,071	242,506	199,742	176,043
Total Liabilities	Rs. in Million	1,043,185	822,245	676,659	628,005	519,570	451,261
Deposits	Rs. in Million	835,068	691,017	595,582	556,281	453,220	374,961
Current & Saving Deposits (CASA)	Rs. in Million	545,920	471,581	383,859	368,554	317,286	240,140
Borrowings	Rs. in Million	154,841	77,045	41,793	38,949	39,829	55,236
Interest bearing Liabilities	Rs. in Million	583,269	426,088	362,367	328,583	371,886	334,178
Contingencies and Commitments	Rs. in Million	213,750	195,225	145,808	134,778	76,547	57,597
Profitability ratios							
Profit before tax ratio	%	13.94%	17.37%	26.03%	-13.55%	27.13%	24.08%
Gross Yield on Average Earning Assets	%	10.00%	11.85%	7.95%	6.83%	7.13%	16.51%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	%	11.00%	11.90%	7.97%	7.10%	7.75%	19.18%
Gross Spread	%	27.12%	33.09%	42.76%	44.92%	41.26%	35.34%
Net markup/ interest margin	%	2.37%	3.38%	2.92%	2.58%	2.40%	2.47%
Non interest income to total income	%	13.17%	4.65%	7.26%	11.69%	15.14%	19.64%
Return on average assets (ROA)	%	0.71%	1.04%	1.10%	-0.55%	0.95%	1.06%
Return on Capital Employed (ROCE)	%	15.85%	21.77%	24.68%	-15.07%	32.78%	45.98%

		2020	2019	2018	2017	2016	2015
Profitability ratios							
Interest Ratio	%	72.88%	66.91%	57.24%	55.08%	58.74%	64.66%
Non markup/ interest income to Avg. total assets	%	1.33%	0.50%	0.54%	0.76%	1.04%	1.71%
Net markup/ interest income (after provision) to Avg. total assets	%	1.68%	3.16%	3.09%	0.14%	2.18%	1.63%
Admin expense to profit before tax	Times	1.41	1.03	1.03	(2.15)	1.04	0.98
Non Markup Expense Ratio	Times	1.46	1.06	1.04	(2.16)	1.04	0.98
Gain Ratio	%	23.28%	0.72%	0.12%	6.53%	14.39%	26.78%
Net investment in Finance Lease to Avg. Total Assets	%	3.21%	4.17%	5.11%	5.83%	7.74%	9.23%
Non-markup/ interest expense to total income	%	17.68%	17.54%	25.05%	25.81%	23.96%	19.04%
Admin expense to non- markup income	Times	1.29	3.67	3.43	2.20	1.58	0.97
Cost to income ratio	%	48.17%	48.46%	53.38%	50.25%	47.78%	39.64%
Cost to income ratio (excluding WWF)	%	47.25%	47.53%	53.38%	50.25%	47.78%	39.64%
Investment Ratios							
Earnings per share (before tax)	Rs	4.54	5.31	4.62	(1.78)	5.18	4.84
Earnings per share (after tax)	Rs	2.63	3.12	2.86	(1.26)	3.12	3.05
Breakup value per share (excl. share deposit money):							
- without surplus on revaluation of fixed assets & investments	Rs	17.52	15.63	13.03	10.15	11.09	7.97
- without surplus on revaluation of fixed assets	Rs	19.05	16.93	13.55	10.49	12.03	8.76
- without surplus on revaluation of investments	Rs	18.66	16.82	14.27	11.27	12.87	9.29
- with surplus on revaluation of fixed assets & investments	Rs	19.77	17.66	14.27	11.25	13.41	10.08
Cash Dividend	%	10.00%	7.50%	7.50%	0.00%	0.00%	0.00%
Dividend per share	Rs	1.00	0.75	0.75	-	-	-
Dividend Yield ratio (based on cash dividend)	%	10.19%	6.89%	6.69%	0.00%	0.00%	0.00%
Dividend Payout ratio	%	38.07%	24.04%	26.21%	0.00%	0.00%	0.00%
Price to book value ratio	Times	0.47	0.64	0.84	0.73	1.32	0.91
Price to earning ratio	Times	3.74	3.49	3.92	(9.70)	3.55	3.07
Dividend cover ratio	Times	2.63	4.16	3.81	-	-	-
Share Information							
Market value per share - Dec 31	Rs	9.27	11.33	11.97	8.24	17.65	9.21
High - during the year	Rs	14.33	14.57	13.85	18.65	18.65	11.18
Low - during the year	Rs	6.52	6.97	8.1	7.3	7.71	6.82
Market Capitalisation	Rs. in Million	24,507	29,953	31,645	21,784	27,448	14,323
Asset Quality and Liquidity Ratios							
Gross Advances to deposits ratio	%	53.02%	62.06%	71.49%	61.43%	64.85%	66.76%
Gross Advances to deposits & borrowings ratio	%	44.73%	55.83%	66.80%	57.41%	59.61%	58.19%
Net Advances to deposits ratio	%	46.84%	55.47%	64.12%	53.17%	57.82%	58.51%
Investments to deposits ratio	%	67.99%	52.31%	35.27%	43.59%	44.07%	46.95%
Average Cost of Deposits	%	7.04%	7.68%	4.17%	3.52%	3.89%	5.09%
CASA to total deposits	%	65.37%	68.24%	64.45%	66.25%	70.01%	64.04%
Advances net to total assets	%	35.71%	44.11%	53.46%	44.97%	47.87%	46.29%
NPLs to Gross advances ratio	%	12.93%	11.98%	11.60%	14.91%	18.70%	22.80%
Provision to Gross advances ratio	%	11.65%	10.62%	10.31%	13.46%	10.84%	12.29%
Coverage Ratio (specific provision/ NPLs)	%	83.58%	87.84%	88.14%	89.42%	57.25%	53.30%
Coverage Ratio (total provision/ NPLs)	%	90.13%	88.65%	88.85%	90.25%	57.97%	53.91%
Earning assets to total assets ratio	%	88.82%	86.06%	86.40%	85.45%	82.89%	79.91%

		2020	2019	2018	2017	2016	2015
Asset Quality and Liquidity ratio							
Investment to deposit ratio	%	67.99%	52.31%	35.27%	43.59%	44.07%	46.95%
Investments to total assets ratio	%	51.83%	41.60%	29.41%	36.87%	36.49%	37.14%
Cash & Cash Equivalents to Total Assets	%	6.54%	7.32%	6.88%	8.10%	7.20%	6.46%
Cash to Current Liabilities	%	7.24%	8.16%	7.66%	8.04%	7.96%	7.11%
Deposits to total assets	%	76.23%	79.53%	83.37%	84.57%	82.79%	79.12%
Total liabilities to total assets	%	95.23%	94.63%	94.72%	95.48%	94.91%	95.21%
Earning assets to interest bearing Liabilities	Times	1.67	1.76	1.70	1.71	1.22	1.13
Deposits to shareholders' equity	Times	18.03	16.73	17.28	20.72	18.69	19.33
Assets to Equity	Times	20.96	18.61	18.94	22.12	19.65	20.90
Risk Adequacy							
Tier I Capital	Rs. in Million	41,937	37,926	28,931	20,075	21,683	17,551
Total Eligible Capital	Rs. in Million	57,207	49,669	38,662	25,666	28,330	21,815
Risk Weighted Assets (RWA)	Rs. in Million	352,514	335,542	293,495	263,805	230,696	207,868
Tier I to RWA	%	11.90%	11.30%	9.86%	7.61%	9.40%	8.44%
RWA to total assets	%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%
Capital Adequacy Ratio	%	16.23%	14.80%	13.17%	9.73%	12.28%	10.49%
Capital ratio (A/C)	%	4.23%	4.75%	4.82%	4.08%	3.15%	2.62%
Industry Share*							
Deposits	%	4.51%	4.33%	4.18%	4.28%	3.84%	3.61%
Advances	%	4.72%	4.65%	4.80%	4.54%	4.77%	4.56%
Investments	%	4.76%	4.04%	2.65%	2.78%	2.66%	2.56%
Total assets	%	4.36%	3.95%	3.63%	3.59%	3.46%	3.35%
* based on economic data released by State Bank of Pakistan							
Per Branch							
Gross Advances	Rs. in Million	696	687	739	638	649	617
Deposits	Rs. in Million	1,313	1,107	1,034	1,038	1,000	924
CASA	Rs. in Million	858	756	666	688	700	591
PBT	Rs. in Million	11	13	13	(6)	11	12
DuPont Analysis							
Net Operating Margin	A	19.09%	26.87%	31.88%	-16.47%	27.70%	25.40%
Asset Utilization	B	3.70%	3.88%	3.46%	3.35%	3.43%	4.18%
Return on Assets	C=A*B	0.71%	1.04%	1.10%	-0.55%	0.95%	1.06%
Leverage Ratio / Equity Multiplier	D	19.85	18.76	20.34	23.82	27.96	31.93
Return on Equity	C*D	14.04%	19.55%	22.43%	-13.13%	26.60%	33.91%

Six Years' Performance Review

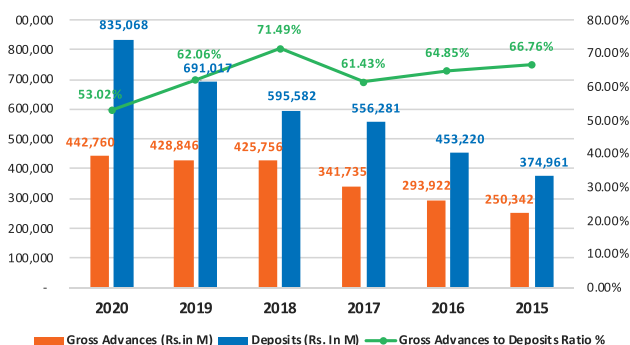
STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS

During 2020, Bank's Total Assets crossed Rs. 1.0 Trillion mark and stood at Rs. 1,095 Billion as against Rs. 474 Billion as of December 31, 2015 registering a CAGR of 18%. This increase in Bank's assets is mainly due to significant rise in Deposits & Borrowing and resultant growth in Bank's loan book and Bank's investment in low risk Govt. Securities. The Bank has considerably improved its assets' profile in last few years and NPLs coverage has also been enhanced to a great extent. The Branch Network has significantly increased to 636 Branches as against 406 Branches as of December 31, 2015.

GROSS ADVANCES

The Bank adopted the strategy of careful expansion in loan book and focus on recovery of legacy NPLs. Accordingly, the Gross Advances touched the level of Rs. 443 Billion as against Rs. 250 Billion as of December 31, 2015 with a CAGR of 12%. Apart from lending to top notch corporate clients, the Bank has also expanded its footprints in Agri, SME & Consumer Sectors. The Gross Advances to Deposits ratio stood at 53% as against 67% as of December 31, 2015.

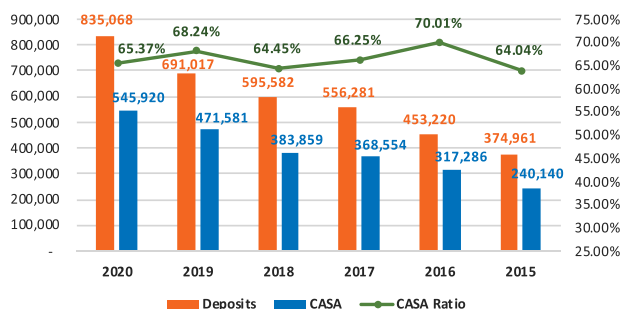


NET INVESTMENTS

In line with the economic situation in the wake of Covid-19 pandemic and Bank's Strategy, major funds were deployed in risk free Government Securities. Bank's net Investments stood at Rs. 568 Billion as against Rs. 176 Billion as of December 31, 2015 with a CAGR of 26%.

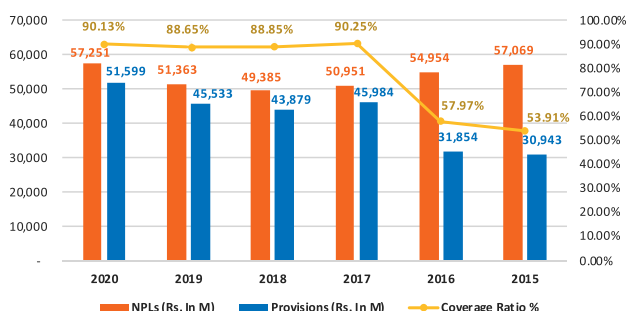
DEPOSITS

During last five years, Bank's Deposits have witnessed a growth of over 100%. As of December 31, 2020, Bank's Deposits stood at Rs. 835 Billion as against Rs. 375 Billion as of December 31, 2015 registering a CAGR of 17%. The Bank has expanded its outreach and 230 Branches have been opened during the period. Implementation of new Core Banking System has enabled the Bank to improve its service efficiency and offer new products & services to its valued clients.



NPLs

The Bank has been making all efforts to ensure early recovery/regularization of its legacy NPLs portfolio. The NPLs stood at Rs. 57.3 Billion as of December 31, 2020 as against Rs. 57.1 Billion as of December 31, 2015. The position as of December 31, 2020 includes Advances amounting to Rs. 6.8 Billion subjectively classified by Bank on self assessment basis for the first time. NPLs coverage stood at 90% as against 54% as of December 31, 2015. The Bank is fully compliant with provisioning requirements under Prudential Regulations of SBP. Further, the Bank has also made a General Provision of Rs. 3.3 Billion during the year on prudence basis.



PROFIT AND LOSS ACCOUNT

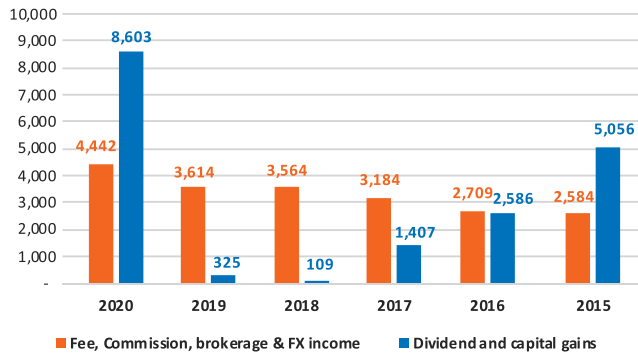
NET INTEREST MARGIN

The Net Interest Margin for the year 2020 stood at Rs. 23.3 Billion as against Rs. 11.1 Billion for year 2015. Net Interest Margin has been showing consistent growth over the years reaching at 3.08% during year 2019 from 2.33% during year 2015. However, due to realization of Capital Gains of Rs. 8.5 Billion during year 2020, the Net Interest Margin remained little subdued and stood at 2.13%. The Bank has been successful in timely repricing of its interest bearing assets/liabilities in line with changing interest rate scenario during past year.

NON MARKUP INCOME

The Bank has been focusing on offering of new products and services to its valued clients to improve its business volumes and Fee Based Income. The Fee/FX Income has improved to Rs. 4.4 Billion in year 2020 as against Rs. 2.6 Billion during year 2015 with a CAGR of 11%. Owing to efficient handling of investments portfolio by Bank's Treasury, significant surplus on investment were accrued on the Books. Accordingly, the

Bank was able to realize capital gains of Rs. 8.5 Billion during year 2020.



OPERATING EXPENSES

During year 2020, the Operating Expenses stood at Rs. 16.9 Billion as against Rs. 7.4 Billion during year 2015. During the period, 230 Branches have been opened to expand the Bank's outreach resulting in rise in Personnel Cost & Property Expenses. The Bank has also invested significantly in new technologies including implementation of new Core Banking System. Accordingly, the Information Technology Expenses stood at Rs. 1.4 Billion for year 2020 as against 0.3 Billion during year 2015. The Bank has also implemented austerity measures to keep a check on its other operating expenses and keep them in line with inflationary parameters and growth in business volumes.

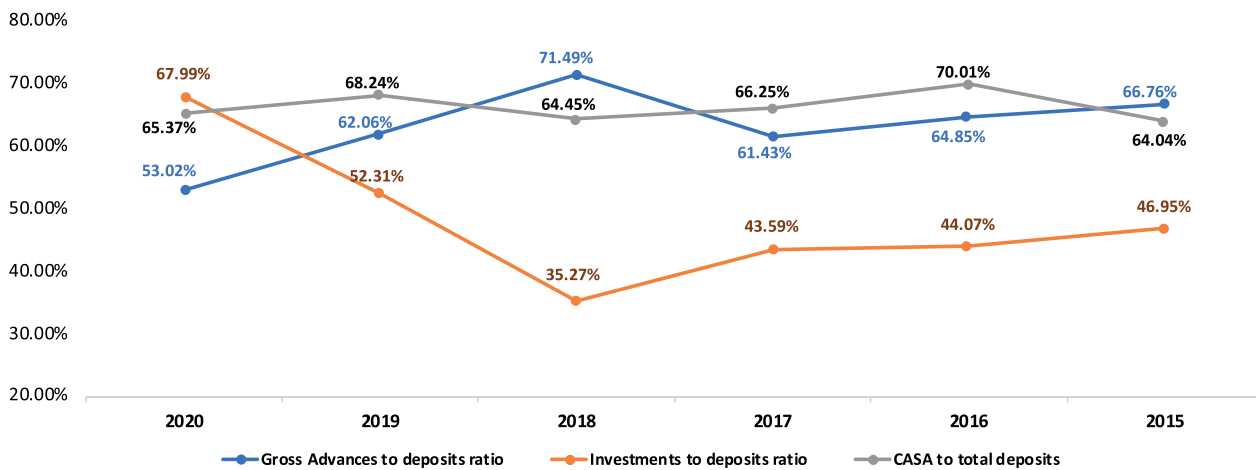
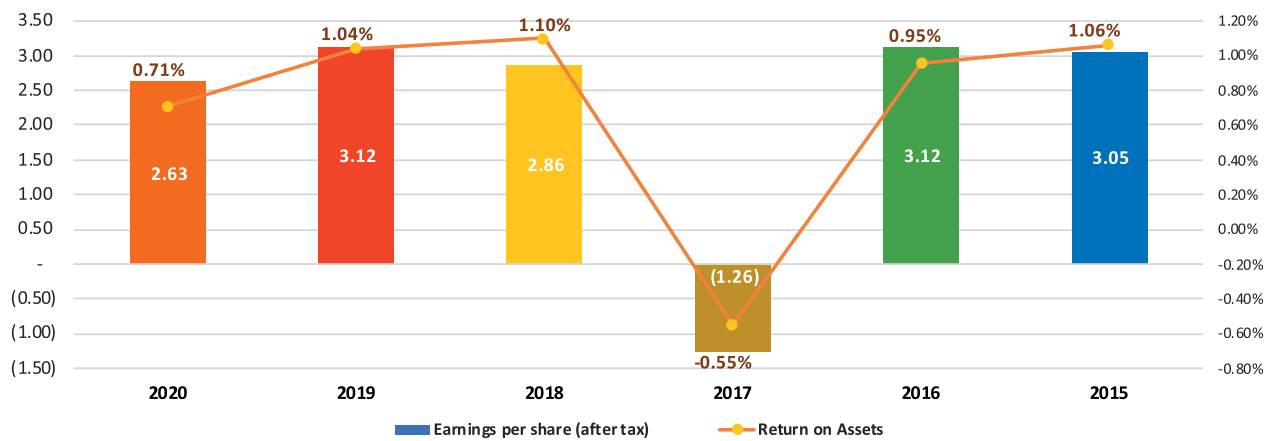
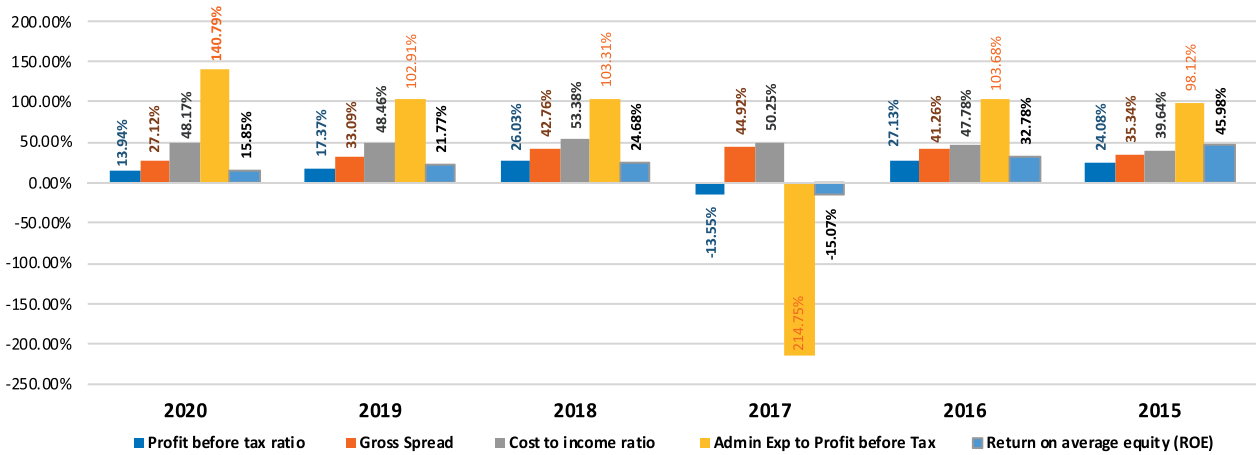
PROVISIONS & WRITE OFFS

During year 2017, the Bank was able to retire the Letters of Comfort (LOCs) issued by Government of the Punjab and a net provision charge of Rs. 14.7 billion was booked during the year making the Bank compliant with provisioning requirements of SBP. During year 2020, the Bank has booked net provision of Rs. 6.9 Billion including General Provision of Rs. 3.3 Billion and Specific Provision of Rs. 1.7 Billion on self assessment basis, to strengthen the Balance Sheet.

PROFIT BEFORE TAX

Bank has been successful in posting a consistent growth in Profit Before Tax during 2015-2020. However, during year 2017, the Bank was able to retire the Letters of Comfort (LOCs) issued by Government of the Punjab and a net provision charge of Rs. 14.7 billion was booked during the year making the Bank compliant with provisioning requirements of SBP. Accordingly, Loss Before Tax for year 2017 stood at (Rs.4.7) Billion. During year 2020, the Profit Before Provisions improved to Rs. 18.9 Billion as against Rs. 15.8 Billion during year 2019. However, the Bank has booked net provision of Rs. 6.9 Billion including General Provision of Rs. 3.3 Billion and Specific Provision of Rs. 1.7 Billion on self assessment basis, to strengthen the Balance Sheet. Had the both provisions not been made, the profit before tax would have been significantly higher than 2019.

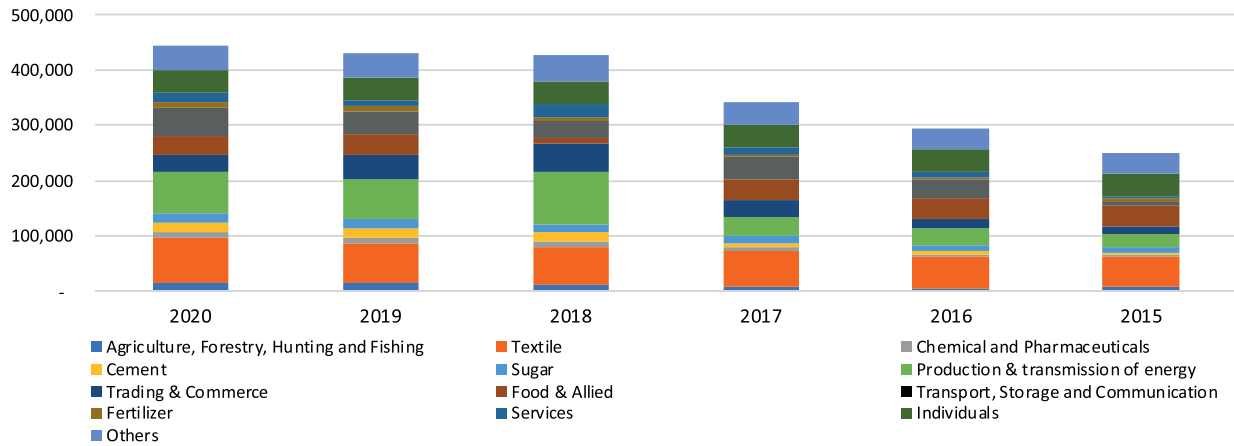
Six Years' - Graphical Summary of Ratios



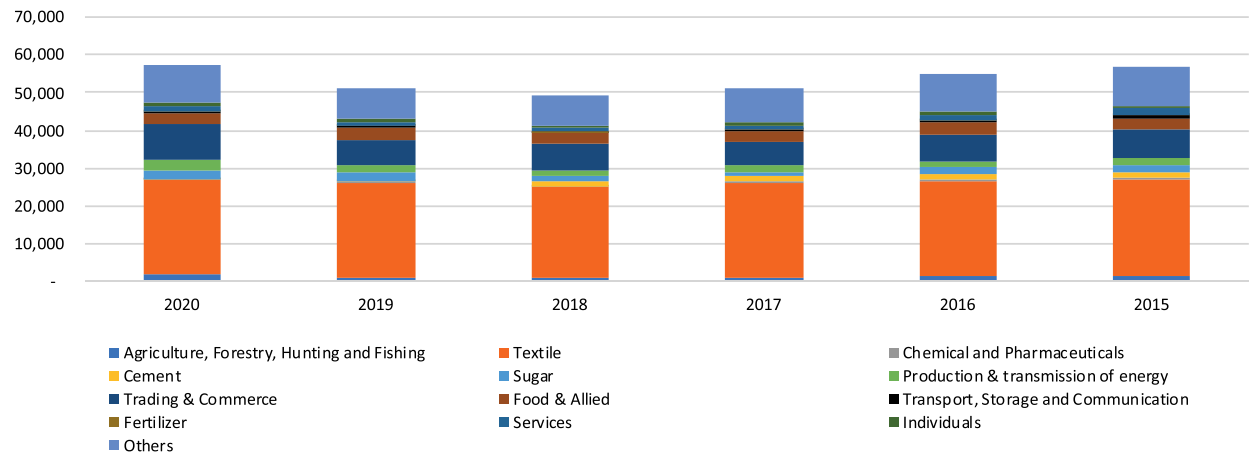
Six Years¹ - Concentration of Advances, NPLs and Off Balance Sheet Items

(Rupees in Million)

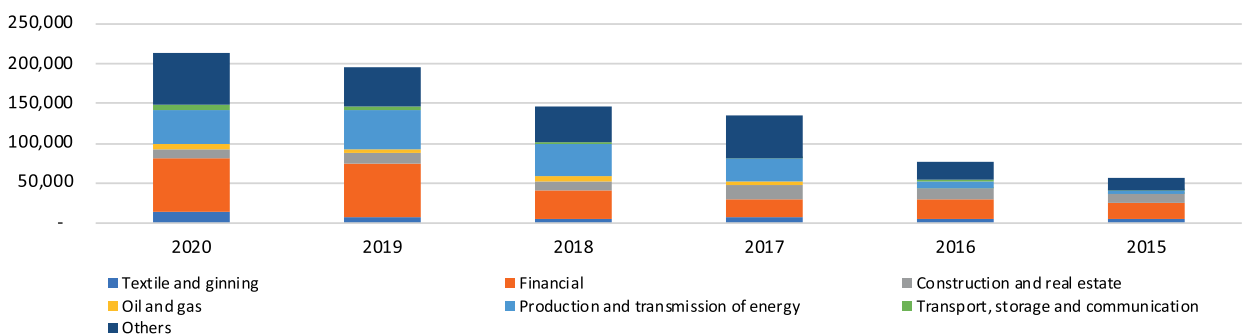
Six Years Concentration of Gross Advances



Six Years Concentration of NPLs

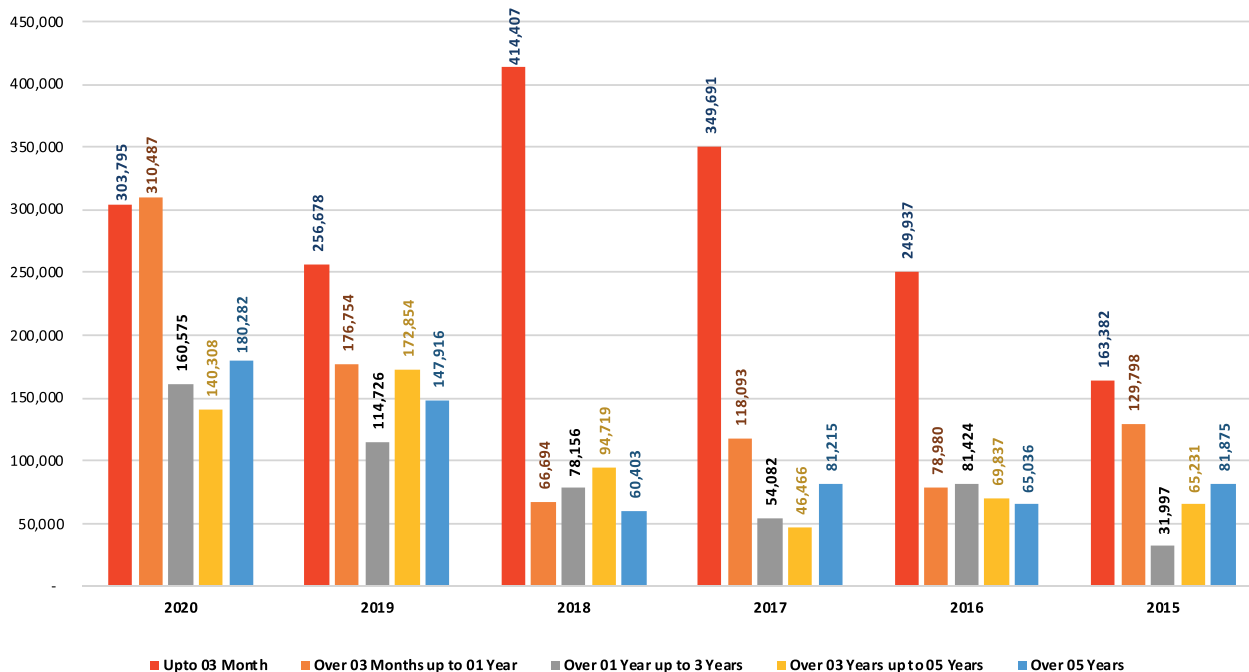


Six Years Concentration of Off-Balance Sheet Items

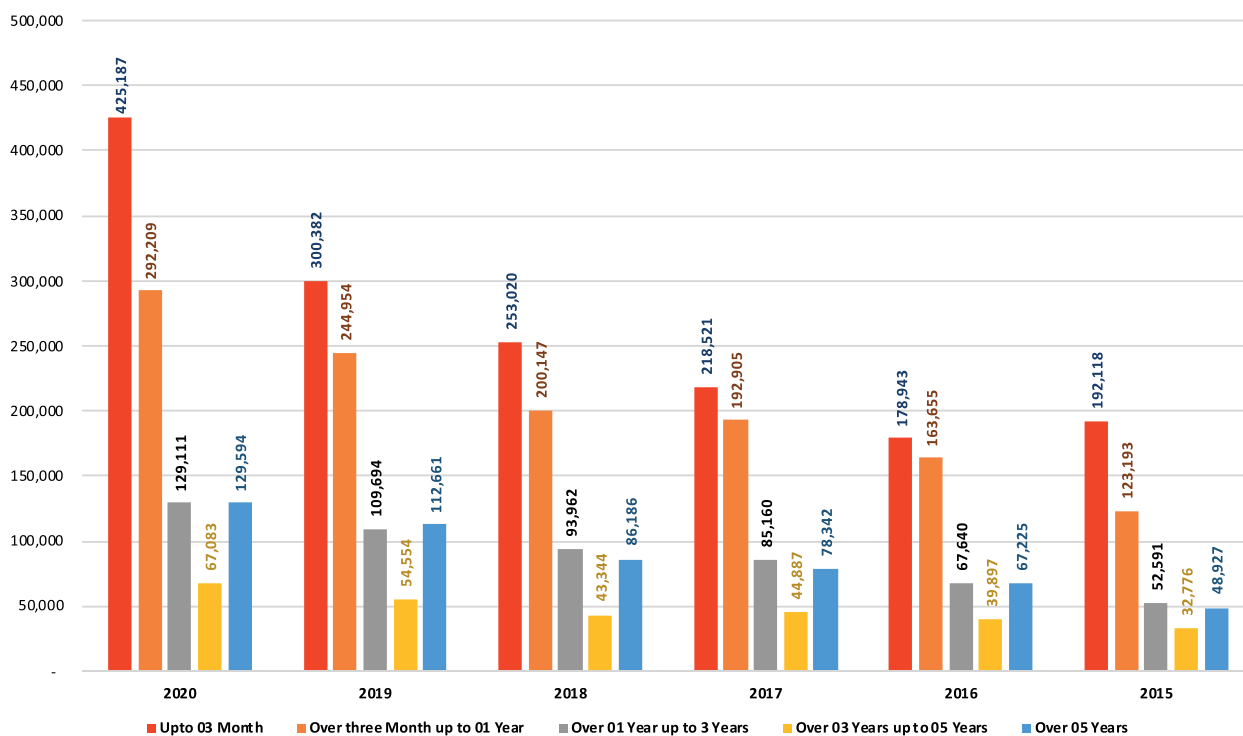


Six Years' - Maturities of Assets and Liabilities (Rupees in Million)

Maturities of Assets



Maturities of Liabilities



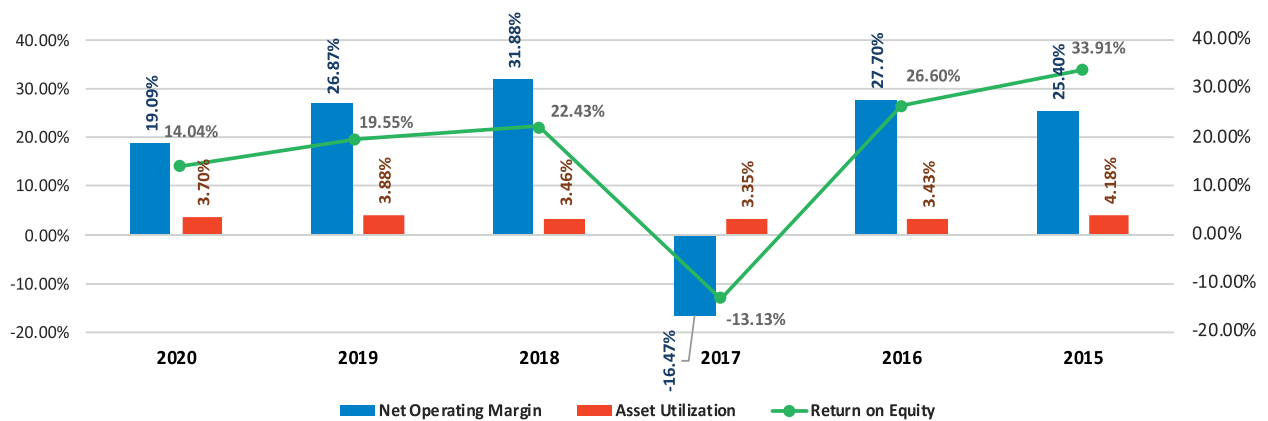
* Based on Expected Maturities

DuPont Analysis

		2020	2019	2018	2017	2016	2015
Net Operating Margin	A	19.09%	26.87%	31.88%	-16.47%	27.70%	25.40%
Asset Utilization	B	3.70%	3.88%	3.46%	3.35%	3.43%	4.18%
Return on Assets	C=A*B	0.71%	1.04%	1.10%	-0.55%	0.95%	1.06%
Leverage Ratio / Equity Multiplier	D	19.85	18.76	20.34	23.82	27.96	31.93
Return on Equity	C*D	14.04%	19.55%	22.43%	-13.13%	26.60%	33.91%

Following are the main DuPont Analysis Highlights:

1. Net Operating Margin has shown consistent growth during 2015 & 2016. During 2017, due to charge of provision amounting to Rs. 14.7 Billion for retirement of LOCs, the NOM remained in negative zone. During year 2020, the NOM remained at 19% due to charge of General Provision of Rs. 3.3 Billion & Subjective provisioning of Rs. 1.7 Billion.
2. Asset Utilization has remained in the range of 3.46% - 4.18%. During year 2020, it remained at 3.70%.
3. Return on Equity during 2015 & 2016 remained on higher side due to recording of provision against advances on staggered basis under LOCs issued by GOPb. During year 2017, due to charge of provision for retirement of LOCs, ROE remained in negative zone. The ROE for year 2020 remained at 14.04% due to charge of subjective and general provision against advances.

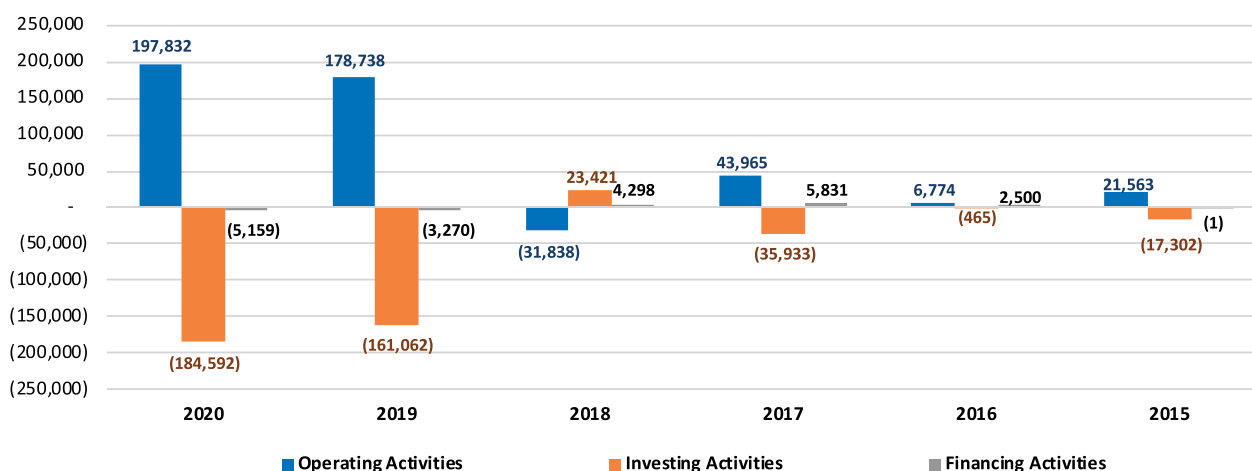


Summary of Cash Flows

(Rupees in Million)

	2020	2019	2018	2017	2016	2015
Cash flows from operating activities	197,832	178,738	(31,838)	43,965	6,774	21,563
Cash flows from investing activities	(184,592)	(161,062)	23,421	(35,933)	(465)	(17,302)
Cash flows from financing activities	(5,159)	(3,270)	4,298	5,831	2,500	(1)
Cash and cash equivalents at beginning of the year	63,586	49,181	53,300	39,437	30,628	28,852
Cash and cash equivalents at end of the year	71,667	63,586	49,181	53,300	39,437	30,628

Cash Flows from operating activities mainly represent the core activity of the Bank i.e. mobilization of Deposits. Since 2015, Deposits of the Bank have been growing at a consistent trend with a CAGR of 17%. During year 2020, there was net inflow of Rs. 144 Billion & Rs. 78 Billion from Deposits & Borrowings respectively. The major deployment under investing activities was on account of investment in AFS Government Securities. During year 2020, outflows of Rs. 2.0 Billion each were observed against repayment of subordinated loan and dividend payment.



Free Cash Flows

(Rupees in Million)

	2020	2019	2018	2017	2016	2015
Profit before taxation	11,989	14,044	12,208	(4,698)	8,050	7,529
Dividend income	(137)	(104)	(82)	(91)	(62)	(51)
Income tax paid	(4,851)	(3,974)	(2,843)	(3,006)	(1,704)	(378)
Adjustment for non-cash items	(1,340)	2,268	904	15,615	110	(379)
Operating assets/ liabilities changes	192,170	166,503	(42,027)	36,146	380	14,841
Net cash generated from operating activities	197,832	178,738	(31,838)	43,965	6,774	21,563
Capital expenditure	(1,162)	(1,102)	(1,566)	(1,691)	(1,677)	(844)
Free cash flows	196,670	177,635	(33,404)	42,274	5,097	20,719

Cash Flow Statement

Direct Method (Rupees in Million)

	2020	2019
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	93,276	73,982
Mark-up / return / interest payments	(63,608)	(44,661)
Payments to employees, suppliers and others	(13,755)	(11,401)
	15,912	17,920
Decrease / (increase) in operating assets		
Lendings to financial institutions	(12,027)	23,783
Net investments in 'held for trading' securities	(9,189)	15,138
Advances - net	(13,586)	(2,905)
Other assets	278	(19,378)
	(34,524)	16,639
(Decrease) / increase in operating liabilities		
Bills payable	748	(157)
Borrowings	77,934	35,323
Deposits and other accounts	144,050	95,435
Other liabilities	(1,437)	17,550
	221,295	148,153
Income tax paid	(4,851)	(3,974)
Net cash flows from operating activities	197,832	178,738
Cash flows from investing activities		
Net investments in 'available for sale' securities	(185,059)	(101,477)
Net investments in 'held to maturity' securities	-	(59,182)
Dividends received	135	104
Investment in fixed assets	(1,068)	(1,063)
Investments in intangible assets	(93)	(75)
Proceeds from sale of fixed assets	651	945
Proceeds from sale of non banking assets	842	64
Investments in non-banking assets acquired in satisfaction of claims	-	(378)
	(184,592)	(161,062)
Net cash flows used in investing activities		
Cash flows from financing activities		
Payments of Subordinated debt	(2,003)	(3)
Dividend paid	(1,983)	(1,983)
Payment of lease liability against right-of-use-assets	(1,174)	(1,284)
	(5,159)	(3,270)
Net cash flows used in financing activities		
Increase in cash and cash equivalents	8,081	14,405
Cash and cash equivalents at beginning of the year	63,586	49,181
Cash and cash equivalents at end of the year	71,667	63,586

Markup & Non Markup Income

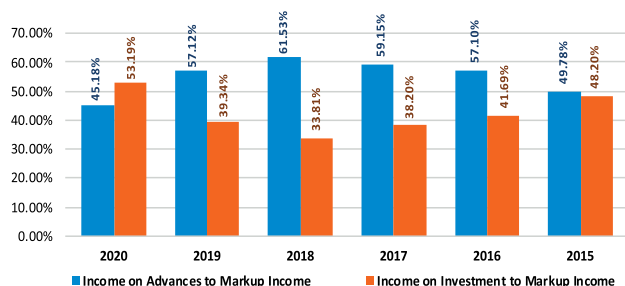
(Rupees in Million)

	2020	2019	2018	2017	2016	2015
Markup earned						
Mark-up earned on Advances	38,860	46,190	28,853	20,506	16,946	15,563
Mark-up earned on Investments	45,754	31,815	15,855	13,243	12,373	15,071
Mark-up earned on lendings	1,365	2,705	2,159	835	306	613
Mark-up earned on Balances with Banks	41	157	26	84	50	19
	86,019	80,867	46,893	34,668	29,676	31,267

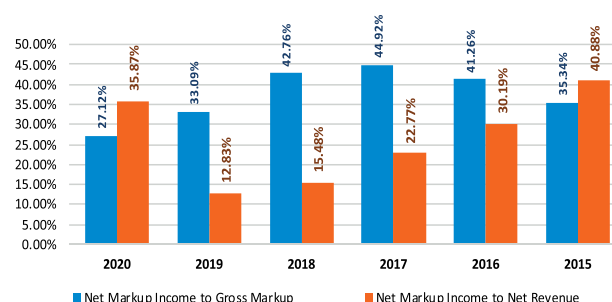
Markup Expensed						
Mark-up expensed on deposits	52,483	46,984	23,531	17,075	15,412	17,771
Mark-up expensed on borrowings	8,411	5,237	2,697	1,716	1,888	2,297
Mark-up expensed on subordinated debts	862	1,110	611	304	131	149
Mark-up on lease liability against ROU Assets	937	779	-	-	-	-
	62,694	54,110	26,840	19,095	17,432	20,217
Net Markup Income	23,325	26,757	20,053	15,574	12,244	11,050

Non Markup income						
Fee and commission income	3,732	3,530	3,245	2,807	2,587	2,246
Dividend income	137	104	82	91	62	51
Foreign exchange income	328	11	227	109	76	127
Gain on securities - net	8,466	222	28	1,316	2,524	5,005
Other income - net	382	73	92	269	46	212
	13,046	3,940	3,673	4,591	5,295	7,640

Markup Income from Advances and Investments



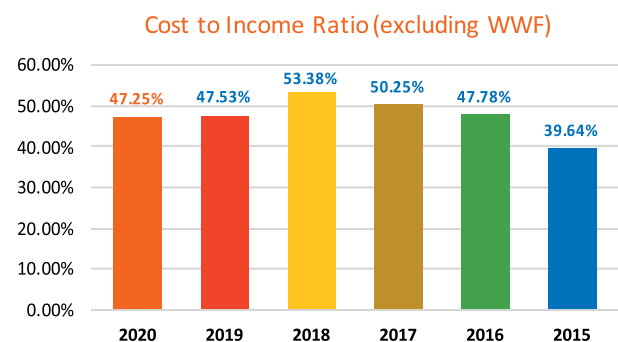
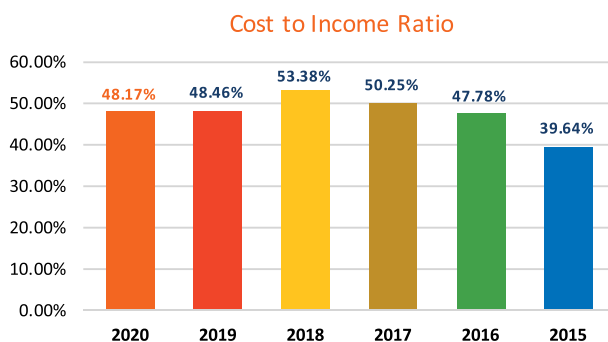
Income Composition



Operating Expenses

(Rupees in Million)

	2020	2019	2018	2017	2016	2015
Total compensation expense	8,734	7,213	6,139	4,936	4,152	3,778
Property Expense						
Rent and taxes	39	71	970	778	739	554
Insurance	18	19	14	-	-	-
Utilities cost	664	637	491	391	340	295
Depreciation	589	528	497	443	388	319
Amortization on ROU asset	891	876	-	-	-	-
Others	45	24	29	14	23	20
	2,247	2,154	2,000	1,626	1,490	1,188
Information technology expenses						
Software maintenance	473	376	200	93	(16)	25
Hardware maintenance	82	107	96	89	65	51
Depreciation	285	230	216	90	126	61
Amortization	198	174	68	26	23	13
Network Charges	355	331	321	236	179	150
	1,393	1,219	901	534	378	300
Other operating expenses						
Directors' fees and allowances	35	9	4	4	4	3
Legal & professional charges	113	105	107	76	64	33
Subscription charges	31	16	16	-	12	14
Outsourced services costs	367	236	362	444	251	182
Travelling & conveyance	561	584	476	354	303	327
NIFT clearing charges	69	59	50	48	39	41
Depreciation owned assets	307	291	263	256	224	162
Depreciation NBAs	59	74	66	87	106	-
Depreciation Ijarah assets	163	238	360	339	80	57
Training & development	26	37	16	9	10	8
Postage & courier charges	221	144	110	103	68	70
Stationery & printing	265	230	242	144	127	146
Marketing, advertisement & publicity	356	103	139	118	71	169
Donations	10	1	-	-	-	-
Auditors Remuneration	11	12	12	10	10	9
Insurance expense	144	140	101	89	73	81
Deposit protection fee	352	337	160	-	-	-
Repair & Maintenance	180	158	138	120	117	109
Entertainment	112	95	90	81	73	63
Fuel charges - Generator	86	108	95	90	104	113
Commission and Brokerage	244	141	120	81	94	104
Bank charges	42	63	52	53	51	56
SMS Banking Charges	48	39	34	11	4	-
ATM Charges	174	140	98	127	124	105
Cash remittance & maintenance charges	200	181	190	149	134	102
Branch License fee	17	15	18	25	16	15
ECIB and CNIC verification charges	71	71	34	34	26	32
Others	242	240	222	172	143	121
	4,506	3,867	3,573	3,024	2,327	2,123
Operating expenses excluding compensation	8,146	7,240	6,474	5,184	4,194	3,610
Total Operating expenses	16,880	14,453	12,613	10,120	8,346	7,388



Economic Value Added Statement

(Rupees in Million)

Invested Capital

Average shareholder's equity
Add: Cumulative provision against assets

Return on invested capital

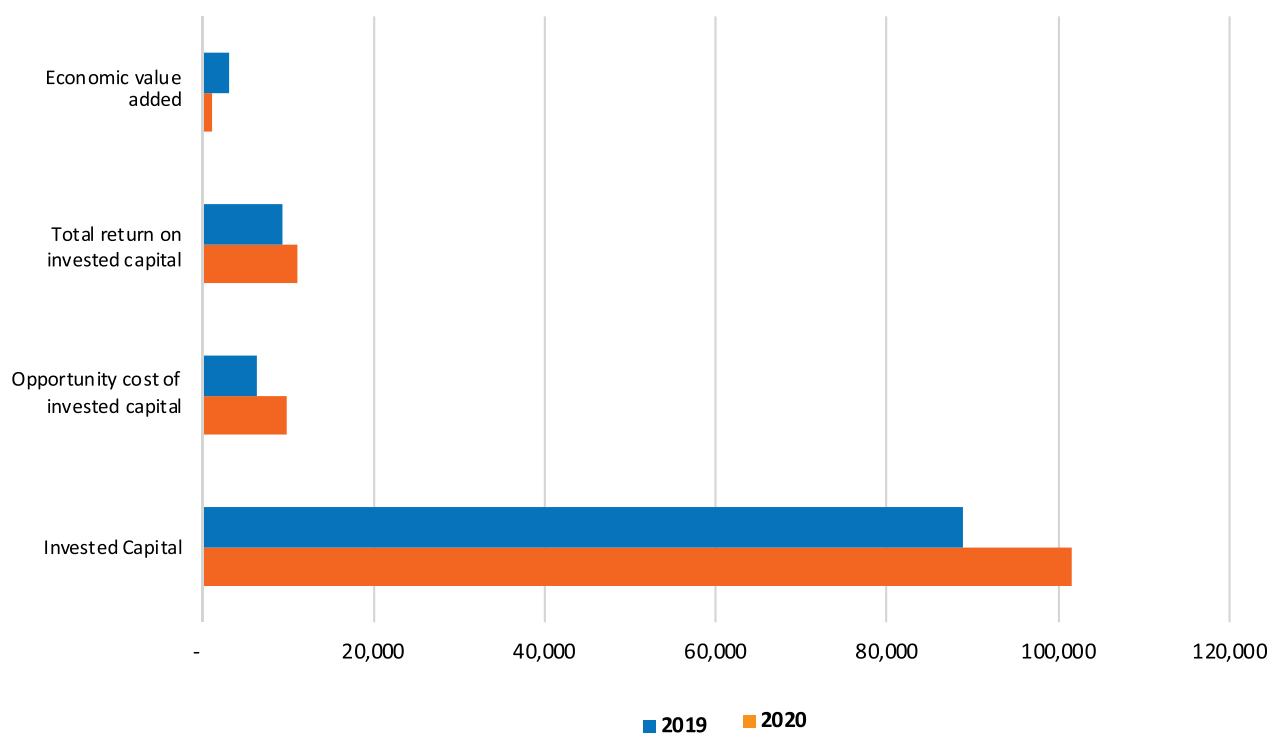
Profit after taxation
Add: Provisions and write offs - net

Total return on invested capital

Economic cost
Opportunity cost of invested capital

Economic value added

	2020	2019
Average shareholder's equity	43,809	37,886
Add: Cumulative provision against assets	57,716	50,996
Invested Capital	101,525	88,882
Profit after taxation	6,944	8,249
Add: Provisions and write offs - net	4,186	1,083
Total return on invested capital	11,130	9,332
Economic cost	9.70%	7.08%
Opportunity cost of invested capital	9,853	6,293
Economic value added	1,277	3,039



Six Years' Vertical Analysis

(Rupees in Million)

	2020		2019		2018		2017		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Statement of Financial Position												
ASSETS												
Cash and balances with treasury banks	69,272	6%	53,415	6%	43,589	6%	42,478	6%	35,756	7%	26,190	6%
Balances with other banks	2,398	0%	10,311	1%	5,802	1%	6,077	1%	3,766	1%	4,512	1%
Lendings to financial institutions	16,087	1%	4,060	0%	27,843	4%	24,571	4%	11,562	2%	6,113	1%
Investments - net	567,789	52%	361,453	42%	210,071	29%	242,506	37%	199,742	36%	176,043	37%
Advances - net	391,161	36%	383,313	44%	381,877	53%	295,752	45%	262,068	48%	219,399	46%
Fixed assets	14,813	1%	15,219	2%	8,788	1%	7,890	1%	7,256	1%	6,433	1%
Intangible assets	689	0%	793	0%	891	0%	629	0%	437	0%	51	0%
Deferred tax assets - net	7,774	1%	6,568	1%	7,965	1%	10,725	2%	6,480	1%	7,906	2%
Other assets - net	25,465	2%	33,797	4%	27,552	4%	27,109	4%	20,357	4%	27,292	6%
	1,095,446	100%	868,928	100%	714,380	100%	657,737	100%	547,424	100%	473,940	100%
LIABILITIES												
Bills payable	4,169	0%	3,421	0%	3,578	1%	3,365	1%	4,183	1%	1,887	0%
Borrowings	154,841	14%	770,45	9%	41,793	6%	38,949	6%	39,829	7%	55,236	12%
Deposits and other accounts	835,068	76%	691,017	80%	595,582	83%	556,281	85%	453,220	83%	374,961	79%
Subordinated debts	6,792	1%	8,794	1%	8,797	1%	4,499	1%	4,500	1%	2,000	0%
Other liabilities	42,315	4%	41,968	5%	26,909	4%	24,911	4%	17,837	3%	17,177	4%
	1,043,185	95%	822,245	95%	676,659	95%	628,005	95%	519,570	95%	451,261	95%
NET ASSETS												
	52,262	5%	46,682	5%	37,720	5%	29,732	5%	27,854	5%	22,678	5%
REPRESENTED BY												
Share capital - net	26,174	2%	26,174	3%	26,174	4%	26,174	4%	15,288	3%	15,288	3%
Share deposit money	-	0%	-	0%	-	0%	-	0%	7,000	1%	7,000	1%
Reserves	8,029	1%	6,640	1%	4,991	1%	3,478	1%	1,301	0%	2,329	0%
Surplus on revaluation of assets - net of tax	5,955	1%	5,371	1%	3,260	0%	2,887	0%	3,607	1%	3,282	1%
Unappropriated profit / (Accumulated Losses)	12,103	1%	8,497	1%	3,296	0%	(2,806)	0%	659	0%	(5,220)	-1%
	52,262	5%	46,682	5%	37,720	5%	29,732	5%	27,854	5%	22,678	5%
Profit & Loss Account												
Mark-up / return / interest earned	86,019	87%	80,867	95%	46,893	93%	34,668	88%	29,676	85%	31,267	80%
Mark-up / return / interest expensed	(62,694)	-63%	(54,110)	-64%	(26,840)	-53%	(19,095)	-49%	(17,432)	-50%	(20,217)	-52%
Net mark-up / interest income	23,325	24%	26,757	32%	20,053	40%	15,574	40%	12,244	35%	11,050	28%
Non mark-up / interest income	13,046	13%	3,940	5%	3,673	7%	4,591	12%	5,295	15%	7,640	20%
Total income	36,371	37%	30,696	36%	23,726	47%	20,165	51%	17,539	50%	18,691	48%
Non mark-up / interest expenses	(17,519)	-18%	(14,876)	-18%	(12,666)	-25%	(10,132)	-26%	(8,380)	-24%	(7,408)	-19%
Profit before provisions	18,852	19%	15,820	19%	11,060	22%	10,033	26%	9,159	26%	11,282	29%
Provisions and write offs - net	(6,862)	-7%	(1,776)	-2%	1,148	2%	(14,731)	-38%	(1,109)	-3%	(3,753)	-10%
Profit before taxation	11,989	12%	14,044	17%	12,208	24%	(4,698)	-12%	8,050	23%	7,529	19%
Taxation - net	(5,046)	-5%	(5,795)	-7%	(4,645)	-9%	1,376	4%	(3,192)	-9%	(2,781)	-7%
Profit after taxation	6,944	7%	8,249	10%	7,564	15%	(3,322)	-8%	4,858	14%	4,748	12%

Vertical Analysis Commentary:

Investments & Advances remained major components of Asset Mix of the Bank. The Bank opted to channelize incremental funds in Risk Free Investments and grow Advances Book in a very careful manner. Accordingly, the mix of Advances reduced to 36% in 2020 as against 46% in year 2015, while the mix of Investments improved to 52% as against 37% in year 2015.

Owing to Branch Expansion and products diversification, the Bank was able to post a steady growth in Deposits with a CAGR of 17%. Borrowings were the second largest component of Liabilities which stood at 14% as against 12% in 2015.

Markup Income has shown a steady growth with main contribution from income on Advances and Investments. The contribution of markup income constitutes 87% of the total revenue for year 2020. Markup Expense has also increased due to growth in Deposit base and change in minimum rate of profit on PLS Deposits. Concentration of Non Markup Income for year 2020 remained at 13% mainly on account of realization of capital gains. The concentration of Non Markup Expense remained at 18% for the year 2020 & 2019. The rise in Non-Markup Expenses is in line with Branch Expansion, investment in new technologies and inflationary parameters.

Six Years' Horizontal Analysis

(Rupees in Million)

	2020	20 Vs 19	2019	19 Vs 18	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Statement of Financial Position												
ASSETS												
Cash and balances with treasury banks	69,272	30%	53,415	23%	43,589	3%	42,478	19%	35,756	37%	26,190	11%
Balances with other banks	2,398	-77%	10,311	78%	5,802	-5%	6,077	61%	3,766	-17%	4,512	102%
Lendings to financial institutions	16,087	296%	4,060	-85%	27,843	13%	24,571	113%	11,562	89%	6,113	-81%
Investments - net	567,789	57%	361,453	72%	210,071	-13%	242,506	21%	199,742	13%	176,043	14%
Advances - net	391,161	2%	383,313	0%	381,877	29%	295,752	13%	262,068	19%	219,399	29%
Fixed assets	14,813	-3%	15,219	73%	8,788	11%	7,890	9%	7,256	13%	6,433	17%
Intangible assets	689	-13%	793	-11%	891	42%	629	44%	437	757%	51	537%
Deferred tax assets - net	7,774	18%	6,568	-18%	7,965	-26%	10,725	65%	6,480	-18%	7,906	-20%
Other assets - net	25,465	-25%	33,797	23%	27,552	2%	27,109	33%	20,357	-25%	27,292	29%
	1,095,446	26%	868,928	22%	714,380	9%	657,737	20%	547,424	16%	473,940	13%
LIABILITIES												
Bills payable	4,169	22%	3,421	-4%	3,578	6%	3,365	-20%	4,183	122%	1,887	9%
Borrowings	154,841	101%	77,045	84%	41,793	7%	38,949	-2%	39,829	-28%	55,236	23%
Deposits and other accounts	835,068	21%	691,017	16%	595,582	7%	556,281	23%	453,220	21%	374,961	10%
Subordinated debts	6,792	-23%	8,794	0%	8,797	96%	4,499	0%	4,500	125%	2,000	0%
Other liabilities	42,315	1%	41,968	56%	26,909	8%	24,911	40%	17,837	4%	17,177	67%
	1,043,185	27%	822,245	22%	676,659	8%	628,005	21%	519,570	15%	451,261	13%
NET ASSETS												
	52,262	12%	46,682	24%	37,720	27%	29,732	7%	27,854	23%	22,678	17%
REPRESENTED BY												
Share capital - net	26,174	0%	26,174	0%	26,174	0%	26,174	71%	15,288	0%	15,288	0%
Share deposit money	-	0%	-	0%	-	0%	-	-100%	7,000	0%	7,000	0%
Reserves	8,029	21%	6,640	33%	4,991	43%	3,478	167%	1,301	-44%	2,329	12%
Surplus on revaluation of assets - net of tax	5,955	11%	5,371	65%	3,260	13%	2,887	-20%	3,607	10%	3,282	-19%
Unappropriated profit / (Accumulated Losses)	12,103	42%	8,497	158%	3,296	-217%	(2,806)	-526%	659	-113%	(5,220)	-43%
	52,262	12%	46,682	24%	37,720	27%	29,732	7%	27,854	23%	22,678	17%
Profit & Loss Account												
Mark-up / return / interest earned	86,019	6%	80,867	72%	46,893	35%	34,668	17%	29,676	-5%	31,267	6%
Mark-up / return / interest expensed	(62,694)	16%	(54,110)	102%	(26,840)	41%	(19,095)	10%	(17,432)	-14%	(20,217)	-2%
Net mark-up / interest income	23,325	-13%	26,757	33%	20,053	29%	15,574	27%	12,244	11%	11,050	23%
Non mark-up / interest income	13,046	231%	3,940	7%	3,673	-20%	4,591	-13%	5,295	-31%	7,640	174%
Total income	36,371	18%	30,696	29%	23,726	18%	20,165	15%	17,539	-6%	18,691	59%
Non mark-up / interest expenses	(17,519)	18%	(14,876)	17%	(12,666)	25%	(10,132)	21%	(8,380)	13%	(7,408)	19%
Profit before provisions	18,852	19%	15,820	43%	11,060	10%	10,033	10%	9,159	-19%	11,282	103%
Provisions and write offs - net	(6,862)	286%	(1,776)	-255%	1,148	-108%	(14,731)	1228%	(1,109)	-70%	(3,753)	201%
Profit before taxation	11,989	-15%	14,044	15%	12,208	-360%	(4,698)	-158%	8,050	7%	7,529	75%
Taxation - net	(5,046)	-13%	(5,795)	25%	(4,645)	-438%	1,376	-143%	(3,192)	15%	(2,781)	83%
Profit after taxation	6,944	-16%	8,249	9%	7,564	-328%	(3,322)	-168%	4,858	2%	4,748	70%

Horizontal Analysis

Bank's Asset Base has registered consistent growth during 2015-2020 and it crossed Rs. 1.0 Trillion mark in 2020. During year 2020, Total Assets registered the highest growth of 26% while CAGR for 2015-20 remained at 18%.

Deposits also grew at a steady rate with a CAGR of 17%. Highest growth of 23% was registered in year 2017 while YOY growth for year 2020 remained at 21%. During the period 2015-2020, 230 Branches were opened by the Bank.

Owing to consistent growth in profitability, the Equity registered a steady growth. The YOY growth for year 2020 remained at 12%.

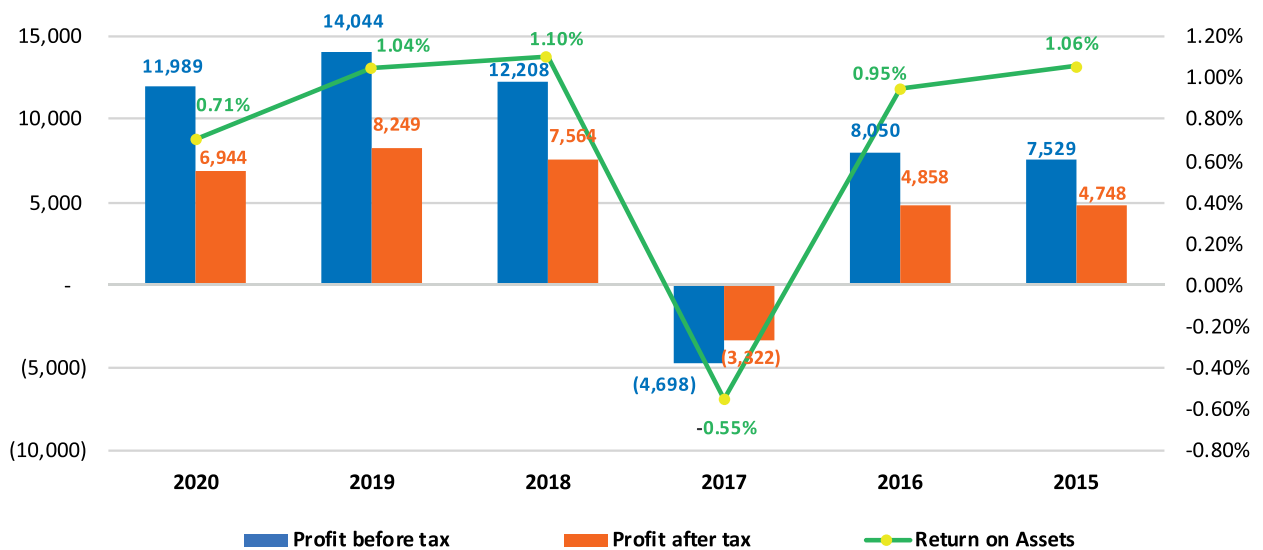
On profitability side, Markup Income of the Bank registered a CAGR of 22% during 2015-2020. The main components were Markup earned on Advances & Investments. In line with Bank's strategy to grow Advances portfolio cautiously and divert incremental funds towards investment in risk free Government Securities, the major contribution came from Markup Income on Investments.

Markup Expense also registered a CAGR of 25% due to above stated growth in Deposits. It also includes impact of change in Minimum Profit Rates on PLS Deposits in line with change in SBP Policy Rate. The Cost of Deposits was effectively managed by the Bank through focus on low cost CASA Deposits.

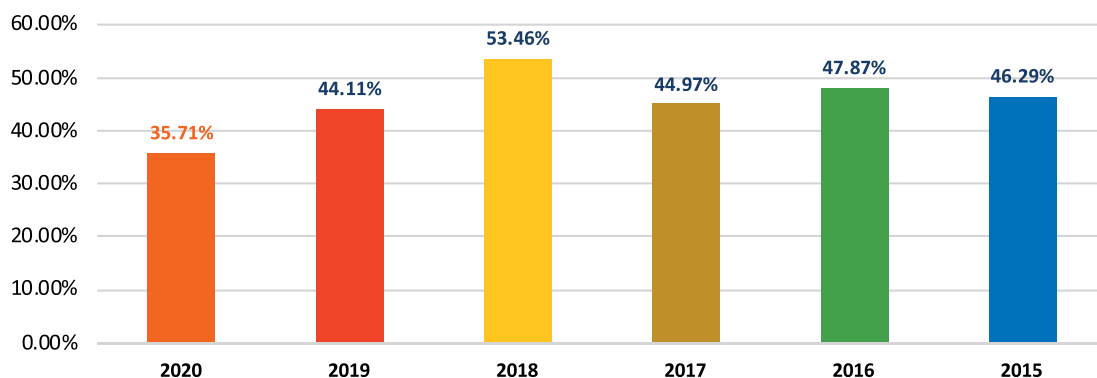
Non Markup Income registered as CAGR of 11% during 2015-2020. The main contribution was made by Capital Gains realized on Securities during different years. The Fee Based Income also registered as steady growth.

Operating Expenses registered a CAGR of 18%. The rise is mainly on account of personnel/property expenses in line with expansion in Branch network (230 Branches added), inflation and investment in new technologies.

Provision Charge posted a CAGR of 13% with highest level of Rs.14.7 Billion during year 2017 to retire LOCs issued by GOPb. The Charge of Rs. 6.9 Billion for year 2020 includes General Provision of Rs. 3.3 Billion and Specific Provision of Rs. 1.7 on subjective basis.



ADVANCES CONCENTRATION LEVEL IN ASSETS



Code of Conduct

All the Directors of the Bank are expected to read and understand the “Code of conduct” and uphold the standards and policies contained therein by ensuring compliance.

Duties, Power and responsibilities

All the Directors confirm to the best of their knowledge and belief that as Director of the Bank of Punjab, they are fully aware of their duties, powers and responsibilities under the relevant Law(s).

Compliance with Rules & Regulations

All the Directors shall ensure compliance with the requirements/instructions embodied in all the regulatory enactments, rules & regulations, code of corporate governance and standards.

Integrity, Honesty, Confidentiality and Reputation

All the Directors shall set up a high standard of integrity and display prudent attitude in discharge of their duties. A minimum standard of acceptance would be:

- i) Business decisions to be based on professional judgment and prudence.
- ii) Professionally tailored and viable strategies shall be followed in pursuit of achieving the Bank’s overall objectives.
- iii) A good working atmosphere shall be created in ensuring fair dealings, congenial relationship, co-operative and harmony.
- iv) Customers’ friendly culture shall be promoted by observing the followed norms of business ethics.
 - Business needs of the customers shall be given top priority.
 - Business affairs of the customers shall be maintained confidential.
 - Banker-customer relationship shall not be maintained with those involved in drug trafficking, crimes and terrorist activities.

Ethics and disclosure

Every Director shall confirm to the best of their knowledge and belief that:

- i) He is not a Director of more than Five (5) listed companies, including the Bank of Punjab.
- ii) He is not a Director of any other financial institution.
- iii) He is a registered tax payer and not in default of payment of any taxes and/or in default of any loan to a banking company, a DFI or an NBFI or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
- iv) He does not hold any interest in the shares of

the Bank other than that disclosed in the pattern of shareholding.

- v) He has sufficient means to discharge his financial obligations.
- vi) He and his spouse are not engaged in the business of stock brokerage (unless specifically exempted by SECP).

Conflict of Interest

All the Directors shall not engage in any business transactions which might conflict with the interests of the Bank. They shall not accept any gifts, favors or invitation offered by any client, person or Organization with whom the Bank has a business relationship that creates a conflict between the individual’s personal interest and the interest of the Bank.

Insider Trading

- i) Director shall not deal directly or indirectly in the securities of the bank whether on their own account or their relative’s account, if they are in possession of any un-published price sensitive information concerning the Bank. Directors who are in possession of any unpublished price sensitive information shall not communicate directly or indirectly the said information to others who trade on such information.

Where any Director or his/her spouse sells, buys or takes any beneficial position, whether directly or indirectly, in the shares of the Bank, he/she shall immediately notify the Company Secretary in writing. Such Director shall also deliver a written record of the price, number of shares, form of share certificates, (i.e. whether physical or electronic within the Central Depository system), and nature of transaction to the Company Secretary within two days of effecting the transaction. Further, no Director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the period the closed period. (*)

- (*) Closed period is determined prior to the announcement of interim/final results and any business decision, which may materially affect the market price of shares.

ii) Evaluation of the Board.

The performance of the overall Board, its Committees and individual Board Members shall be evaluated on annual basis as per mechanism prescribed by the regulator and approved by the Board.

OPERATING & COMPETITIVE Environment

During the year 2020, overall operating environment remained very challenging. Global impact of COVID-19 pandemic started taking its toll on the Country's economy from 1st quarter of year 2020 and most of businesses were shut-down due to Country-wide lockdown. The situation persisted during major part of first half of the year and State Bank of Pakistan (SBP) introduced several measures for stabilizing the economy which also included major cut in discount rate.

Owing to measures taken by Government and SBP, the Country's economy stabilized to a certain extent during last quarter of year 2020. The recovery was driven mainly by manufacturing related activities and construction, which were being supported by various financial policies from SBP including the Temporary Economic Refinance Facility and the incentives announced by the government for the housing and construction sectors.

Owing to contraction of economy, overall investment opportunities were also squeezed thereby increasing the competition among peer Banks. Most of the Banks continued to invest in less riskier secured avenues due to lower credit demand in the market as the Country's economy remained virtually at standstill during major part of the year 2020.

Accordingly, during the year 2020, Bank's performance remained somewhat subdued. However, prudent management of available resources enabled the Bank to offset negative impact of economic slowdown to a great extent. The Bank managed to maintain and consolidate its position and overall performance remained satisfactory.

Strategy & Resource Allocation

Capitalizing on consolidation and cleansing steps taken during last few years, the Bank plans to take another giant leap to enter into elite club of top 5 Commercial Banks of the Country. Accordingly, Bank's strategy for years 2021-23 is basically a roadmap for achieving vision of becoming one of the big 5 Banks of Country by year 2025. The key focus of Bank's strategy is to fully leverage the current risk appetite of a public sector organization and offer excellent personalized customer services competitive with other private sector Commercial Banks. With this overarching focus, the Bank has chalked out growth plan on the business side, without compromising on governing control regime and ensuring robust Compliance, Risk and Audit environment.

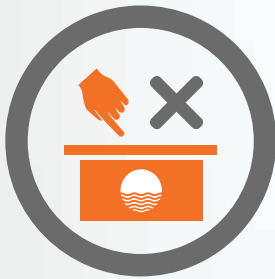
STRATEGIC AREAS OF FOCUS

- Greater Efficiency is required to be added to balance sheet by employing methodologies of Risk adjusted returns on the exposure. This will ensure that the Bank is adequately compensated for undertaken risk and also provides a consistent view of profitability across various business segments. It will also help in creating, fostering and maintaining capital buffers for leveraging the balance sheet in a proficient and prudent manner.
- NPLs would still remain a major focus area for the Bank. Continued and concentrated efforts would be made for materializing the recovery or regularization of NPLs portfolio. While all the low hanging fruits have already been picked, thereby requiring fresh and renewed resolve and adoption of other techniques and strategies for recovery; such as a strategic partnership with CRC. The NPLs portfolio is fairly very large and is fully provided for, therefore having great potential to add on Bank's profitability and any recoveries in this area would have a direct positive impact on the bottom line.
- Highly lucrative opportunities exists for growth in the Agri, SME, and housing sector and BOP will endeavour to become number one Bank in these segments within the next three years.
- The Bank will also deploy maximum efforts to capitalize on all opportunities where there is the first loss support. It has been the number one Bank in PMKJ-YES scheme in terms of disbursements in phase 1, and would like to maintain its pole position in phase 2 as well which would help the Bank in improving upon its spread in next three years.
- Low Cost Housing will continue to remain a niche segment. The Bank is leading the Housing and Construction initiative of the Government of Pakistan & SBP and already been appointed as the financial advisor to the new city, Ravi Urban Development Authority ("RUDA"), being developed next to Lahore - and Coordinating Bank along with six other banks in this massive Project of Lahore Development Authority. The Bank is already working closely with International Multilaterals and DFIs and benefiting from their expertise to execute the low cost housing initiative of the Government effectively and efficiently.
- Huge growth opportunity exists in Consumer Banking which currently constitute a very small portfolio of merely 2.5% of the total private sector assets. Efforts shall be made in this area to increase Bank's consumer portfolio book and increase its market share substantially.
- Geographically, Karachi/ South and Islamabad/ Peshawar/ North will remain the growth area for the Bank in years 2021-2023 and idea is to aggressively grow sustainable deposits and prudently double the corporate assets in these regions while ensuring improvement in overall asset quality of the Bank.
- Currently, the Bank has a very small contribution of fee income and the reciprocity income ratio is not up to the industry mark. The Bank's focus would be on trade, cash management and investment banking businesses that would be leading the transactions in these areas going forth. Target will be to remain ahead of the market in non-funded exposures and thereby generate healthy fee and commission based income in relative terms within the next three years. Bringing synergies and developing culture of cross selling to leverage full potential of the Bank would be in focus.
- The Bank plans to restructure its Islamic Banking operations in next three years to make it more meaningful and impactful on its bottom line. A consultant has been engaged who will advise the

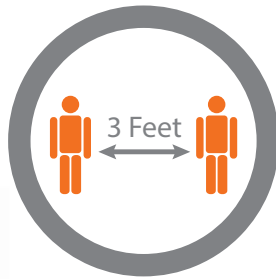
best way to capitalize on the potential of this high growth banking sector area in future.

- The Bank has been appointed as Primary Dealer to participate in Government Securities and recently been added in the club of Kibor contributing banks. Treasury would continue to remain the money spinner for the Bank and ensure optimal utilization of available liquidity. Significant opportunity exists to improve the FX income which is currently negligible.
- Motivated employees is the heart of the Bank's strategy and experienced and well trained Human Resource Capital will remain key to its success in future. Their welfare and career growth purely based on merit, will be on top of the agenda and the Bank plans to invest in its people through better training and development plans providing every staff equal and fair opportunity for organic growth. HR consultant has been hired to ensure alignment of policies, procedures and compensations with the market with the philosophy to promote pay for performance culture to attract and retain the best talent.
- Better communication, both externally and internally, is a key in avoiding any confusions, misunderstandings and building better market perception. Leveraging social media for both internal and external communication will be an integral part of our communication and marketing strategy.
- On the strategic investments and inorganic growth side, the Bank is exploring the possibilities of launching an Insurance Company jointly with the Government of Punjab, formation of a dedicated Islamic Bank and taking over strategic stake in a Microfinance Bank.
- The existing Modaraba and Brokerage businesses, being managed through Bank's subsidiaries, are being restructured as a huge opportunity to do out of the box businesses exists in these areas, particularly in low cost housing sector and managing non-earning SAM assets.
- Digitization is currently one of the weakest areas of the Bank which will be a real game changer and thus remains the most important part of Bank's corporate strategy. The Bank plans to use technology to automate all processes for stronger controls, improved efficiency and enhanced customer experience. The target is to be one of the leading bank in terms of automation, technology driven products and platforms, with combination of optimal brick & mortar and technology mix & match. The Bank has made unique contributions in the area of digitized social protection payments to the underserved, and will continue to lead through constant innovation in this segment.
- Home Remittances will be another growth and focus area based on both pull and push channels, duly supported by a robust technology platform. For the Bank, Target is to launch a Digital platform with primary focus on attracting remittances from overseas Pakistanis in the next 3-5 years and to remain cut above the other industry players.
- Customer focus remains another pivotal point of Bank's strategy. BOP caters to the needs of a diversified set of customers, both in urban and rural areas. Significant resources are being invested to better understand their needs and improve their experience to ensure every segment of customer is being properly served.
- Given the importance and criticality, improving customer Deposit profile is one of the major Goals. This is one of the most challenging milestone of the strategic roadmap of the Bank. The Bank has aggressively grown its deposit base over the last ten years, but profile of its deposit mix in terms of segment and cost needs significant improvement as public sector deposits constitutes over 60% of Bank's total deposits. This growth is planned organically through rationalization of existing branch network, expansion in Southern and Northern region to ensure effective branch network presence in all key business areas, and leveraging the digital initiatives.
- CSR remains another area of focus to ensure that growth in business must go hand in hand with the contribution to society and in particular enhancing financial inclusion and changing lives of common people of the Country.

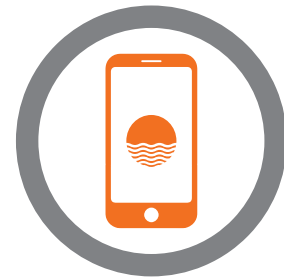
YOUR SAFETY OUR PRIORITY BOP CARES



Do not touch any
counter



Keep a safe distance of 3
feet from the bank staff
and other customers



Use digital banking
channels



Wear a face mask
when entering the
bank



Sanitize your hands
before entering
the bank

COVID-19 Recovery Plan Statement by Management



The management of the Bank is fully cognizant of the impact of COVID-19 pandemic on socio economic life of the community in general and Bank in particular. From the very outset, the Bank's primary focus was on continuous provision of seamless banking services to its clients while ensuring safety of its frontline staff. Utmost efforts were made to keep all branches operational throughout the pandemic and it was also ensured that all necessary safety measures were effectively placed across the organization.

In recognition of services of Bank's frontline staff in provision of banking services to clients in a very tough operating environment, the management awarded cash honorarium to all staff members working in branches. The Bank also remained on forefront in providing financial assistance to the business community as per guidelines of State Bank of Pakistan.

The management also fully recognize the fallout of COVID-19 on banking sectors in years to come. While certain relaxation and restructuring measures have been announced by SBP to mitigate negative impact of COVID-19 on economy, banking sector may still face rise in its non-performing portfolio. Besides asset quality improvement measures, the Bank has also proactively started recognizing general provision on its loan portfolio to thwart impact of rise in NPLs in coming years due to impact of COVID-19 on the businesses. The Bank is fully geared up to face the unprecedented challenge caused by COVID-19 pandemic.

Fair Treatment of Customers Framework & Consumer Grievance

Good business relationship between bank and the Customers is crucial for the success and growth of the bank. Mutual trust and confidence are imperative factors to lead a bank towards success. To cater this emerging need/issue SBP as a regulator has taken its first step through establishment of its own separate financial consumer protection department. SBP has accentuated on financial consumer protection through issuance of many circular instructions.

Broader guiding principles of Bank's Fair Treatment of Customers Framework are as under:

- Instill a culture embedded with Fair Treatment of Customer values across the bank.
- Promote good banking practices by setting the service standards in dealing with customers.
- Create customer awareness and transparency in financial products and services offered by the bank.
- Create awareness among customers about their rights to enhance their confidence in Bank of Punjab.
- Protect customer's rights by ensuring compliance of SBP regulations and relevant laws.
- Increase transparency in the provision of banking services so as to enhance the understanding of customers of what they can reasonably expect of the services provided by the bank.
- Ensure accurate and timely delivery of information to the customer regarding bank's products and services.
- Establish a culture that gives freedom to the customers to choose between services or products offered by the bank.
- Prevent collusive business practices that may result in unfavorable outcomes to consumers.

- Provide customers with a recourse mechanism that is effective, transparent and impartial, offering prompt resolution of customer grievances.

Consumer Grievances Handling 2020:

The Bank has established a dedicated Unit for timely, smooth and seamless handling of consumers' complaints. The Management of the Bank ensures that all suggestions, feedbacks and complaints received from customers and general public is duly addressed. Besides handling complaints received from Bank's internal portal, complaints received through other forums such as Pakistan Citizen Portal etc., are also handled in timely manner.

It is ensured that all complaints received by the Unit are resolved within prescribed Turn Around Time (TAT) as per guidelines of State Bank of Pakistan. During the year 2020, total number of complaints received were 36,134. The Complaint Types as per SBP's Consumer Grievances Handling Mechanism (CGHM) and average TAT is detailed hereunder:

Product /service Area	Average Time taken to resolve a complaint
Personal Loan/overdraft/ Agri loans	2 Working Days
Auto Loan	4WD
House Loan	3WD
Account Maintenance	5WD
ATM/Debit Card	5WD
Over the counter issues	4WD
Remittance / Clearing (Inland)	4WD
e- banking	4WD
Home Remittances	3WD

Forward Looking Statement and Future Outlook

The Bank's future outlook is very bright and a realistically aggressive business strategic plan has been worked out to achieve Bank's strategic goals. The management objectives are very clear and roadmap has been set for the Bank to break into big 5 banks of the Country. In year 2021, focus shall be on people and building a strong human resource pool. The Bank shall strengthen its control regime and Compliance and Operation Groups shall be further strengthened.

During the year 2021, the Bank shall continue to expand its outreach with special focus on earlier ignored areas. While new products and services shall be introduced, revamping of existing product line shall also be on the cards. The Bank shall focus on digitalization of banking services in line with market requirements. As the Bank shall continue to leverage its relationship with Government of Punjab as majority shareholder, management plans to increase private sector share in Bank's business composition in near future.

The Bank is entering 2021 with a very solid platform and a strong balance sheet at CAR above 17% and over 90% provisioning against infected portfolio. For the first time in 2020, the Bank has made subjective classification and created room for future shocks. While aggressive growth on business side, the Bank would like to be more prudent in ensuring robust compliance, risk and audit environment. Better controls shall be introduced to ensure sustainable growth in future.

The Bank has planned to bring about greater efficiency to its balance sheet by employing methodologies of Risk adjusted returns on exposure. This will ensure adequate compensation against the risk and would also provide a consistent view of profitability across business segments. It will also help creating and maintaining capital buffers for leveraging Bank's balance sheet in a proficient manner.

The Bank would be number one, in SME, Agri and Housing, particularly Low Cost Housing, with the portfolio size of more than 15%, 10% and 5%, respectively, within the next three years. The Bank would avail all opportunities where it gets first loss support. The Bank have been number one with a wide margin in Prime Minister's Kamyab Jawan Program and Low Cost Housing initiative of the Government of Pakistan. The Bank is working closely with international Multilaterals and DFIs to resort on their expertise to execute the low cost housing initiative of the Government effectively and efficiently.

BOP is the only Bank in Punjab Rozgar scheme of Government of the Punjab and it would be very keen to capitalize it. The Bank is already leading the Housing and Construction initiative of the Government/ SBP from the front and already been appointed as the financial advisor to the new city being developed next to Lahore - Ravi Urban Development Authority ("RUDA") - and Coordinating Bank along with six other

banks in the massive LDA City Project.

The Bank's Consumer Banking has a very small portfolio of merely 2.5% of the total private sector assets. There is a huge growth opportunity and the Bank has Plan to have this business at 15% of its portfolio in the next three years. The Bank would also be focusing on trade, cash management and investment banking businesses and will be leading the transactions in these areas going forth. Islamic Banking business would be restructured to make it more meaningful and impactful in Bank's bottom line. In this respect, a consultant had been engaged who will advise the best way to capitalize on this high growth area in future.

The Bank has great opportunity to improve our FX income which is currently negligible and the BOP intend to enhance it manifold in the next three years working with Retail and Corporate Banking, ensuring full service to its clientele. The Bank has already been appointed as Primary Dealer to participate in Government Securities and recently been added in the club of KIBOR contributing banks which are a huge win for BOP.

On strategic investments and inorganic growth side, the Bank is looking at various possibilities in the space of insurance and Microfinance. The Bank's exiting Modarba and Brokerage businesses are being restructured as there are huge opportunity to do out of the box businesses particular in the space of low cost housing and managing non-earning SAM assets.

Digitization and technology is the heart Bank's corporate strategy, as this will be a real game changer in the next 3/5 years. The Bank will use technology to automate all processes for enhanced controls, efficiency and improved customer experience.

The Bank has aggressively grown its deposit base over the last ten years, but profile of deposit in terms of segment wise mix and cost, needs significant improvement as over 60% constitutes public sector deposits. This is another focus point of Bank's corporate strategy, where it has been planned to leverage branch network, which is currently underutilized, to ensure that the Bank not only continue growing the deposit base, and simultaneously improve the deposit mix.

Most valuable asset of the Bank are its employees. Motivated employees will remain key to success in future. The Bank has a great and committed staff and their welfare, and safeguarding their interests and care, will remain on top of agenda. The Bank has already dedicated year 2021 as the "Year of our People".

President/CEO presentation video on the Bank's business strategy, performance and future outlook is available at following link at Bank's website:

Link: <https://www.bop.com.pk/view.aspx?id=2265>

Stakeholders Relationship

The Bank of Punjab continuously interact with all stakeholders through various communication means. The major stakeholders of the Bank along with interaction process being followed by the Bank has been described hereunder:

1. Government of the Punjab:

Government of the Punjab being majority shareholder of the Bank has presence on Bank's Board of Directors through appointment of nominee Directors and also Chairman of the Board as per BOP Act, 1989. The Finance Department of GOPb is continuously updated by the management on all key issues related to Bank.

2. Staff at BOP:

The management ensures that all staff members, irrespective of grade and cadre, are duly taken care of. The Bank has put in place a comprehensive Human Resource Policy and it is being ensured that pay for performance culture is promoted across organization. The management regularly interact with employees through communications via email, social media platform and direct meetings. An effective grievance handling mechanism and Whistle blowing program has also been put in place.

3. Account Holders:

The Bank ensure provision of personalized banking services to all its account holders. The account holders are being updated on Bank's product & services and status of their accounts through mobile banking/phone banking services. The Bank also maintain and update its website and social media platform for information of all account holders.

4. Investors & Shareholders:

The Bank maintain an updated investor information data on its website. Further, an annual corporate briefing is also arranged for information of all investors and shareholders. The Bank also arrange an interactive annual general meeting of shareholders and their all questions & queries are duly answered and addressed.

5. General Public:

The Bank is fully aware of its Corporate Social Responsibilities and all possible efforts are being made to ensure welfare of common peoples. The Bank is enhancing its presence in unbanked areas of the Country to improve financial inclusion and participate in efforts directed towards uplifting of underprivileged communities and segments of society. The general public is being updated about the affairs of the Bank through available media platforms.

6. Regulators:

The Bank also maintain close liaison with State Bank of Pakistan and Securities & Exchange Commission of Pakistan as regulators. The Bank ensure effective and timely compliance of all regulatory reporting and information requirements.



Sustainability and Corporate Social Responsibilities



The Bank's Corporate Social Responsibility initiative are directed towards financial inclusion and development & uplifting of underprivileged segments of society. The Bank is fully cognizant of its responsibilities towards the society and it is ensured that wellbeing of masses remains the focus point of all policies of the Bank.

The year 2020 remained a very challenging year for entire humanity as outbreak of COVID-19 pandemic brought everything to a near standstill. While complete lockdown resulted into economic contraction across the globe, the Banking sector was confronted with dual challenge of provision of banking services to its clients on one hand and ensuring safety and health of its employees on the other hand.

Besides running vigorous awareness campaign to fight COVID-19 pandemic through media and its branch



network, the Bank also put in place comprehensive SOPs for safety of its frontline employees and public visiting its branches and offices. The Bank ensured provision of necessary health facilities to its employees and their dependents throughout the pandemic. The Bank of Punjab was first Bank to award cash honorarium to its frontline employees during the pandemic. Due to measures taken by the Bank, provision of seamless banking services to public was ensured during very tough operating environment.

To mitigate the impact of COVID-19 pandemic on the business community, the State Bank of Pakistan took various measures for provision of concessional loans to business community. The Bank remained on forefront for ensuring easy access of credit to the business community enabling them to continue their business activities. Further, with a view to encourage entrepreneurship in the Country, the Bank is providing concessional loans facility to unemployed youth of the Country under Prime Minister's Kamyab Jawan – Youth Entrepreneurship Scheme.

The Bank is also participating in Government of Pakistan initiative directed towards provision of low cost housing facility to the public. The Bank has already started lending under the scheme with an objective to improve housing facilities in the Country.

During the year 2020, the Bank became part of pink ribbon campaign for creating awareness in society about the breast cancer. The Bank undertook vigorous media campaign for the purpose and special programs were arranged and sponsored across the organization to help improve awareness about breast cancer.

Considering the importance and impact of quality education on the socio-economic lives of individuals and the society, The Bank of Punjab took a landmark initiative by signing a MOU with IBA Karachi, one of the leading business schools of the Country, for providing financial assistance to students of underprivileged areas of the Country and also to the children of the employees of the Bank. Under the proposed scholarship program to be called "BOP-IBA National Talent Hunt Program (NTHP)", the Bank shall provide financial assistance to 5 undergraduate students from under privileged areas of the Country for entire duration of studies of four years at IBA Karachi. The Bank shall also fund research projects under the said MOU.

The Bank continue to facilitate Government of Punjab (GoPb) in disbursement of financial assistance to thousands of needy persons under various initiatives of Punjab Social Protection Authority through its specially designed Branchless banking operations and Cash Management Services. The Bank is also facilitating GoPb in improving G2P communication and various initiatives such as E-Stamping, E-Traffic Challans and online collection of federal or provincial taxes.

During the year 2020, the Bank continued to sponsor various educational, sports and culture & heritage events across the Country. The Bank also sponsored 3rd Digital Banking & Mobile Payment Summit 2020 which was held from 14-15 December 2020.

The Bank take pride in being one of the preferred choice of customers specially pensioners and salaried class. The Bank ensure provision of personalized services to all its customers, especially senior citizens, through its vast branch network.

Notice of Annual General Meeting

Notice is hereby given that the **30th** Annual General Meeting of the members of The Bank of Punjab will be held virtually through **Zoom Webinar / Video Link** to protect well-being of shareholders in light of the threat posed by evolving COVID-19 pandemic and difficulties faced by stakeholders therein. The AGM will be held virtually through **Zoom Webinar / Video Link** on Tuesday, 30th March 2021 at 12:30 p.m. to transact the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of 29th Annual General Meeting held on March 31, 2020.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Bank of Punjab for the year ended December 31, 2020 together with the Director's and the Auditors' reports thereon.
3. To consider and approve Cash Dividend @ 10% i.e. PKR 1/- per share on every share of Rs.10/- each as recommended by the Board of Directors.
4. To appoint Auditors for the year ending December 31, 2021 and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and approve amendments in the Board's Remuneration Policy-2020 of the Bank on post-facto basis.
6. To consider and approve the Director's Indemnity Cover.
7. To consider and approve the Employment Contract of Mr. Zafar Masud, President & CEO of the Bank.
8. To approve donation to Akhuwat Imdad Fund amounting to Rs.10.00 million inclusive of all taxes on post-facto basis.
9. Any other item of business with the permission of the Chair.

By Order of the Board

Lahore
March 08, 2021

Kamran Hafeez
Secretary to the Board

NOTES

01. The Register of Members and the Share Transfer Books of the Bank shall remain closed for transfer from **24-03-2021 to 30-03-2021** (both days inclusive).
02. All members are entitled to attend the meeting; however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per Section 17(1) of The Bank of Punjab Act, 1989.
03. In light of COVID-19 pandemic and as suggested by SECP vide circular No. 6 of 2021, dated March 03, 2021, AGM will be held through Zoom Application - a Video link facility.
- a) Shareholders interested in attending the AGM through Zoom Application will be request-ed to get themselves registered with the Bank Secretary's Office at the earliest but not later than 48 hours before the time of AGM at corporate.affairs@bop.com.pk by providing the following details:

Name of Shareholder	CNIC #	Folio # / CDC #	Cell No.	Email address

- b) Video link for the meeting will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.
- c) Login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after the identification & verification process.
- d) The shareholders will be able to login and participate in the AGM through their Smart Phone or Computer devices from their homes or any convenient location. Internet connection should be good enough to stream the video.
- e) Shareholders are encouraged to send their comments and suggestions relating to the agenda items of AGM to the Bank Secretary at the above mentioned email. The minutes of the meeting will be kept as per regulatory requirement.

- f) Shareholders are encouraged to participate in the AGM to consolidate attendance and participation through proxies.
- g) AGM will start at 12:30 p.m. on March 30, 2021 after ensuring the required quorum is complete.
04. A member is entitled to appoint another member as proxy to attend the meeting through Video link.
05. The Bank has dispatched the Notice of AGM and Annual Accounts-2020 to all the members in the form of CD through post to their registered address. In addition, the Notice along with Proxy Form is available on Bank's Website www.bop.com.pk .
06. Proxies in order to be effective must be deposited at the **Corporate Affairs Department of the Bank, BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore** not less than 48 hours before the meeting. For appointing proxies, the shareholders will further have to follow the undermentioned guidelines:
- i) In case of individuals having physical shareholding or the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
- iii) Notarized copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) In case of a corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Bank.
07. Members are requested to promptly notify any change in their addresses to our Registrar

M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore before book closure so that entitlement, if any, be dispatched at the correct addresses.

08. Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if Bank receives consent form from the members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to the Corporate Affairs Department, Lahore.

I/We _____ of _____ being a member of The Bank of Punjab, holding _____ ordinary shares as per registered Folio/CDC Account No. _____ hereby opt for video conference facility at _____.

Signature of Member(s)

The Bank will intimate members regarding venue of conference facility at least 5 days before the date of General meeting along with complete information necessary to enable them to access such facility.

SPECIAL NOTES TO THE SHAREHOLDERS

Deduction of Withholding Tax on Dividend

Pursuant to the provisions of the Finance Act, 2017 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

Filer 15% Non-Filer 30%

All shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and may, if required, take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.

Deduction of Withholding Tax on Dividend in case of Joint Account Holders

All shareholders who hold shares jointly are requested to provide following information regarding shareholding proportions of Principal Shareholder and Jointholder(s) in respect of shares held by them to our Share Registrar Office M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore latest by **22-03-2021**, otherwise each joint holder shall be assumed to have an equal number of shares.

Name of the Bank		The Bank of Punjab
Folio No. / CDS A/c. No.		
No. of Shares Held		
Principal Shareholder	Name & CNIC	
	Shareholding Proportion (No. of Shares)	
Joint Shareholder(s)	Name & CNIC	
	Shareholding Proportion (No. of Shares)	

Signature of Shareholder _____

EXEMPTION OF WITHHOLDING TAX:-

Withholding Tax exemption from dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar Office M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore up to **22-03-2021**.

SUBMISSION OF COPY OF CNIC (MANDATORY):

Individuals including all joint holders holding physical share certificates are requested to submit a copy of their valid CNIC to M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore. The shareholders while sending CNIC must quote their respective Folio numbers. It may be noted that in case of non-receipt the

copy of CNIC, the Bank would be constrained to withhold dividend payment.

ZAKAT DECLARATION (CZ-50)

Zakat will be deducted from the dividends at source under the Zakat & Usher Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat declarations under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Bank of Pakistan Limited (**in case the shares are held in CDS-Sub Account or CDC Investor Account**) or to our Share Registrar, M/s. CORPLINK (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore (in case of physical Shares). The shareholders while sending the Zakat Declarations, as the case may be must quote Bank name and their respective Folio numbers.

Shareholders should also notify our Share Registrar M/s. CORPLINK (Pvt) Limited regarding any change in their addresses.

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

The provision of Section 242 of the Companies Act, 2017 requires the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. The shareholders who have not provided their bank account details so far are advised to provide their below electronic dividend mandate information to Bank's Share Registrar (**in case of physical Share**) at the address given above and updates their CDC accounts/Sub-accounts as the case may be, enabling the Bank to credit your future dividend promptly, if any.

Folio No./Investor Account Number / CDC Sub Account No.	
Title of Account	
IBAN Number	
Bank Name	
Branch	
Branch Address	
Mobile Number	
CNIC No. (Mandatory)	
Email Address	

Signature of Shareholder _____

UNCLAIMED DIVIDEND / SHARES

Shareholders who could not collect their previous dividend/physical shares are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend or shares, if any.

SPECIAL BUSINESS:

A Statement under Bank's Bye-Law # 18-IV(ii) and under Section 134(3) of the Companies Act, 2017.

This statement set out material facts concerning the special business to be transacted at 30th Annual General Meeting.

AGENDA ITEM NO. 05:

APPROVAL OF AMENDMENTS IN BOARD'S REMUNERATION POLICY-2020 OF THE BANK ON POST-FACTO BASIS.

The Board of Directors in their 266th meeting have recommended for approval to the shareholders the Board's Remuneration Policy - 2020 of the Bank for attending the Board and its Committee(s) meetings in Compliance of State Bank of Pakistan BPRD Circular 03 of 2019 dated August 17, 2019. The Policy was approved by the shareholders of the Bank in the 29th Annual General Meeting held on March 31, 2020.

The Board of Directors in their 277th meeting have formulated the following amendments in the Board Remuneration Policy - 2020.

1. That the Clause 4.3.1 of the Board's Remuneration Policy - 2020 be amended as:

"A Director shall be remunerated for any additional work assigned by the Board of Directors. The remuneration of a Director performing extra services shall not exceed 20% of the remuneration already set for him / her. In any case, remuneration paid to a Director for performing once such extra service /additional work should not exceed Rs.30,000/- (net of applicable taxes)."

2. That the Board's Remuneration Policy - 2020 be amended to incorporate a new Clause: "5.1.4"-

"The remuneration of Director(s) for attending a Board's Sub-Committee meeting on Special Invitation shall be Rs.150,000/- (net of applicable taxes)."

3. **Resolved** that amendments placed above in the Board's Remuneration Policy - 2020 be and are hereby approved on post facto basis."

AGENDA ITEM NO.06:

THE DIRECTOR'S INDEMNITY COVER

The Board of Director's in their 270th meeting have recommended for approval of the shareholders the "Director's Indemnity Cover" in furtherance to the Immunity provided for in the BOP Act, 1989 and have requested the shareholders to pass the recommendations of the Board of Director's in the form of following resolution(s) in the AGM:

"Resolved that, the Bank of Punjab (hereinafter referred to as the "_Bank_") hereby undertakes and agrees to the fullest extent permitted by law and without prejudice to any other indemnity to which the Directors may otherwise be entitled, to keep and hold indemnified the members of the Board of Directors and those appointed from time to time on its Board of Director's (each a "**Director**") against:

- (a) any suit or proceeding including any civil proceeding, third party proceeding, counter claim or arbitration proceeding brought by any person or organization (including the Company) against the Director for monetary damages or other relief, including non-pecuniary relief; **(b)** any written demand from any person or organization (including the Company) that it is the intention of the person or organization to hold the Director responsible for the results of any specified wrongful act; **(c)** any criminal prosecution brought against the Director; **(d)** any administrative or regulatory proceeding or official investigation ("**Claim(s)**"); and
- (a) any losses, damages, penalties, liabilities, compensation or other awards, arising in connection with any Claim under the laws of Pakistan; and (b) reasonable fees, costs and expenses incurred or to be incurred in respect of any Claim in which judgment is given in favor of the Director, or in which he is acquitted, or in connection with any application of the law in which relief is granted to him ("**Defence Expenses**") (collectively "**Losses**") which may be made against him or which he may suffer or incur as a consequence of, or which relate to or arise from, directly or indirectly, his position, powers,

duties or responsibilities as a director or officer of the Bank if the Director acted in good faith and in a manner that the Director reasonably believed to be in or not opposed to the best interests of the Bank, and, with respect to any criminal action or proceeding had no reasonable cause to believe that the Director's conduct was unlawful, but which the Director has successfully defended or has been acquitted from.

Resolved further that, the Bank shall provide funds to the Director to meet the Director's Defence Expenses as they fall due, provided that the Director agrees and undertakes that any such funds shall fall to be repaid: **a)** if it is ultimately determined that the Director is not entitled to be indemnified by the Bank; or **b)** where there is a final judgment that establishes the Director's Losses are as a result of his own dishonesty or willful misconduct.

AGENDA ITEM NO.07:

EMPLOYMENT AGREEMENT OF MR. ZAFAR MASUD, PRESIDENT & CEO OF THE BANK

The Government of Punjab under Section 11, subsection (1) of the Bank of Punjab Act, 1989, appointed Mr. Zafar Masud as President / CEO of the Bank of Punjab vide order No. FD(W&M)/7-7/2020 dated 17.03.2020. Terms & condition of employment of Mr. Zafar Masud, President & CEO, the Bank of Punjab were notified by the Government of Punjab vide notification No. FD(W&M)/7-7/2020 dated 29.04.2020. The Board of Directors, in their 269th meeting held on 11.05.2020 approved and signed employment agreement with Mr. Zafar Masud. Although there is no legal and regulatory requirement, yet the important terms and conditions of the said agreement are appended below for approval of the shareholders, as a measure of extreme prudence:

APPOINTMENT AND TERM

1. The Bank acknowledges that the Government has appointed the CEO as the President and chief executive officer of the Bank and the CEO has agreed to serve the Bank as the President and chief executive officer of the Bank in terms of the Act, the Bye-Laws, and other applicable laws, rules, and regulations and the terms and conditions set out in this Agreement and on the basis of SBP Approval.

2. The term of employment of the CEO, as president and chief executive officer of the Bank, shall be for a period of 5 (five) years as set out in Section 11(1) of the Act (the “Term”), which shall be effective from the date of signing of this Agreement subject to assumption of office by the CEO.
3. Upon expiry of the Term, subject to the re-appointment of the CEO as the President by the Government under Section 11 of the Act, the Parties may renew this Agreement or extend this Agreement for such further periods as may be necessary upon terms to be agreed .

SCOPE OF EMPLOYMENT

The CEO shall act as the chief executive officer of the Bank and shall, subject to the Bye-Laws, direct and control, on behalf of the Board of Directors of the Bank, the affairs of the Bank (as stated in Section 11(3) of the Act). Subject to the aforesaid,

1. The CEO shall have such powers and duties as are customarily associated with such position and vested to him under the Act and the Bye-Laws. The CEO shall use his best efforts to advance the best interests of the Bank and shall not engage in any outside business activities or undertake personal transactions which conflict or interfere with the performance of his duties hereunder.
2. The CEO, subject to the applicable laws, rules, and regulations, shall be vested with the general management control of the business and operations of the Bank and shall have powers, subject to policies and directions of the Board of Directors of the Bank and not contrary to powers already vested in the President under the Act and the Bye-laws, to do all acts and things which he may consider necessary and conducive to the interests of the Bank.
3. The CEO shall have the complete powers/ authority, without the approval of the Board of Director’s of the Bank, to finalize the organizational structure(s) and appoint, suspend, and/or terminate any employee of the Bank, after following the due process, except for Chief Financial Officer, Internal Auditor and Board Secretary, powers of which will remain with the Board of Directors of the Bank. Any changes in existing policies and procedures, if required, shall

stand effected accordingly and the approval of the Board of Directors to Company Secretary to execute this Agreement with the CEO and shall also constitute required authorization to execute the required amendments in the policies and procedures as per this Agreement.

4. The CEO shall not have the authority to approve any and all credit applications/ borrower requests, unless approved jointly with the Bank’s Credit Committee only, particularly as per the powers vested in him by Prudential Regulations of SBP, except for the cases where in the reasonable opinion of the CEO or the Bank’s Credit Committee, the borrower poses franchise and/ or reputational risk to the Bank, including but not limited to Politically Exposed Persons, where the borrower has cases pending with law enforcement agencies, credits requiring restructuring, etc., in which case the Board Risk Management Committee may be referred the matter for evaluation and appropriate recommendation for approval or otherwise.

TERMINATION

1. This Agreement and the appointment of the CEO shall be terminated upon the termination of the appointment of the CEO by the Government in accordance with Section 11(1) of the Act.
2. The Bank may recommend to the Government that the appointment of the CEO shall be terminated on the occurrence of the following events:
 - (a) The CEO’s willful, intentional or grossly negligent failure to perform his duties under this Agreement;
 - (b) Admission or final conviction of the CEO of a misdemeanor materially and/or adversely affecting the Bank, or of any felony;
 - (c) The CEO’s commission of an act of fraud against, or the CEO’s misappropriation of property belonging to, the Bank; or
 - (d) any material breach by the CEO of any provision of this Agreement that, unless being incapable of being remedied, is not remedied by the CEO within 30 (thirty) days of CEO’s receipt of written notice from the Bank.

The CEO may terminate this Agreement by resigning as the President and Chief Executive Officer of the Bank, subject to providing 1 (one)

months written notice to the Bank or a written notice of such minimum period as may be required by the State Bank of Pakistan from time to time (whichever is longer). Upon receipt of such notice, the Bank may, with the approval of the Government, waive the notice period and release the CEO from employment immediately or at any time during the notice period, in which case the Bank will pay the CEO's remuneration package for the unexpired term of the notice in the same manner as under Remuneration and Benefits Clauses, as above. In the event the Government desires a premature termination of this Agreement (with or without notice) severance pay (salary) for six months shall be paid (in case the remaining term of the CEO is less than 6 (six) months the severance pay for only the balance period of service shall be admissible).

INDEMNITY

1. In the event of any claim or action or proceedings against the CEO in relation to or connected with the performance of his services as chief executive officer of the Bank, the Bank shall, on demand, indemnify and hold harmless the CEO for all losses and damages as he may suffer on account of or resulting from such action, claim or proceedings, including any penalty, fine, attachment of bank account, freezing of assets of the CEO, except for where such proceedings arise due to the action pursuant to any of the events listed in Clause 2 above² or where the CEO is ultimately found guilty of an offense in his personal capacity.
2. The Bank shall provide funds to the CEO to meet the CEO's defense expenses ("**CEO Defence Expenses**") as they fall due (without the CEO being required to fund first and claim reimbursement) without any further internal approvals being required by the Bank. The CEO hereby agrees and undertakes that any such funds received on account of CEO Defence Expenses shall be repaid to the Bank: (a) if it is ultimately determined that the CEO is not entitled to be indemnified by the Bank; or (b) where there is a final judgment that establishes the CEO's loss or damage as a result of his own dishonesty or willful misconduct.

3. The Bank shall provide an insurance cover (Director and Officers Liability Insurance) from a well reputed insurance company equivalent to 6 (six) gross salaries for the reimbursement of legal, logistics and boarding expenses, etc., for all times even after retirement, directly to the CEO by the Bank, immediately upon the demand by the CEO.
4. Aforementioned Clauses 1, 2, and 3 of this Agreement shall survive the termination/maturity of this Agreement at all times.

The shareholders are requested to approve service contract of Mr. Zafar Masud, executed between the Bank and Mr. Zafar Masud and pass the following resolution:

"Resolved that service agreement between the Bank of Punjab and Mr. Zafar Masud, appointed as President & CEO of the Bank of Punjab by the Government of Punjab under Section 11, sub-section (1) of the Bank of Punjab Act, 1989, be and is hereby approved."

AGENDA ITEM NO.08:

DONATION TO AKHUWAT CORONA IMDAD FUND AMOUNTING TO RS.10.00 (M) INCLUSIVE OF ALL TAXES

The Board of Directors in their 269th meeting have recommended for approval of shareholders, donation to Akhuwat Imdad Fund amounting to Rs.10.00 million (Rupees Ten million only) inclusive of all taxes. Since, Dr. Muhammad Amjad Saqib is the Chairman/Executive Director of Akhuwat and director in the Bank of Punjab, the Board of Directors, in order to meet the legal and regulatory formalities, decided that the matter be brought for approval of the shareholders in the AGM on post facto basis. The shareholders are requested to pass the following resolutions:

"Resolved that donation to Akhuwat Imdad Fund amounting to Rs. 10.00 million (Rupees ten million only) inclusive of all taxes, be and is hereby approved on post facto basis."

A hand is shown using a calculator over a laptop and financial documents. The background is a blurred office setting with a laptop and a pen. A yellow banner is overlaid on the image.

**UNCONSOLIDATED
FINANCIAL
STATEMENTS**
for the year ended December 31, 2020

دی بینک آف پنجاب رکھے
HarFardKaKhayal



INDEPENDENT AUDITOR'S REPORT

To the members of The Bank of Punjab

Report on the Audit of the Unconsolidated Financial Statements
For the year ended 31 December 2020

Opinion

We have audited the annexed unconsolidated financial statements of The Bank of Punjab, which comprise the unconsolidated statement of financial position as at 31 December 2020, and the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 16 branches which have been audited by us and notes to the unconsolidated 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 statement of profit and loss and 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 and the 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>1. Provision against non-performing advances</p>	
<p>The Bank's credit portfolios include advances, debt securities and non-funded credit facilities. The portfolio is spread across various domestic branches and include corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</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 5.4 to the unconsolidated financial statements), the Bank determines provisions against non-performing financings exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for 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 borrower's economic, financial and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against financings 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 financings are included in note 5.4 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"> - We reviewed the Bank's process for identification and classification of non-performing financings. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired financings and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the financings portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management. - We also assessed adequacy of disclosures as included in note 10 to the unconsolidated financial statements regarding the non-performing financings and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework..



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 financial statements and our auditor's report 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 is 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 statement of profit and loss and the statement of comprehensive income, statement of changes in equity and cash flow statement (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 Farooq Hameed.

E Y Ford Rhodes
Chartered Accountants

Date: February 19, 2021

Place: Lahore

Unconsolidated Statement of Financial Position

As at December 31, 2020

	Note	2020 Rupees in '000'	2019
ASSETS			
Cash and balances with treasury banks	6	69,271,804	53,414,628
Balances with other banks	7	2,397,707	10,310,569
Lendings to financial institutions	8	16,086,867	4,059,771
Investments - net	9	567,788,623	361,452,930
Advances - net	10	391,160,612	383,313,380
Fixed assets	11	14,812,949	15,218,893
Intangible assets	12	688,508	793,285
Deferred tax assets - net	13	7,774,264	6,567,783
Other assets - net	14	25,464,682	33,796,541
		1,095,446,016	868,927,780
LIABILITIES			
Bills payable	16	4,168,641	3,421,083
Borrowings	17	154,841,415	77,044,955
Deposits and other accounts	18	835,067,592	691,017,447
Liabilities against assets subject to finance lease		-	-
Subordinated debts	19	6,791,700	8,794,420
Deferred tax liabilities		-	-
Other liabilities	20	42,315,157	41,967,541
		1,043,184,505	822,245,446
NET ASSETS		52,261,511	46,682,334
REPRESENTED BY			
Share capital - net	21	26,173,766	26,173,766
Reserves		8,029,024	6,640,276
Surplus on revaluation of assets - net of tax	22	5,955,359	5,371,207
Unappropriated profit		12,103,362	8,497,085
		52,261,511	46,682,334
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
Mark-up / return / interest earned	24	86,019,127	80,866,848
Mark-up / return / interest expensed	25	62,693,706	54,110,056
Net mark-up / interest income		23,325,421	26,756,792
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	3,732,141	3,530,097
Dividend income		136,987	103,925
Foreign exchange income		328,303	10,598
Income / (loss) from derivatives		-	-
Gain on securities - net	27	8,466,492	221,564
Other income - net	28	381,664	73,427
Total non-markup / interest income		13,045,587	3,939,611
Total income		36,371,008	30,696,403
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	16,880,128	14,452,774
Workers welfare fund		334,882	284,961
Other charges	30	304,279	138,697
Total non-markup / interest expenses		17,519,289	14,876,432
Profit before provisions		18,851,719	15,819,971
Provisions and write offs - net	31	6,862,308	1,776,084
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		11,989,411	14,043,887
Taxation - net	32	5,045,672	5,795,358
PROFIT AFTER TAXATION		6,943,739	8,248,529
Basic earnings per share	33	2.63	3.12
Diluted earnings per share	34	2.63	3.12

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
Profit after taxation for the year		6,943,739	8,248,529
Other comprehensive income:			
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement loss on defined benefit obligations	37.2.2	(87,285)	(54,429)
Movement in surplus on revaluation of fixed assets - net of tax	22.1	-	599,529
Movement in surplus on revaluation of non-banking assets - net of tax	22.2	(6,978)	(103,986)
		(94,263)	441,114
		6,849,476	8,689,643
Items that may be reclassified to profit and loss account in subsequent periods:			
Movement in surplus on revaluation of investments - net of tax	22	707,349	2,238,283
Total comprehensive income		7,556,825	10,927,926

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Rupees in '000'							Total	
	Share capital	Discount on issue of shares	Share capital - net	Share premium	Statutory reserve	Investments	Fixed / non banking assets		Unappropriated profit
Balance as on January 01, 2019	26,436,924	(263,158)	26,173,766	2,215,040	2,775,530	(11,369)	3,271,681	3,295,643	37,720,291
Profit after taxation for the year	-	-	-	-	-	-	-	8,248,529	8,248,529
Other comprehensive income / (loss)	-	-	-	-	-	2,238,283	495,543	(94,429)	2,679,397
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	2,238,283	495,543	8,194,100	10,927,926
Transfer to statutory reserve	-	-	-	-	1,649,706	-	-	(1,649,706)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(42,861)	42,861	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(17,059)	17,059	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(558,120)	574,814	16,694
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(4,891)	5,083	192
Transactions with owners, recognized directly in equity	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)
Final cash dividend - December 31, 2018 declared subsequent to year end at 7.5%	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)
Balance as on December 31, 2019	26,436,924	(263,158)	26,173,766	2,215,040	4,425,236	2,226,914	3,144,293	8,497,085	46,682,334
Profit after taxation for the year	-	-	-	-	-	-	-	6,943,739	6,943,739
Other comprehensive income / (loss)	-	-	-	-	-	707,349	(6,978)	(87,285)	613,086
Total comprehensive income / (loss) for the year ended December 31, 2020	-	-	-	-	-	707,349	(6,978)	6,856,454	7,556,825
Transfer to statutory reserve	-	-	-	-	1,388,748	-	-	(1,388,748)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(66,510)	66,510	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(9,424)	9,424	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(12,140)	14,963	2,823
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(28,145)	30,443	2,298
Transactions with owners recognized directly in equity :	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5%	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)
Balance as on December 31, 2020	26,436,924	(263,158)	26,173,766	2,215,040	5,813,984	2,934,263	3,021,096	12,103,362	52,261,511

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,989,411	14,043,887
Less: Dividend income		(136,987)	(103,925)
		11,852,424	13,939,962
Adjustments:			
Depreciation on fixed assets	11.3	1,181,106	1,049,325
Depreciation on non banking assets acquired in satisfaction of claims	14.1.1	58,923	73,977
Depreciation on ijarah assets under IFAS - 2	29	162,883	238,279
Depreciation on right-of-use assets	29	891,145	875,718
Amortization on intangible assets	12.1	197,899	173,555
Amortization of discount on debt securities - net		(3,042,435)	(2,600,497)
Markup expense on lease liability against right-of-use assets	25	937,275	779,483
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.1	(1,630)	4,207
Provision and write-offs - net	31	6,862,308	1,776,084
Loss on termination of lease liability against right-of-use assets	28	2,635	4,922
Gain on sale of fixed assets - net	28	(101,461)	(65,146)
Gain on sale of non banking assets - net	28	(225,129)	(67)
Realized gain on sale of securities - net	27.1	(8,464,862)	(225,771)
Provision for employees compensated absences	29.1	13,982	13,898
Gratuity expense	29.1	187,775	170,472
		(1,339,586)	2,268,439
		10,512,838	16,208,401
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(12,027,096)	23,783,382
Held for trading securities		(9,188,822)	15,138,343
Advances		(13,586,291)	(2,905,026)
Others assets		4,762,920	(8,217,079)
		(30,039,289)	27,799,620
Increase / (Decrease) in operating liabilities:			
Bills Payable		747,558	(156,594)
Borrowings from financial institutions		77,933,512	35,323,329
Deposits		144,050,145	95,435,485
Other liabilities		(521,862)	8,101,478
		222,209,353	138,703,698
Income tax paid		(4,850,676)	(3,974,141)
Net cash flow from operating activities		197,832,226	178,737,578

Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(185,058,540)	(101,476,536)
Net investment in held to maturity securities		-	(59,182,166)
Dividends received		134,790	103,946
Investment in fixed assets		(1,068,488)	(1,062,693)
Investment in non-banking assets		-	(378,000)
Investment in intangible assets		(93,122)	(75,351)
Proceeds from sale of fixed assets		651,459	944,898
Proceeds from sale of non banking assets		842,089	63,618
Net cash used in investing activities		(184,591,812)	(161,062,284)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of subordinated debts		(2,002,720)	(2,720)
Dividend paid		(1,982,769)	(1,982,769)
Payment of lease liability against right-of-use assets		(1,173,559)	(1,284,352)
Net cash used in financing activities		(5,159,048)	(3,269,841)
Increase in cash and cash equivalents		8,081,366	14,405,453
Cash and cash equivalents at beginning of the year		63,586,009	49,180,556
Cash and cash equivalents at end of the year	35	71,667,375	63,586,009

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

1. STATUS AND NATURE OF BUSINESS

The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. The Bank has 636 branches including 18 sub branches and 104 Islamic banking branches (2019: 624 branches including 17 sub branches and 100 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

2. BASIS OF PRESENTATION

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

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

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

2.1 Statement of compliance

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

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

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

- 2.1.2** SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated financial statements.
- 2.1.3** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in these unconsolidated financial statements of the Bank.
- 2.1.4** **New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2020**

During the year, certain amendments to standards, interpretations and improvement to accounting standards became effective; however, the standards, amendments, interpretations and improvements did not have any material effect on these unconsolidated financial statements of the Bank.

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

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

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

Standard or Interpretations	Effective date (accounting periods beginning on or after)	
IFRS 9, IFRS 7, IFRS 4 & IFRS 16	Interest Rate Benchmark Reform – Phase 2 - Amendments	1 January 2021
IFRS 3	Reference to conceptual framework - Amendments	1 January 2022
IAS 16	Property, plant and equipment: Proceeds before intended use -Amendments	1 January 2022
IAS 37	Onerous contracts - costs of fulfilling a contract - Amendments	1 January 2022
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41	Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current -Amendments	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture - Amendments	1 January 2023

3. BASIS OF MEASUREMENT

- 3.1 These unconsolidated financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value, right-of-use assets, lease liabilities and certain staff retirement benefits at present value.
- 3.2 These unconsolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's unconsolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:

4.1 Classification of investments

In classifying investments as "held for trading" the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

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.

4.2 Provision against non-performing advances and debt securities classified as investments

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances and debt securities is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

4.3 Impairment of available for sale investments

The Bank considers that available for sale equity investments are impaired when there has been a significant and prolonged decline in the fair value below its cost. Other factors will also need to be considered before deciding the permanent impairment of investment. This determination of what is significant and prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities, held to maturity securities and subsidiary companies as disclosed in Note 9.3 to these unconsolidated financial statements.

4.4 Depreciation, amortization and revaluation of fixed assets

Estimates of useful life of fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses 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 assets, the method is changed to reflect the change in pattern. Further, the Bank estimates the revalued amount of freehold land and buildings on freehold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

4.5 Income taxes

In making 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. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

4.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

4.7 Non banking assets acquired in satisfaction of claims

The Bank estimates the revalued amounts of non banking assets acquired in satisfaction of claims on a regular basis. The estimates are based on expected legal enforceability, ease of realization and valuations carried out by an independent valuation expert under the market conditions.

4.8 Lease liability on right-of-use assets

In making estimates, the Bank uses following practical expedients and significant judgments, as permitted by the standard:

- Use of a single discount rate for leases with similar characteristics; and
- Lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of previous financial year. Significant accounting policies are enumerated as follows:

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

5.2 Lendings / borrowings from financial institutions

The Bank enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

5.2.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

5.2.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the unconsolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

5.3 Investments

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

All regular way purchase / sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

Held for trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.

Available for sale

These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus / (deficit) on revaluation taken to 'Surplus / (deficit) on revaluation of assets' shown in equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as "Surplus / (Deficit) on revaluation of assets" in equity is included in the profit and loss account for the year.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

5.4 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Bank charges depreciation from the date of the delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

5.5 Fixed assets and depreciation

5.5.1 Owned

Property and equipment, other than freehold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles, leasehold improvements and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 11.3 to these unconsolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus on Revaluation of Assets" in equity and any deficit arising on revaluation is taken to profit and loss account directly. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of fixed assets are included in profit and loss account currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

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

5.5.2 Right-of-use assets

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are subsequently depreciated over the lease term using a straight line basis as it closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are to be reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liability. Right-of-use assets are recognized using cost model.

5.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.1 to these unconsolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

Intangible-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

5.7 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.8 Subordinated debts

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

5.9 Employee retirement and other benefits

Defined contribution plan – Provident fund

The Bank operates an approved provident fund scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to profit and loss account.

Defined benefit plan - Gratuity scheme

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

Defined benefit plan - Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

5.10 Assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation except land which is carried at revalued amount. Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of non banking assets is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized.

5.11 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

5.12 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

Mark-up / return / interest income

Mark-up / return / interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

Dividend income

Dividend income is recognized when the Bank's right to receive the dividend is established.

Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (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 periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

Fees and commission income

Fee commission is recognized at amount that reflects consideration to which the Bank expects to be entitled in exchange for providing the services. The Bank recognizes fees earned on transaction based arrangements at point in time, when the Bank has provided the services to customer. where the contract requires services to be provided over time, income is recognized on systematic basis over the period of arrangement.

5.13 Lease liabilities against right-of-use assets

The lease liability is initially measured at present value of lease payments to be made over lease term, discounted using bank's incremental weighted average borrowing rate. The lease liability shall be subsequently measured at amortized cost using the effective interest rate method i.e. increase by interest cost on lease liability and decrease by lease payments made.

5.13.1 Short-term leases and leases of low-value asset

The bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

5.14 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments / changes in laws and changes in estimates made during the current year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

5.15 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.16 Provisions

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

5.17 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Bank has 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 amount can be made. Charge to profit and loss account is stated net of expected recoveries.

5.18 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the equity.

5.19 Acceptances

Acceptances comprise undertaking by the Bank to pay bills of exchange drawn on customer. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on balance sheet transactions.

5.20 Financial instruments

5.20.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.20.2 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.21 Segment reporting

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

5.21.1 Business segments

Corporate and investment banking

This includes, loans, project finance, real estate finance, export finance, trade finance, investment banking, and other banking activities with corporate and public sector customers.

Consumer and digital banking

It includes deposits and banking services including digital banking services to customers of the Bank.

Retail and priority sector lending

It includes loans of individuals, agriculture customers, SME and lending under government initiatives. Products offered to customers include transport finance, house finance, livestock finance, dairy finance etc.

Treasury

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos and brokerage debt.

Islamic

The segment pertains to full scale Islamic Banking operations of the Bank.

Others

This includes head office related activities, and all other activities not tagged to the segments above.

5.21.2 Geographical segments

The Bank operates only in Pakistan.

5.22 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the unconsolidated financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

5.23 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

	Note	2020	2019
		Rupees in '000'	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		17,921,687	10,744,173
Foreign currencies		4,182,816	1,862,526
		22,104,503	12,606,699
With SBP in:			
Local currency current account	6.1	33,648,507	24,791,197
Foreign currency current account	6.2	484,298	531,902
Foreign currency deposit account	6.3	956,624	1,587,930
		35,089,429	26,911,029
With National Bank of Pakistan in:			
Local currency current account		11,200,818	13,526,747
Prize bonds		877,054	370,153
		69,271,804	53,414,628

- 6.1** This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.
- 6.2** This represents mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 6.3** This carries mark-up at the rate ranging from 0.00% to 0.76% per annum (2019: 0.70% to 1.51% per annum) as announced by SBP on monthly basis.

	Note	2020	2019
		Rupees in '000'	
7. BALANCES WITH OTHER BANKS			
In Pakistan:			
Current accounts		404,719	7,261,938
Deposit accounts	7.1	887	2,763,609
		405,606	10,025,547
Outside Pakistan:			
Current accounts		229,657	205,569
Deposit accounts	7.2	1,762,444	79,453
		1,992,101	285,022
		2,397,707	10,310,569

- 7.1** These carry mark-up at rates ranging from 2.84% to 6.02% per annum (2019: 5.01% to 12.25% per annum).
- 7.2** These carry mark-up at rates ranging from 0.03% to 1.34% per annum (2019: 1.25% to 1.30% per annum).

	Note	2020 Rupees in '000'	2019
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.2	7,454,867	564,771
Placements	8.3	8,632,000	3,495,000
		16,086,867	4,059,771
8.1 Particulars of lending			
In local currency		16,086,867	4,059,771
In foreign currencies		-	-
		16,086,867	4,059,771

8.2 Securities held as collateral against lendings 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	4,154,867	-	4,154,867	-	-	-
Pakistan investment bonds	3,300,000	-	3,300,000	564,771	-	564,771
Total	7,454,867	-	7,454,867	564,771	-	564,771

Market value of securities held as collateral as at December 31, 2020 amounted to Rs. 6,651,750 thousand (2019: Rs. 564,464 thousand). These carry mark-up at rate 6.00% to 7.30% per annum (2019: 13.75% per annum) with maturities upto January 15, 2021.

8.3 These carry profit at rate ranging from 6.40% to 7.00% per annum (2019: 11.00% to 13.75% per annum) with maturities upto February 18, 2021.

9. INVESTMENTS - NET

	Note	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'							
9.1 Investments by type:									
Held for trading securities									
Federal government securities	9.1.1	19,146,767	-	1,630	19,148,397	9,896,210	-	(1,710)	9,894,500
Ordinary shares		-	-	-	-	65,836	-	(2,497)	63,339
		19,146,767	-	1,630	19,148,397	9,962,046	-	(4,207)	9,957,839
Available for sale securities									
Federal government securities	9.1.1 & 9.2.1	465,221,303	-	4,453,720	469,675,023	279,471,832	-	3,305,176	282,777,008
Shares		4,815,673	(1,378,194)	199,777	3,637,256	2,605,974	(1,169,906)	119,326	1,555,394
Non government debt securities		17,516,016	(2,536,232)	(139,247)	14,840,537	9,755,954	(2,360,803)	1,519	7,396,670
Foreign securities		4,019	-	-	4,019	4,019	-	-	4,019
		487,557,011	(3,914,426)	4,514,250	488,156,835	291,837,779	(3,530,709)	3,426,021	291,733,091
Held to maturity securities									
Federal government securities	9.1.1 & 9.6.1	60,483,391	-	-	60,483,391	59,762,000	-	-	59,762,000
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		60,483,791	(400)	-	60,483,391	59,762,400	(400)	-	59,762,000
Subsidiaries	9.1.3	164,945	(164,945)	-	-	164,945	(164,945)	-	-
Total investments		567,352,514	(4,079,771)	4,515,880	567,788,623	361,727,170	(3,696,054)	3,421,814	361,452,930

- 9.1.1** Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.
- 9.1.2** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 9.1.3** The Bank has three subsidiary companies i.e. Punjab Management Services (Private) Limited (PMSL), First Punjab Modaraba (FPM) and Punjab Capital Securities (Private) Limited (PCS). The wholly owned subsidiary company of the Group, PMSL exercises control over FPM, as its management company and also has a direct economic interest in it. Further, PCS is a wholly owned subsidiary of FPM. Key financial results of subsidiary companies are as follows.

	PMSL		FPM		PCS	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					
Total assets	37,689	41,617	2,042,576	2,155,941	108,539	85,788
Total liabilities	75,529	63,122	1,904,168	1,961,686	36,019	15,684
Equity	(37,840)	(21,505)	138,408	194,255	72,521	70,103
Revenue	-	-	260,959	305,125	13,807	8,466
(Loss) / profit after tax	(12,739)	(13,777)	(55,875)	2,099	1,967	(207)
Total comprehensive (loss) / income	(9,142)	(27,764)	(55,875)	2,099	2,417	4,056

	Note	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'							
9.2 Investments by segments:									
Federal government securities:									
Market treasury bills	9.2.1	329,361,613	-	149,632	329,511,245	133,425,140	-	228,944	133,654,084
Pakistan investment bonds	9.2.1	210,484,580	-	4,304,640	214,789,220	210,962,957	-	3,080,271	214,043,228
Ijarah sukus		2,249,072	-	1,078	2,250,150	1,985,749	-	(5,749)	1,980,000
Sukuk - bai muajjal with Government of Pakistan		2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		544,851,861	(400)	4,455,350	549,306,811	349,130,442	(400)	3,303,466	352,433,508
Shares:									
Listed companies		4,709,315	(1,287,418)	199,777	3,621,674	2,565,452	(1,148,551)	116,829	1,533,730
Unlisted companies		106,358	(90,776)	-	15,582	106,358	(21,355)	-	85,003
		4,815,673	(1,378,194)	199,777	3,637,256	2,671,810	(1,169,906)	116,829	1,618,733
Non government debt securities:									
Listed		10,294,933	(15,850)	(139,247)	10,139,836	1,992,459	(15,850)	1,519	1,978,128
Unlisted		7,221,083	(2,520,382)	-	4,700,701	7,763,495	(2,344,953)	-	5,418,542
		17,516,016	(2,536,232)	(139,247)	14,840,537	9,755,954	(2,360,803)	1,519	7,396,670
Foreign securities:									
Equity securities		4,019	-	-	4,019	4,019	-	-	4,019
Subsidiaries:									
Punjab modaraba services (private) limited		164,945	(164,945)	-	-	164,945	(164,945)	-	-
Total investments		567,352,514	(4,079,771)	4,515,880	567,788,623	361,727,170	(3,696,054)	3,421,814	361,452,930

	2020	2019
	Rupees in '000'	
9.2.1 Investments given as collateral - at cost / amortized cost		
Market treasury bills	66,472,184	11,378,650
Pakistan investment bonds	35,514,708	41,022,618
	101,986,892	52,401,268

	Note	2020 Rupees in '000'	2019
9.3 Provision for diminution in value of investments			
9.3.1 Opening balance		3,696,054	3,393,101
Charge / reversals :			
Charge for the year		516,324	404,485
Reversals for the year		(7,500)	-
	31	508,824	404,485
Reversal on disposals		(125,107)	(101,532)
Closing balance		4,079,771	3,696,054

9.3.2 Particulars of provision against debt securities

Category of classification	2020		2019	
	NPI	Provision	NPI	Provision
	Rupees in '000'			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	308,606	125,678
Loss	2,536,632	2,536,632	2,235,525	2,235,525
Total	2,536,632	2,536,632	2,544,131	2,361,203

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

9.4 Quality of available for sale securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2020	2019
	Cost / Amortized cost	
	Rupees in '000'	
Federal government securities - government guaranteed		
Market treasury bills	310,457,363	123,528,930
Pakistan investment bonds	149,758,672	151,200,957
Ijarah sukuks	2,249,072	1,985,749
Sukuk bai-muajjal with Government of Pakistan	2,756,196	2,756,196
	465,221,303	279,471,832

	2020	2019
	Cost / Amortized cost	
	Rupees in '000'	
Shares		
Fertilizer	1,040,336	885,978
Commercial banks	882,759	340,575
Power generation & distribution	622,608	512,427
Chemicals	384,453	51,375
Cable & electrical goods	317,908	181,726
Oil & gas marketing companies	285,265	102,288
Textile composite	264,381	104,834
Technology & telecommunication	211,367	87,894
Cement	197,516	160,183
Oil & gas exploration companies	164,466	-
Food & personal care products	93,724	18,283
Sugar & allied industries	89,448	89,448
Engineering	81,113	-
Pharmaceuticals	73,660	41,783
Automobile	29,952	-
Insurance	27,081	12,317
Leasing companies	15,566	168
Textile spinning	2,067	2,067
Paper & board	85	11,310
Glass & ceramics	43	43
Others	31,875	3,275
	4,815,673	2,605,974

Unlisted Companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000'			
AI - Baraka Bank Pakistan Limited	25,000	15,582	25,000	15,582
AI - Arabia Sugar Mills Limited	81,358	-	81,358	69,421
	106,358	15,582	106,358	85,003

	2020	2019
	Cost	
	Rupees in '000'	
Non government debt securities		
Listed		
- AAA	145,833	187,500
- AA+, AA, AA-	1,606,575	1,784,124
- Unrated	8,542,525	20,835
	10,294,933	1,992,459
Unlisted		
- AAA	2,792,857	3,335,714
- AA+, AA, AA-	-	950,000
- A+, A, A-	1,565,258	700,000
- BBB+, BBB, BBB-	249,850	249,900
- Unrated	2,613,118	2,527,881
	7,221,083	7,763,495
9.5 Foreign equity securities		
SWIFT shares	4,019	4,019

This represents 66 shares (2019: 66 shares) of SWIFT purchased by the Bank as per mandatory requirement of the SWIFT by-laws requiring its members to purchase shares allocated on the basis of financial contributions payable to SWIFT.

9.6 Particulars relating to Held to Maturity securities are as follows:

	2020	2019
	Cost / Amortized cost	
	Rupees in '000'	
Federal government securities - government guaranteed		
Pakistan investment bonds	60,483,391	59,762,000
WAPDA bonds	400	400
	60,483,791	59,762,400

9.6.1 Market value of held to maturity investments amounted to Rs. 69,082,534 thousand (2019: Rs.64,466,364 thousand).

10. ADVANCES - NET

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
		Rupees in '000'					
Loans, cash credits, running finances, etc.	10.1	340,882,450	319,953,398	54,343,717	51,027,036	395,226,167	370,980,434
Net book value of assets in ijarah under IFAS 2 - In Pakistan		1,773,841	1,522,428	215,000	215,000	1,988,841	1,737,428
Islamic financing and related assets		29,209,198	25,688,577	2,661,933	90,734	31,871,131	25,779,311
Bills discounted and purchased		13,643,227	30,318,260	30,521	30,521	13,673,748	30,348,781
Advances - gross		385,508,716	377,482,663	57,251,171	51,363,291	442,759,887	428,845,954
Provision against advances:							
- Specific		-	-	(47,850,782)	(45,119,933)	(47,850,782)	(45,119,933)
- General		(3,748,493)	(412,641)	-	-	(3,748,493)	(412,641)
		(3,748,493)	(412,641)	(47,850,782)	(45,119,933)	(51,599,275)	(45,532,574)
Advances - net of provision		381,760,223	377,070,022	9,400,389	6,243,358	391,160,612	383,313,380

10.1 Includes net investment in finance lease as disclosed below:

	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	2,398,732	20,012,262	459,238	22,870,232	5,567,432	19,391,488	44,849	25,003,769
Residual value	4,506,914	7,414,848	104,100	12,025,862	5,469,299	7,062,183	10,193	12,541,675
Minimum lease payments	6,905,646	27,427,110	563,338	34,896,094	11,036,731	26,453,671	55,042	37,545,444
Financial charges for future periods	556,073	2,839,503	17,170	3,412,746	905,496	3,640,011	4,077	4,549,584
Present value of minimum lease payments	6,349,573	24,587,607	546,168	31,483,348	10,131,235	22,813,660	50,965	32,995,860

10.2 Particulars of advances (gross)

	2020	2019
	Rupees in '000'	
In local currency	442,580,174	428,085,025
In foreign currencies	179,713	760,929
	442,759,887	428,845,954

10.3 Advances include Rs. 57,251,171 thousand (2019: Rs. 51,363,291 thousand) 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	190,528	3,495	185,320	9,079
Substandard	6,286,206	1,234,491	1,131,078	139,457
Doubtful	8,086,336	6,149,532	8,204,461	4,808,487
Loss	42,688,101	40,463,264	41,842,432	40,162,910
Total	57,251,171	47,850,782	51,363,291	45,119,933

10.4 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	45,119,933	412,641	45,532,574	43,530,419	348,299	43,878,718
Charge for the year	4,818,333	3,335,852	8,154,185	3,790,075	64,342	3,854,417
Reversals for the year	(2,087,484)	-	(2,087,484)	(2,199,509)	-	(2,199,509)
Amounts written off	2,730,849	3,335,852	6,066,701	1,590,566	64,342	1,654,908
	10.5.1	-	-	(1,052)	-	(1,052)
Closing balance	47,850,782	3,748,493	51,599,275	45,119,933	412,641	45,532,574
10.4.1 Particulars of provision against advances with respect to currencies						
In local currency	47,785,981	3,748,493	51,534,474	45,055,132	412,641	45,467,773
In foreign currencies	64,801	-	64,801	64,801	-	64,801
	47,850,782	3,748,493	51,599,275	45,119,933	412,641	45,532,574

10.4.2 This includes general provision recognized during the year as explained in note 44.1 of these unconsolidated financial statements and provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

10.4.3 The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 2,996,620 thousand (2019: Rs. 2,527,122 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	2020	2019
		Rupees in '000'	
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	-	1,052
Directly charged to profit and loss account		-	13
		-	1,065

	Note	2020 Rupees in '000'	2019
10.5.2 Domestic			
Write offs of Rs. 500,000 and above	10.6	-	740
Write offs of below Rs. 500,000		-	325
		-	1,065

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 December 31, 2020 is given in Annexure-I.

	Note	2020 Rupees in '000'	2019
11. FIXED ASSETS			
Capital work-in-progress	11.1	98,500	192,270
Right-of-use assets	11.2	6,265,106	6,342,167
Property and equipment	11.3	8,449,343	8,684,456
		14,812,949	15,218,893
11.1 Capital work-in-progress			
Civil works		98,500	192,270
11.2 Right-of-use assets			
At January 1:			
Cost		7,191,638	-
Impact of IFRS-16		-	5,191,472
Accumulated depreciation		(849,471)	-
Net book value		6,342,167	5,191,472
Opening net book value		6,342,167	5,191,472
For the year ended December 31:			
Additions		900,920	2,106,596
Terminations - at cost		(105,121)	(106,430)
Depreciation on terminations		18,285	26,247
Terminations - at book value		(86,836)	(80,183)
Depreciation charge	11.2.1	(891,145)	(875,718)
Closing net book value		6,265,106	6,342,167
At December 31:			
Cost		7,987,437	7,191,638
Accumulated depreciation		(1,722,331)	(849,471)
Net book value		6,265,106	6,342,167

11.2.1 Right-of-use assets are depreciated over their respective lease term.

	2020							
	Freehold land	Building on freehold land	Furniture and fixture	Lease hold improvements	Electrical and office equipment	Computer equipment	Vehicles	Total
	Rupees in '000'							
11.3 Property and equipment								
At January 1, 2020								
Cost / Revalued amount	1,660,054	4,246,656	761,949	2,816,022	1,892,619	1,728,660	371,242	13,477,202
Accumulated depreciation	-	-	(318,679)	(2,283,622)	(1,010,503)	(902,502)	(277,440)	(4,792,746)
Net book value	1,660,054	4,246,656	443,270	532,400	882,116	826,158	93,802	8,684,456
Opening net book value	1,660,054	4,246,656	443,270	532,400	882,116	826,158	93,802	8,684,456
For the year ended December 31, 2020:								
Additions	2,036	-	44,817	346,428	208,637	424,315	136,025	1,162,258
Revaluation surplus	-	-	-	-	-	-	-	-
Disposals - at cost / revalued amount	(440,860)	(111,335)	(17,517)	-	(43,785)	(33,545)	(45,809)	(692,851)
Depreciation on disposal	-	17,475	11,395	-	37,645	32,092	44,246	142,853
Disposals - at book value	(440,860)	(93,860)	(6,122)	-	(6,140)	(1,453)	(1,563)	(549,998)
Depreciation charge	-	(209,994)	(46,606)	(379,070)	(191,237)	(285,116)	(69,083)	(1,181,106)
Depreciation adjustment on revaluation surplus	-	-	-	-	-	-	-	-
Transfers / adjustments	317,649	19,278	(3,084)	-	(576)	3,660	-	336,927
Depreciation on transfers / adjustments	-	(3,194)	3,027	-	629	(3,656)	-	(3,194)
	317,649	16,084	(57)	-	53	4	-	333,733
Closing net book value	1,538,879	3,958,886	435,302	499,758	893,429	963,908	159,181	8,449,343
At December 31, 2020:								
Cost / Revalued amount	1,538,879	4,154,599	786,165	3,162,450	2,056,895	2,123,090	461,458	14,283,536
Accumulated depreciation	-	(195,713)	(350,863)	(2,662,692)	(1,163,466)	(1,159,182)	(302,277)	(5,834,193)
Net book value	1,538,879	3,958,886	435,302	499,758	893,429	963,908	159,181	8,449,343
Rate of depreciation (percentage)	-	5%	10%	33.33%	20%	20%	33.33%	

	2019							
	Freehold land	Building on freehold land	Furniture and fixture	Lease hold improvements	Electrical and office equipment	Computer equipment	Vehicles	Total
	Rupees in '000'							
At January 1, 2019:								
Cost / Revalued amount	2,332,187	3,871,830	693,149	2,500,834	1,649,128	1,413,627	383,295	12,844,050
Accumulated depreciation	-	(291,099)	(274,598)	(1,938,411)	(824,712)	(678,185)	(281,064)	(4,288,069)
Net book value	2,332,187	3,580,731	418,551	562,423	824,416	735,442	102,231	8,555,981
Opening net book value	2,332,187	3,580,731	418,551	562,423	824,416	735,442	102,231	8,555,981
For the year ended December 31, 2019:								
Additions	-	99,693	71,516	313,020	256,640	320,451	41,050	1,102,370
Revaluation surplus	55,376	418,078	-	-	-	-	-	473,454
Disposals - at cost / revalued amount	(775,959)	(159,910)	(2,799)	-	(9,050)	(7,271)	(53,103)	(1,008,092)
Depreciation on disposal	-	57,651	2,105	-	8,210	7,271	53,103	128,340
Disposals - at book value	(775,959)	(102,259)	(694)	-	(840)	-	-	(879,752)
Depreciation charge	-	(182,860)	(47,085)	(345,136)	(194,679)	(230,086)	(49,479)	(1,049,325)
Depreciation adjustment on revaluation surplus	-	419,080	-	-	-	-	-	419,080
Transfers / adjustments	48,450	16,965	83	2,168	(4,099)	1,853	-	65,420
Depreciation on transfers / adjustments	-	(2,772)	899	(75)	678	(1,502)	-	(2,772)
	48,450	14,193	982	2,093	(3,421)	351	-	62,648
Closing net book value	1,660,054	4,246,656	443,270	532,400	882,116	826,158	93,802	8,684,456
At December 31, 2019:								
Cost / Revalued amount	1,660,054	4,246,656	761,949	2,816,022	1,892,619	1,728,660	371,242	13,477,202
Accumulated depreciation	-	-	(318,679)	(2,283,622)	(1,010,503)	(902,502)	(277,440)	(4,792,746)
Net book value	1,660,054	4,246,656	443,270	532,400	882,116	826,158	93,802	8,684,456
Rate of depreciation (percentage)	-	5%	10%	33.33%	20%	20%	33.33%	

11.3.1 Freehold land and buildings on freehold land were revalued on December 31, 2019 by PBA approved independent valuer, on the basis of fair market value. The valuation resulted in surplus of Rs. 55,376 thousand and Rs. 837,158 thousand in respect of freehold land and buildings on freehold land respectively. Detailed particulars as on December 31, 2020 are as follows:

	Revalued amount Rupees in '000'
Freehold land	1,538,879
Buildings on freehold land	3,958,886

11.3.2 Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2020	2019
	Rupees in '000'	
Freehold land	906,842	1,079,045
Buildings on freehold land	2,013,342	2,196,666

11.3.3 The gross carrying amount (cost) of fully depreciated assets that are still in use is Rs. 769,453 thousand (2019: Rs. 657,104 thousand).

11.3.4 Detail of fixed assets sold to related parties is as follows:

Particulars	Cost	Book value	Sale price	Gain / (Loss)
	Rupees in '000'			
Toyota Prado sold as per Bank's policy to Mr. Khalid Tirmizi Ex-Acting President/CEO	11,250	1,563	1,563	-
Toyota Corolla sold through auction to Mr. Sulman Alam Shah - employee	1,646	-	1,775	1,775
Suzuki Mehran sold through auction to Mr. Tariq Ali - employee	665	-	545	545

11.3.5 The carrying amount of fixed assets held for disposal is Rs. Nil (2019: Rs. 8,700 thousand). The fair value of these fixed assets approximates their carrying amount.

	Note	2020	2019
		Rupees in '000'	
12. INTANGIBLE ASSETS			
Intangible in progress		67,644	126,421
Softwares	12.1	620,864	666,864
		688,508	793,285
12.1 Softwares			
At January 01			
Cost		978,954	900,745
Accumulated amortization		(312,090)	(138,535)
Net book value		666,864	762,210
Year ended December 31			
Opening net book value		666,864	762,210
Capitalized during the year		151,899	78,209
Amortization charge		(197,899)	(173,555)
Closing net book value		620,864	666,864

	2020	2019
	Rupees in '000'	
At December 31		
Cost	1,130,853	978,954
Accumulated amortization	(509,989)	(312,090)
Net book value	620,864	666,864
Rate of amortization (percentage)	10-33.33%	10-33.33%

12.1.1 The gross carrying amount (cost) of fully amortized intangible assets that are still in use is Rs. 113,502 thousand (2019: Rs. 86,134 thousand).

13. DEFERRED TAX ASSETS - NET

	2020			
	At January 01	Recognized in P&L	Recognized in OCI	At December 31
	Rupees in '000'			
Deductible temporary differences on:				
- Deficit on revaluation of investments	-	-	-	-
- Right-of-use assets	129,797	231,847	-	361,644
- Provision against advances	8,763,726	1,288,076	-	10,051,802
	8,893,523	1,519,923	-	10,413,446
Taxable temporary differences on:				
- Surplus on revaluation of fixed assets	(717,498)	35,813	743	(680,942)
- Surplus on evaluation of investments	(1,199,107)	-	(380,880)	(1,579,987)
- Accelerated tax depreciation	(306,240)	39,754	-	(266,486)
- Surplus on revaluation of non banking assets	(102,895)	5,075	(13,947)	(111,767)
	(2,325,740)	80,642	(394,084)	(2,639,182)
	6,567,783	1,600,565	(394,084)	7,774,264

	2019			
	At January 01	Recognized in P&L	Recognized in OCI	At December 31
	Rupees in '000'			
Deductible temporary differences on:				
- Deficit on revaluation of investments	6,122	-	(6,122)	-
- Right-of-use assets	-	129,797	-	129,797
- Provision against advances	8,926,570	(162,844)	-	8,763,726
	8,932,692	(33,047)	(6,122)	8,893,523
Taxable temporary differences on:				
- Surplus on revaluation of fixed assets	(463,493)	23,078	(277,083)	(717,498)
- Surplus on revaluation of investments	-	-	(1,199,107)	(1,199,107)
- Accelerated tax depreciation	(320,081)	13,841	-	(306,240)
- Surplus on revaluation of non banking assets	(183,851)	9,186	71,770	(102,895)
	(967,425)	46,105	(1,404,420)	(2,325,740)
	7,965,267	13,058	(1,410,542)	6,567,783

	Note	2020 Rupees in '000'	2019
14. OTHER ASSETS - NET			
Income / mark-up accrued in local currency		15,302,821	19,788,030
Income / mark-up accrued in foreign currencies		4,526	3,786
Profit paid in advance on pehlay munafa scheme		539	321
Advances, deposits, advance rent and other prepayments		432,004	474,409
Advance taxation (payments less provisions)		3,740	1,799,299
Non-banking assets acquired in satisfaction of claims	14.1	5,866,478	7,257,669
Acceptances		2,821,232	2,913,345
Branch adjustment account		8,751	180,250
Mark to market gain on forward foreign exchange contracts		20,250	-
Stock of stationery		129,902	147,340
Suspense account		7,413	5,387
Zakat recoverable from NITL	14.2	36,790	36,790
Unrealized gain on revaluation of foreign bills and trade loans		41,129	37,999
Fraud and forgeries		462,656	193,559
Unearned income on sale of sukuk on bai-muajjal basis		336,351	691,120
Others		791,096	700,998
		26,265,678	34,230,302
Less: Provision held against other assets	14.3	(2,037,220)	(1,767,448)
Other assets (net of provision)		24,228,458	32,462,854
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,236,224	1,333,687
Other assets - total		25,464,682	33,796,541
14.1 Market value of non-banking assets acquired in satisfaction of claims - net of provision		5,904,147	7,392,801

The carrying and revalued amounts have been determined based on prudence, expected legal enforceability, ease of realization and current market conditions etc. These include assets which are in the process of sale and are stated at their respective sale prices. Latest desktop valuations are carried out by independent valuer as on December 31, 2020.

	Note	2020 Rupees in '000'	2019
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		7,392,801	7,436,947
Additions during the year		-	378,000
Surplus / (deficit) on revaluation during the year		45,122	(174,792)
Disposals during the year - net book value	14.1.2	(616,960)	(63,551)
Transfer to fixed assets - net book value		(333,733)	(62,638)
Reversal on account of restoration of loan		(524,160)	(424,303)
Depreciation charged during the year	29	(58,923)	(73,977)
Impairment reversed during the year - net		-	377,115
Closing balance		5,904,147	7,392,801

	2020	2019
	Rupees in '000'	
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	842,089	63,618
Less:		
- Cost / revalued amount	636,019	64,028
- Depreciation	(19,059)	(477)
	616,960	63,551
Gain on sale recognized during the year	225,129	67
14.2	<p>This represents zakat deducted on dividends by NITL. The Bank has filed suit against NITL for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NITL at the court of law, the claim amount has been fully provided for.</p>	
	2020	2019
	Rupees in '000'	
	Note	
14.3 Provision held against other assets		
Advances, deposits, advance rent & other prepayments	35,723	35,723
Non banking assets acquired in satisfaction of claims	1,198,555	1,198,555
Zakat recoverable from NITL	36,790	36,790
Fraud and forgeries	459,093	190,122
Others	307,059	306,258
	2,037,220	1,767,448
14.3.1 Movement in provision held against other assets		
Opening balance	1,767,448	2,052,280
Charge for the year	292,072	139,471
Reversals during the year	(5,308)	(424,303)
Amount written off	286,764 (16,992)	(284,832) -
	31	
Closing balance	2,037,220	1,767,448
15. CONTINGENT ASSETS		
Contingent assets	Nil	Nil
16. BILLS PAYABLE		
In Pakistan	4,168,641	3,421,083
Outside Pakistan	-	-
	4,168,641	3,421,083

	Note	2020 Rupees in '000'	2019
17. BORROWINGS			
Secured			
Borrowings from SBP under:			
Export refinance scheme (ERF)	17.1	22,609,115	16,701,300
Long term financing facility (LTFF)	17.2	11,250,709	7,839,710
Storage of agricultural produce (FFSAP)	17.3	69,523	37,048
Renewable energy performance platform (REPP)	17.4	1,859,306	2,011,143
Payment of salaries and wages	17.5	16,242,813	-
Combating COVID-19	17.6	123,005	-
Modernization of small and medium enterprises (SMES)	17.7	119,299	-
		52,273,770	26,589,201
Repurchase agreement borrowings	17.8	37,430,967	11,374,535
Call borrowings	17.9	64,672,133	38,942,031
Borrowings from Pakistan Mortgage Refinance Company Limited	17.10	462,409	-
Total secured		154,839,279	76,905,767
Unsecured			
Overdrawn nostro accounts		2,136	139,188
		154,841,415	77,044,955

- 17.1** These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 2.00% per annum (2019: 1.00% to 2.00% per annum) with maturities upto June 29, 2021.
- 17.2** This amount is due to the SBP and has been obtained for providing long term finance to customers. The Bank has granted the SBP right to recover outstanding amount from the Bank at date of maturity of finance by directly debiting current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 6.00% per annum (2019: 1.00% to 9.00% per annum) with maturities upto June 26, 2032.
- 17.3** These represent borrowings from the SBP under scheme of financing facility for storage of agricultural produce. Mark-up on these borrowings is payable quarterly at rates ranging from 2.00% to 3.50% per annum (2019: 2.50% to 3.50% per annum) with maturities upto February 24, 2028.
- 17.4** These represent borrowings from the SBP under scheme of financing facility for renewable energy performance platform. Mark-up on these borrowings is payable quarterly at rate of 2.00% to 3.00% per annum (2019: 2.00% to 3.00% per annum) with maturities upto December 06, 2027.
- 17.5** These represent borrowings from the SBP under scheme of financing facility for payment of salaries and wages. Mark-up on these borrowings is payable quarterly at rate of Nil (2019: Nil) with maturities upto April 01, 2023.
- 17.6** These represent borrowings from the SBP under scheme of financing facility for combating COVID-19. Mark-up on these borrowings is payable quarterly at rate of Nil per annum (2019: Nil) with maturities upto June 05, 2025.
- 17.7** These represent borrowings from the SBP under scheme of financing facility for modernization of small and medium enterprises (SMES). Mark-up on these borrowings is payable quarterly at rate of 2.00% per annum (2019: Nil) with maturities upto November 11, 2030.
- 17.8** These are secured against market treasury bills, carrying mark-up at rates ranging from 6.25% to 7.05% per annum (2019: 13.10% to 13.20% per annum) maturing on January 04, 2021. The carrying value of market treasury bills given as collateral against these borrowings is Rs. 37,448,377 thousand (2019: Rs. 11,378,650 thousand).

17.9 These are secured against Pakistan investment bonds (PIBs) and Market treasury bills (MTBs), carrying markup at rates ranging from 6.25% to 7.15% per annum (2019: 10.88% to 13.75% per annum) maturing on December 30, 2021. The carrying value of PIBs and MTBs given as collateral against these borrowings is Rs. 35,233,653 thousand and Rs.29,023,807 thousand respectively (2019: PIBs Rs. 41,022,618 thousand).

17.10 These are secured against Pakistan investment bonds (PIBs) and hypothecation charge over mortgage loan portfolio (2019: Nil), carrying markup at rates ranging from 7.00% to 7.85% per annum (2019: Nil) maturing on September 30, 2023. The carrying value of PIBs given as collateral against these borrowings is Rs. 281,055 thousand (2019: Nil).

	2020	2019
	Rupees in '000'	
17.11 Particulars of borrowings with respect to currencies		
In local currency	154,839,279	76,905,767
In foreign currencies	2,136	139,188
	154,841,415	77,044,955

18. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Customers:						
Current deposits	144,971,825	3,099,131	148,070,956	128,760,062	2,777,676	131,537,738
Savings deposits	388,946,529	2,635,237	391,581,766	328,444,179	2,683,909	331,128,088
Term deposits	265,567,945	3,594,396	269,162,341	198,611,751	3,210,224	201,821,975
Others	19,012,007	-	19,012,007	16,222,707	-	16,222,707
	818,498,306	9,328,764	827,827,070	672,038,699	8,671,809	680,710,508
Financial institutions:						
Current deposits	2,690,764	821,999	3,512,763	5,068,904	550,472	5,619,376
Savings deposits	2,746,932	7,427	2,754,359	3,295,307	209	3,295,516
Term deposits	889,875	-	889,875	405,000	864,050	1,269,050
Others	83,525	-	83,525	122,997	-	122,997
	6,411,096	829,426	7,240,522	8,892,208	1,414,731	10,306,939
	824,909,402	10,158,190	835,067,592	680,930,907	10,086,540	691,017,447

	2020	2019
	Rupees in '000'	
18.1 Composition of deposits:		
- Individuals	157,876,351	152,925,128
- Private sector	168,476,448	107,087,010
- Government (federal and provincial)	409,081,183	352,520,837
- Public sector entities	92,393,088	68,177,533
- Banking companies	3,121,762	5,692,942
- Non-banking financial institutions	4,118,760	4,613,997
	835,067,592	691,017,447

18.2 Deposits eligible to be covered under insurance arrangements of Deposit Protection Corporation amounts to Rs. 276,891,867 thousand (2019: Rs. 219,977,447 thousand).

	Note	2020 Rupees in '000'	2019
19. SUBORDINATED DEBTS			
Loan from GoPb	19.1	-	2,000,000
Privately placed term finance certificates - I	19.2	2,496,000	2,497,000
Privately placed term finance certificates - II	19.3	4,295,700	4,297,420
		6,791,700	8,794,420

19.1 Loan from GoPb

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

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

19.2 Privately placed term finance certificates - I

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

Issue amount:	Rupees 2,500,000 thousand
Issue date:	December 23, 2016
Maturity date:	December 22, 2026
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.

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

19.3 Privately placed term finance certificates - II

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

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

	Note	2020 Rupees in '000'	2019
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		15,775,068	16,670,871
Mark-up / return / interest payable in foreign currency		63,615	82,589
Lease key money		12,025,862	12,541,675
Sundry creditors and accrued expenses		1,492,807	708,533
Acceptances		2,821,232	2,913,345
Mark-up payable on privately placed term finance certificates		75,781	130,626
Unclaimed dividends		2,588	2,588
Mark to market loss on forward foreign exchange contracts		-	155,671
Payable to gratuity fund	37.1.3	261,774	211,782
Gratuity payable to key management personnel		-	53,145
Provision against off-balance sheet obligations	20.1	62,183	62,183
Provision for employees compensated absences	37.9.3	123,506	111,612
Taxes / zakat / import fee payable		526,978	372,905
Deferred income on sale of sukuk on bai - muajjal basis		336,351	691,120
Lease liability against right-of-use assets	20.2	7,298,374	6,717,938
Workers welfare fund		619,843	284,961
IBFT payable		298,024	-
Others		531,171	255,997
		42,315,157	41,967,541

20.1 The above provision has been made against letters of guarantee issued by the Bank.

20.2 Lease liability against right-of-use assets

Not later than one year		47,926	28,857
Later than one year and less than five years		1,215,565	898,387
Over five years		6,034,883	5,790,694
		7,298,374	6,717,938

21. SHARE CAPITAL - NET

21.1 Authorized Capital

2020	2019		2020	2019
Number of shares			Rupees in '000'	
5,000,000,000	5,000,000,000	Ordinary / Preference shares of Rs. 10 each	50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

21.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
Number of shares			Rupees in '000'	
1,607,912,555	1,607,912,555	Ordinary shares of Rs. 10 each paid in cash	16,079,125	16,079,125
526,315,789	526,315,789	Ordinary shares of Rs. 10 each issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
2,643,692,380	2,643,692,380		26,436,924	26,436,924
-	-	Less: Discount on issue of shares	(263,158)	(263,158)
2,643,692,380	2,643,692,380		26,173,766	26,173,766

GoPb held 57.47% shares in the Bank as at December 31, 2020 (December 31, 2019: 57.47%).

		2020	2019
	Note	Rupees in '000'	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	9.1	4,514,250	3,426,021
- Fixed assets	22.1	2,577,581	2,630,999
- Non-banking assets acquired in satisfaction of claims	22.2	1,236,224	1,333,687
		8,328,055	7,390,707
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(1,579,987)	(1,199,107)
- Fixed assets	22.1	(680,942)	(717,498)
- Non-banking assets acquired in satisfaction of claims	22.2	(111,767)	(102,895)
		(2,372,696)	(2,019,500)
		5,955,359	5,371,207
22.1 Surplus on revaluation of fixed assets - net of tax			
At January 01		2,630,999	2,374,212
Recognized during the year		-	892,534
Surplus on building transferred from non banking assets during the year		63,868	5,006
Surplus realized on disposal during the year		(14,963)	(574,814)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(66,510)	(42,861)
Related deferred tax liability on incremental depreciation charged during the year		(35,813)	(23,078)
At December 31		2,577,581	2,630,999
Less: related deferred tax liability on:			
- revaluation as at January 01		(717,498)	(463,493)
- revaluation recognized during the year		-	(293,005)
- surplus transferred from non banking asset during the year		(2,080)	(772)
- surplus realized on disposal during the year		2,823	16,694
- incremental depreciation charged during the year		35,813	23,078
	13	(680,942)	(717,498)
		1,896,639	1,913,501

		2020	2019
	Note	Rupees in '000'	
22.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net of tax			
At January 01		1,333,687	1,544,813
Surplus / (deficit) recognized during the year		45,122	(174,792)
Surplus realized on disposal during the year		(30,443)	(5,083)
Surplus reversed on account of restoration of loan		(33,775)	-
Surplus on building transferred to fixed assets during the year		(63,868)	(5,006)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(9,424)	(17,059)
Related deferred tax liability on incremental depreciation charged during the year		(5,075)	(9,186)
At December 31		1,236,224	1,333,687
Less: related deferred tax liability on:			
- revaluation as at January 01		(102,895)	(183,851)
- revaluation recognized during the year		(18,325)	70,806
- surplus transferred to fixed assets during the year		2,080	772
- surplus realized on disposal during the year		2,298	192
- incremental depreciation charged during the year		5,075	9,186
	13	(111,767)	(102,895)
		1,124,457	1,230,792
23. CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	64,847,674	57,676,022
Commitments	23.2	148,893,256	137,405,985
Other contingent liabilities	23.3	8,975	142,633
		213,749,905	195,224,640
23.1 Guarantees:			
Financial guarantees		18,515,042	18,399,059
Performance guarantees		18,139,861	16,411,708
Other guarantees		28,192,771	22,865,255
		64,847,674	57,676,022
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		78,976,971	60,718,682
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	48,807,235	53,180,523
- forward lending	23.2.2	20,393,865	23,449,998
Commitments for acquisition of:			
- fixed assets		689,875	50,934
- intangible assets		25,310	5,848
		148,893,256	137,405,985

	Note	2020 Rupees in '000'	2019
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		24,708,677	28,416,586
Sale		24,098,558	24,763,937
		48,807,235	53,180,523
23.2.2 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.2.1	20,393,865	23,449,998

23.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition, the Bank makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2020 Rupees in '000'	2019
23.3 Other contingent liabilities	8,975	142,633

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

	Note	2020 Rupees in '000'	2019
23.4 Claims against the Bank not acknowledged as debts	23.4.1	54,743,496	53,806,237

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

	2020 Rupees in '000'	2019
24. MARK-UP / RETURN / INTEREST EARNED		
a) On loans and advances	38,859,849	46,189,727
b) On investments:		
Available for sale securities	37,345,707	26,239,963
Held for trading securities	1,018,716	2,609,982
Held to maturity securities	7,389,212	2,964,846
c) On lendings to financial institutions:		
Securities purchased under resale agreements	1,065,581	2,273,526
Call lending	94	2,438
Letters of placement	298,978	429,093
d) On balances with banks	40,990	157,273
	86,019,127	80,866,848

	Note	2020 Rupees in '000'	2019
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		52,483,499	46,983,925
Borrowings:			
Securities sold under repurchase agreements		2,651,455	1,559,555
Call borrowings		5,109,314	3,190,785
SBP borrowing		640,537	440,021
Borrowing from Pakistan Mortgage Refinance Company Limited		9,262	-
Foreign currency borrowing		-	46,546
Subordinated debts:			
Mark-up on subordinated loan from GoPb		106,644	249,808
Mark-up on privately placed term finance certificates		755,720	859,933
Markup on lease liability against right-of-use assets		937,275	779,483
		62,693,706	54,110,056
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		487,905	559,831
Consumer finance related fees		256,197	208,667
Card related fees		618,720	539,952
Credit related fees		642,252	443,188
Branchless banking fees		100,857	51,663
Commission on trade		571,400	581,298
Commission on guarantees		264,015	167,443
Commission on cash management		144,141	178,591
Commission on remittances including home remittances		363,128	277,979
Commission on bancassurance		38,452	156,628
Commission on wheat financing		-	134,878
SMS banking income		245,074	229,979
		3,732,141	3,530,097
27. GAIN ON SECURITIES - NET			
Realized gain on sale of securities - net	27.1	8,464,862	225,771
Unrealized gain / (loss) - held for trading	9.1	1,630	(4,207)
		8,466,492	221,564
27.1 Realized gain on sale of securities - net:			
Federal government		8,069,228	90,024
Shares / units		394,634	126,490
Term finance certificates		1,000	9,257
		8,464,862	225,771
28. OTHER INCOME - NET			
Rent on property		43,529	1,520
Loss on termination of lease liability against right-of-use assets		(2,635)	(4,922)
Gain on sale of fixed assets - net		101,461	65,146
Gain on sale of non banking assets - net		225,129	67
Notice pay on resignations		14,180	11,616
		381,664	73,427

	Note	2020	2019
		Rupees in '000'	
29. OPERATING EXPENSES			
Total compensation expense	29.1	8,734,391	7,212,656
Property expense:			
Rent and taxes		39,010	70,939
Insurance		18,359	18,974
Utilities cost		663,931	636,774
Security		1,483	2,172
Repair and maintenance including janitorial charges		43,431	16,874
Depreciation		589,064	527,996
Depreciation on right-of-use assets	11.2	891,145	875,718
Others		397	4,632
		2,246,820	2,154,079
Information technology expenses:			
Software maintenance		473,022	376,222
Hardware maintenance		82,092	107,255
Depreciation		285,116	230,086
Amortization	12.1	197,899	173,555
Network charges		354,881	331,442
		1,393,010	1,218,560
Other operating expenses:			
Directors' fees and allowances	38.2	35,200	8,550
Fees and allowances to shariah board	38.3	3,660	3,805
Legal and professional charges		109,638	117,043
Subscription charges		31,080	16,089
Outsourced staff services costs	36.1	367,095	236,497
Travelling and conveyance		560,890	584,319
NIFT clearing charges		69,078	58,994
Depreciation		306,926	291,243
Depreciation on non banking assets	14.1.1	58,923	73,977
Depreciation on ijarah assets		162,883	238,279
Training and development		26,047	36,678
Postage and courier charges		220,858	143,809
Stationery and printing		264,909	239,198
Marketing, advertisement and publicity		356,021	102,522
Donations	29.2	10,000	1,000
Auditors remuneration	29.3	11,068	12,200
Insurance		144,477	140,017
Deposit protection fee		351,964	337,376
Repair and maintenance		179,597	169,902
Entertainment expenses		111,596	100,452
Fuel for generator		85,646	108,054
Commission and brokerage		244,136	141,454
Bank charges		41,931	80,028
SMS banking charges		48,491	38,669
ATM charges including ATM maintenance charges		174,061	140,012
Cash remittance charges		200,336	181,062
Branch license fee		16,507	14,641
CNIC verification / ECIB charges		71,311	70,947
COVID - 19 related expenses		45,725	-
Miscellaneous expenses		195,853	180,662
		4,505,907	3,867,479
		16,880,128	14,452,774

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 558,412 thousand (2019: Rs 410,912 thousand). This expense represents payments made to companies incorporated in Pakistan.

	Note	2020 Rupees in '000'	2019
29.1 Total compensation expense			
Managerial remuneration:			
Fixed		7,564,256	6,233,655
Variable cash bonus / awards etc.		465,342	386,447
Provision for gratuity	37.2.1	174,489	157,354
Provision for compensated absences	37.9.4	13,982	13,898
Gratuity expense of ex-key management personnel	42.4	13,286	13,118
Contribution to defined contribution plans		246,497	215,964
Rent & house maintenance		-	153
Utilities		106	600
Medical		1,052	421
Medical insurance		205,743	138,627
Conveyance		25,937	22,008
Liveries		17,641	23,684
Scholarship		6,060	6,727
Grand Total		8,734,391	7,212,656

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

	Note	2020 Rupees in '000'	2019
29.3 Auditors remuneration			
Audit fee		3,350	3,025
Fee for half year review and other statutory certifications		5,178	7,065
Special certifications		1,540	1,260
Out of pocket expenses		1,000	850
		11,068	12,200

30. OTHER CHARGES

Penalties imposed by SBP		304,279	138,697
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31. PROVISIONS AND WRITE OFFS - NET

Provision for diminution in value of investments	9.3.1	508,824	404,485
Provision against advances - net	10.4 & 31.1	6,066,701	1,654,908
Provision / (reversal) against other assets - net	14.3.1	286,764	(284,832)
Bad debts written off directly	10.5.1	-	13
Other assets written off directly		19	1,510
		6,862,308	1,776,084

31.1 This includes subjective provision amounting to Rs. 3,107,088 thousand (2019: Rs. 666,209 thousand) and general provision as explained in Note 44.1 of Rs. 3,281,355 thousand (2019: Rs. Nil).

	Note	2020	2019
		Rupees in '000'	
32. TAXATION			
Current	32.1	6,633,772	5,558,068
Prior years		12,463	250,348
Deferred		(1,600,563)	(13,058)
		5,045,672	5,795,358

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

		2020	2019
		Rupees in '000'	
32.2 Relationship between tax expense and accounting profit			
Accounting profit before tax for the year		11,989,411	14,043,887
Tax on income @ 35%		4,196,294	4,915,360
Tax effect of permanent differences		106,498	48,544
Tax effect of super tax		669,764	569,922
Others		73,116	261,532
Tax charge for the year		5,045,672	5,795,358

		2020	2019
33. BASIC EARNINGS PER SHARE			
Profit after tax for the year (Rs in '000')		6,943,739	8,248,529
Weighted average number of ordinary shares (No.)		2,643,692,380	2,643,692,380
Basic earnings per share (Rs)		2.63	3.12

34. DILUTED EARNINGS PER SHARE

There is no dilution effect on basic earnings per share.

		2020	2019
		Rupees in '000'	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	69,271,804	53,414,628
Balance with other banks	7	2,397,707	10,310,569
Overdrawn nostro accounts	17	(2,136)	(139,188)
		71,667,375	63,586,009

	2020	2019
	Number	
36. STAFF STRENGTH		
Permanent	7,930	6,620
On Bank contract	2,037	3,020
Bank's own staff strength at the end of the year	9,967	9,640

36.1 In addition to the above, 1033 (2019: 924) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

37. EMPLOYEE BENEFITS

37.1 Defined benefit plan - gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement / resignation which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in these unconsolidated financial statements for its liabilities on the basis of actuarial valuation.

37.1.1 Number of employees under the scheme

The number of employees covered under the following defined benefit scheme are:

	2020	2019
	Number	
- Eligible employees under gratuity scheme	7,930	6,555

37.1.2 Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2020 using the "Projected Unit Credit Method". The mortality rates used for active employees are based on SLIC (2001-05) Mortality Table. The principal assumptions used in the valuation were as follows:

	2020	2019
	Per annum	
Discount rate	9.75%	11.00%
Expected rate of return on plan assets	9.75%	11.00%
Expected rate of salary increase	8.75%	10.00%
Average expected remaining working life (years)	8	7

		2020	2019
	Note	Rupees in '000'	
37.1.3 Reconciliation of payable to defined benefit plan			
Present value of obligations	37.1.4	1,590,008	1,284,100
Fair value of plan assets	37.1.5	(1,343,925)	(1,088,236)
Benefits payable		15,691	15,919
Payable to defined benefit plan		261,774	211,783

	Note	2020 Rupees in '000'	2019
37.1.4 Movement in present value of defined benefit obligations			
Obligations at the beginning of the year		1,284,100	1,030,585
Current service cost		164,580	145,917
Interest cost		138,435	90,025
Benefits paid during the year		(51,196)	(60,624)
Re-measurement loss		54,089	78,197
Obligations at the end of the year		1,590,008	1,284,100
37.1.5 Movement in fair value of plan assets			
Fair value at the beginning of the year		1,088,236	760,528
Interest income on plan assets		128,526	78,588
Contribution by the Bank during the year		211,783	287,512
Benefits paid during the year		(51,424)	(62,160)
Return on plan assets excluding interest income		(33,196)	23,768
Fair value at the end of the year		1,343,925	1,088,236
37.1.6 Movement in payable under defined benefit schemes			
Opening balance		211,783	287,512
Charge for the year	37.2.1	174,489	157,354
Contribution by the Bank during the year		(211,783)	(287,512)
Re-measurement loss recognized in other comprehensive income during the year	37.2.2	87,285	54,429
Closing balance		261,774	211,783
37.2 Charge for defined benefit plans			
37.2.1 Cost recognized in profit and loss			
Current service cost		164,580	145,917
Net interest on defined benefit plan		9,909	11,437
		174,489	157,354
37.2.2 Re-measurements recognized in other comprehensive income during the year			
Loss on obligation experience adjustment		54,089	78,197
Return on plan assets over interest income		33,196	(23,768)
Total re-measurement loss recognized in other comprehensive income		87,285	54,429

	Note	2020 Rupees in '000'	2019
37.3 Components of plan assets			
Cash and cash equivalents - net		1,036,625	795,590
Shares / units		307,300	292,646
		1,343,925	1,088,236

These assets are mostly contained in the form of cash and cash equivalents so there is no significant risk associated with it. However, investments in shares/ units may be adversely affected by movement in equity and interest rate markets.

37.4 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in discount rate and salary growth is summarized below:

	2020 Rupees in '000'	2019
1% increase in discount rate	1,472,296	1,188,302
1% decrease in discount rate	1,724,426	1,393,361
1 % increase in expected rate of salary increase	1,724,426	1,393,361
1 % decrease in expected rate of salary increase	1,470,252	1,186,656
37.5 Expected contributions to be paid to the fund in the next financial year	261,774	211,783
37.6 Expected charge for the next financial year	206,947	186,125
37.7 Maturity profile		
The weighted average duration of the obligation (in years)	7	7

37.8 Funding policy

There is no statutory minimum funding requirements. However, contributions to the scheme are made on the basis of actuarial valuations carried in each year.

The Bank's gratuity scheme is mainly subject to following risks:

Asset volatility	The majority of the gratuity fund assets are invested in cash or cash-equivalent. Therefore, there is insignificant investment risk to the scheme due to fluctuation in interest rate environment or changes in bond yields. Also, there is no liquidity investment risk to the scheme. However, investments in shares/ units may be adversely affected by movement in equity and interest rate markets.
Inflation risk	Higher than expected growth in inflation may result in higher than assumed salary increases which will lead to increase in liability. However, assets of the scheme may not be at significant risk due to changes in inflation rate.

Life expectancy / Withdrawal rate	Actuarial valuation assumes heavy withdrawals for younger ages but moderate withdrawal rates are used for older ages. Significant withdrawals of employees having reasonable years of service would cause large benefit payments. Consequently, deficit position of the scheme would deteriorate further. However, availability of cash for benefit payments will not be an issue due to the liquid nature of assets of the Gratuity Fund.
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37.9 Defined benefit plan - compensated absences

The Bank makes annual provision in these unconsolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The employees of the Bank are entitled to take leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days basic salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

37.9.1 Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2020. The principal assumptions used in the valuation were as follows:

	2020	2019
	Per annum	
Discount rate (%)	9.75%	11.00%
Expected rate of eligible salary increase in future years (%)	8.75%	10.00%
Average number of leaves accumulated per annum by the employees (days)	18	18
	2020	2019
	Rupees in '000'	
37.9.2 Present value of defined benefit obligation	123,506	111,612
37.9.3 Movement in payable to defined benefit plan:		
Opening balance	111,612	102,294
Charge for the year	13,982	13,898
Benefit paid	(2,088)	(4,580)
Closing balance	123,506	111,612
37.9.4 Charge for defined benefit plan:		
Current service cost	3,888	3,722
Interest cost	12,162	9,001
Actuarial (gain) / loss recognized	(2,068)	1,175
	13,982	13,898

37.9.5 Sensitivity analysis:

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit plan. The increase / (decrease) in the present value of defined benefit plan as a result of change in discount rate and salary growth is summarized below:

	2020	2019
	Rupees in '000'	
Increase in discount rate by 1%	111,827	100,872
Decrease in discount rate by 1%	137,205	124,251
Increase in expected future increment in salary by 1%	137,205	124,251
Decrease in expected future increment in salary by 1%	111,626	100,690

37.9.6 Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2020	2019	2018	2017	2016
	Rupees in '000'				
Opening net liability	111,612	102,294	93,523	91,181	228,742
Net charge for the year	11,894	9,318	8,771	2,342	(137,561)
	123,506	111,612	102,294	93,523	91,181
Actuarial gain / (loss) on obligation	2,068	(1,175)	886	1,617	162,677

37.10 Defined contribution plan

The Bank operates and approved provident fund scheme for all its permanent employees. Equal monthly contributions are made by the Bank and employees at the rate of 8.33% of basic salary.

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total compensation expense

	2020					2019			
	Chairman	Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers	Chairman	Members shariah board	President / CEO	Key management personnel / other material risk takers / controllers
	Rupees in '000'								
Fees and allowances etc.	87	3,660	-	-	-	950	3,805	-	-
Managerial remuneration									
Fixed	-	983	76,323	180,033	180,710	807	553	75,115	186,440
Variable cash bonus / awards	-	44	19,325	11,199	16,842	-	-	16,104	18,766
Charge for defined benefit plan	-	-	13,286	3,642	6,529	-	-	13,118	5,607
Contribution to defined contribution plan	-	-	79	4,171	7,402	-	-	-	5,912
Utilities	-	-	-	-	-	291	-	-	-
Medical	-	-	-	-	-	421	-	-	-
Relocation allowance	-	-	-	-	-	-	-	-	720
Servant salary	-	-	510	1,924	1,940	-	-	-	-
Furnishing allowance	-	-	750	1,500	-	-	-	-	-
Club membership	-	-	46	3,650	565	-	-	-	-
Fuel	-	307	-	6,231	10,303	-	-	-	-
Others	-	-	21	1,103	-	21	-	264	370
Total	87	4,994	110,340	213,453	224,291	2,490	4,358	104,601	217,815
Number of persons	-	3	3	23	30	1	3	1	22

- 38.1.1** In terms of section 10 (2) of the Bank of Punjab Act, 1989, the Chairman of the Board shall be nominated by the GoPb amongst the Directors. However, the GoPb has not concluded nomination of the Chairman of the Board of Directors during the year ended December 31, 2020 and the same is in process. Further, Rs. 87 thousand paid during the year 2020 represents arrears paid to the ex-chairman on account of meeting attended in year 2019.
- 38.1.2** In terms of service agreement of President / CEO, certain benefits including provision of Bank maintained cars, medical insurance cover etc. are also available to him. Further, certain executives are also entitled for Bank maintained car as per Bank's policy.
- 38.1.3** Total compensation paid during the year ended December 31, 2020 to President / CEO includes amount paid to Acting Presidents amounting to Rs. 49,143 thousand from January 01, 2020 to April 15, 2020.
- 38.1.4** Total compensation paid during the year ended December 31, 2019 to President / CEO represents amount paid to acting President / DCEO.

38.2 Remuneration paid to directors for participation in board and committee meetings

2020							
Rupees in '000'							
For Board Committees							
Name of Director	Board Meetings	Strategy, Islamic & Priority Sector Finance Committee	Board Audit Committee	Human Resource, Compensation & Nomination Committee	Information Technology & Communications Committee	Risk Management, Compliance & NPL Review Committee	Total amount paid
Dr. Pervaiz Tahir - ex chairman	87	-	-	-	-	-	87
Mohammad Jehanzeb Khan	2,600	-	375	1,725	750	513	5,963
Abdullah Khan Sumbal	2,600	375	375	1,125	188	513	5,176
Syed Ghazanfar Abbas Jilani	1,125	-	375	563	-	375	2,438
Khawaja Farooq Saeed	2,600	187	837	1,725	562	375	6,286
Saeed Anwar	2,600	375	1,212	-	750	513	5,450
Dr. Muhammad Amjad Saqib	2,600	563	-	1,725	375	700	5,963
Shaharyar Ahmad	2,337	375	563	-	-	562	3,837
Total	16,549	1,875	3,737	6,863	2,625	3,551	35,200

2019							
Rupees in '000'							
For Board Committees							
Name of Director	Board Meetings	Islamic Banking Review Committee	Board Audit Committee	Human Resource, Compensation & Nomination Committee	Information Technology Review Committee	Risk Management Committee	Total amount paid
Dr. Pervaiz Tahir	800	100	-	-	50	-	950
Mohammad Jehanzeb Khan	1,100	-	-	350	50	100	1,600
Abdullah Khan Sumbal	400	-	-	-	-	50	450
Hamed Yaqoob Sheikh	400	-	50	-	-	100	550
Khawaja Farooq Saeed	1,100	100	250	350	-	-	1,800
Saeed Anwar	1,000	-	250	-	50	200	1,500
Dr. Muhammad Amjad Saqib	1,000	100	-	350	-	150	1,600
Shaharyar Ahmad	100	-	-	-	-	-	100
Total	5,900	300	550	1,050	150	600	8,550

38.3 Remuneration paid to Shariah board members

	2020				2019			
	Chairman	Resident member	Non-resident member	Total amount paid	Chairman	Resident member	Non-resident member	Total amount paid
	Rupees in '000'							
Meeting fee and allowances	1,890	-	1,770	3,660	1,935	-	1,870	3,805
Salary & festival bonus paid to resident member through Bank's payroll	-	1,334	-	1,334	-	553	-	553
Total amount	1,890	1,334	1,770	4,994	1,935	553	1,870	4,358
Number of persons	1	1	1		1	1	1	

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited unconsolidated financial statements.

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

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

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

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

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

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

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

	2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
	Rupees in '000'				
On balance sheet financial instruments					
Financial assets measured at fair value :					
Government securities	488,823,420	-	488,823,420	-	488,823,420
Shares	3,637,256	3,621,674	-	15,582	3,637,256
Non-Government debt securities	10,139,836	-	10,139,836	-	10,139,836
Foreign securities	4,019	-	-	4,019	4,019
Subsidiary company	-	-	-	-	-
Financial assets disclosed but not measured at fair value :					
Government securities	60,483,391	-	69,082,534	-	69,082,534
Non Financial assets measured at fair value :					
Operating fixed assets (land & building)	5,497,765	-	5,497,765	-	5,497,765
Non banking assets acquired in satisfaction of claims	5,904,147	-	5,904,147	-	5,904,147
Financial liabilities measured at fair value:					
Payable to gratuity fund	261,774	-	261,774	-	261,774
Provision for employees compensated absences	123,506	-	123,506	-	123,506
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	24,343,173	-	24,343,173	-	24,343,173
Forward sale of foreign exchange contracts	23,712,804	-	23,712,804	-	23,712,804
	2019				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
	Rupees in '000'				
On balance sheet financial instruments					
Financial assets measured at fair value :					
Government securities	292,671,508	-	292,671,508	-	292,671,508
Shares	1,618,733	1,533,730	-	85,003	1,618,733
Non-Government debt securities	1,978,127	-	1,978,127	-	1,978,127
Foreign securities	4,019	-	-	4,019	4,019
Subsidiary Company	-	-	-	-	-
Financial assets disclosed but not measured at fair value :					
Government securities	59,762,000	-	64,466,364	-	64,466,364
Non Financial assets measured at fair value :					
Operating fixed assets (land & building)	5,906,710	-	5,906,710	-	5,906,710
Non banking assets acquired in satisfaction of claims	7,392,801	-	7,392,801	-	7,392,801
Financial liabilities measured at fair value:					
Payable to gratuity fund	211,782	-	211,782	-	211,782
Provision for employees compensated absences	111,612	-	111,612	-	111,612
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	27,819,676	-	27,819,676	-	27,819,676
Forward sale of foreign exchange contracts	24,322,698	-	24,322,698	-	24,322,698

40. SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	2020						
	Corporate and investment banking	Consumer and digital banking	Retail and priority sector lending	Treasury	Islamic	Others including Head Office	Total
	Rupees in '000'						
Profit & loss							
Net mark-up / return / profit	29,145,073	-	6,346,075	45,088,416	5,057,562	382,001	86,019,127
Inter segment revenue - net	(22,931,710)	64,402,623	(3,982,350)	(34,842,275)	(59,260)	(2,587,028)	-
Non mark-up / return / interest income	598,899	1,723,574	263,241	9,964,601	117,991	377,281	13,045,587
Total income	6,812,262	66,126,197	2,626,966	20,210,742	5,116,293	(1,827,746)	99,064,714
Segment total expenses	971,789	58,580,536	897,820	8,104,777	4,145,715	7,512,358	80,212,995
Profit before provisions	5,840,473	7,545,661	1,729,146	12,105,965	970,578	(9,340,104)	18,851,719
Provisions	5,398,528	284,602	247,252	508,825	414,325	8,776	6,862,308
Profit / (loss) before tax	441,945	7,261,059	1,481,894	11,597,140	556,253	(9,348,880)	11,989,411
Balance sheet							
Cash & bank balances	-	43,841,350	-	22,168,221	5,659,940	-	71,669,511
Investments - net	2,320,445	-	-	548,471,575	16,996,603	-	567,788,623
Net inter segment lending	-	743,701,158	-	-	951,270	32,767,984	777,420,412
Lendings to financial institutions	-	-	-	7,454,867	8,632,000	-	16,086,867
Advances - performing	290,749,427	-	53,317,428	-	30,983,039	6,710,329	381,760,223
- non-performing - net	6,229,401	-	930,497	-	2,218,148	22,343	9,400,389
Others	8,282,387	6,015,362	746,993	7,309,414	3,680,612	22,705,635	48,740,403
Total assets	307,581,660	793,557,870	54,994,918	585,404,077	69,121,612	62,206,291	1,872,866,428
Borrowings	51,665,928	-	462,409	102,105,236	607,842	-	154,841,415
Subordinated debts	-	-	-	-	-	6,791,700	6,791,700
Deposits & other accounts	-	773,528,003	-	-	61,539,589	-	835,067,592
Net inter segment borrowing	253,101,917	-	42,481,624	481,836,871	-	-	777,420,412
Others	2,813,815	20,029,867	12,050,885	1,461,970	2,859,733	7,267,528	46,483,798
Total liabilities	307,581,660	793,557,870	54,994,918	585,404,077	65,007,164	14,059,228	1,820,604,917
Equity							52,261,511
Total equity & liabilities							1,872,866,428
Contingencies & commitments	160,308,823	-	639,748	48,807,235	3,269,939	724,160	213,749,905

2019

	Corporate and investment banking	Consumer and digital banking	Retail and priority sector lending	Treasury	Islamic	Others including Head Office	Total
	Rupees in '000'						
Profit & loss							
Net mark-up / return / profit	36,259,864	-	6,560,184	32,832,790	4,824,953	389,057	80,866,848
Inter segment revenue - net	(29,045,346)	63,693,728	(4,942,190)	(27,080,722)	(10,665)	(2,614,805)	-
Non mark-up / return / interest income	585,883	1,391,892	179,016	1,618,107	93,993	70,720	3,939,611
Total income	7,800,401	65,085,620	1,797,010	7,370,175	4,908,281	(2,155,028)	84,806,459
Segment total expenses	964,143	52,683,673	580,430	5,094,431	3,594,767	6,069,044	68,986,488
Profit before provisions	6,836,258	12,401,947	1,216,580	2,275,744	1,313,514	(8,224,072)	15,819,971
Provisions	1,543,204	88,825	95,567	404,485	28,083	(384,080)	1,776,084
Profit / (loss) before tax	5,293,054	12,313,122	1,121,013	1,871,259	1,285,431	(7,839,992)	14,043,887
Balance sheet							
Cash & Bank balances	-	36,534,123	-	20,093,277	7,097,797	-	63,725,197
Investments - net	2,569,293	-	-	349,947,441	8,936,196	-	361,452,930
Net inter segment lending	-	625,626,216	-	-	2,342,604	24,456,858	652,425,678
Lendings to financial institutions	-	-	-	664,771	3,395,000	-	4,059,771
Advances - performing	290,116,157	-	54,477,738	-	27,211,005	5,265,122	377,070,022
Advances - non-performing	5,302,696	-	862,781	-	59,967	17,914	6,243,358
Others	14,081,124	5,727,520	1,169,369	7,888,965	4,216,943	23,292,581	56,376,502
Total assets	312,069,270	667,887,859	56,509,888	378,594,454	53,259,512	53,032,475	1,521,353,458
Borrowings	26,589,201	-	-	50,455,754	-	-	77,044,955
Subordinated debts	-	-	-	-	-	8,794,420	8,794,420
Deposits & other accounts	-	644,928,438	-	-	46,089,009	-	691,017,447
Net inter segment borrowing	282,566,724	-	43,904,084	325,954,870	-	-	652,425,678
Others	2,913,345	22,959,421	12,605,804	2,183,830	3,419,840	1,306,394	45,388,624
Total liabilities	312,069,270	667,887,859	56,509,888	378,594,454	49,508,849	10,100,804	1,474,671,124
Equity							
Total equity & liabilities							46,682,334
							1,521,353,458
Contingencies & commitments	124,290,688	-	746,379	53,180,523	16,807,634	199,416	195,224,640

Due to change in reportable business segments, the figures of comparative year are realigned for the purposes of comparison.

41. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank arranges and maintain government securities on behalf of its customers.

42. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Remuneration of key management personnel and fixed assets sold to related parties are disclosed in Note 38.1 & Note 11.3.4 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2020					2019				
	Directors	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Other related parties	Directors	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Other related parties
Rupees in '000										
Lendings to financial institutions:										
Opening balance	-	-	400,000	-	-	-	-	400,000	-	-
Addition during the year	-	-	4,000,000	-	-	-	-	1,600,000	-	-
Repaid during the year	-	-	3,400,000	-	-	-	-	1,600,000	-	-
Closing balance	-	-	1,000,000	-	-	-	-	400,000	-	-
Investments (gross)	-	-	164,945	-	-	-	-	164,945	-	-
Provision for diminution in value of investments	-	-	164,945	-	-	-	-	164,945	-	-
Advances:										
Opening balance	-	311,603	1,258,526	-	-	-	197,801	1,287,780	-	-
Addition during the year	-	51,412	3,904,573	-	5,541,638	-	223,695	1,300,324	-	-
Repaid during the year	-	201,307	4,476,466	-	4,945,917	-	109,893	1,329,578	-	-
Closing balance	-	161,708	686,633	-	595,721	-	311,603	1,258,526	-	-
Provision held against advances	-	-	59,757	-	-	-	-	56,301	-	-
Contingencies (non fund exposure)	-	-	7,000	-	419,488	-	-	7,000	-	49,822
Other assets - markup receivable	-	11,049	36,846	-	14,491	-	14,331	54,577	-	-
Right-of-use assets	-	-	-	-	66,055	-	-	-	-	93,381
Lease liability against right-of-use assets	-	-	-	-	20,030	-	-	-	-	38,502
Deposits and other accounts:										
Opening balance	61	13,746	1,588	2,564,910	876	651	37,858	19,999	2,398,389	7,753
Received during the year	4,353	457,854	4,158,702	1,152,506	122,199	3,036	530,706	1,474,110	1,148,293	85,894
Withdrawn during the year	3,816	447,237	4,149,003	645,800	89,197	3,626	554,818	1,492,521	981,772	92,771
Closing balance	598	24,363	11,287	3,071,616	33,878	61	13,746	1,588	2,564,910	876
Income:										
Mark-up / return / interest earned	-	13,880	162,543	-	24,297	-	20,751	200,624	-	-
Non markup income	-	-	-	-	580	-	-	-	-	-
Expense:										
Mark-up / return / interest paid	26	1,314	-	245,354	314	45	1,130	-	301,539	1,024
Mark-up on lease liability against right-of-use assets	-	-	-	-	4,240	-	-	-	-	4,826
Depreciation on right-of-use assets	-	-	-	-	4,614	-	-	-	-	7,373
Non markup expense	-	-	1,543	-	-	-	-	62	-	-
Provisions:										
Charge of provision - investment	-	-	-	-	-	-	-	33,747	-	-
Charge of provision - advances	-	-	3,456	-	-	-	-	10,102	-	-

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

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 37,126,458 thousand (2019: Rs. 43,767,706 thousand), Rs. 421,019,222 thousand (2019: Rs. 357,426,911 thousand) and Rs. 27,142,344 thousand (2019: Rs. 29,655,042 thousand) respectively. Further, during the year, the Bank has incurred markup expense of Rs. 106,644 thousand (2019: Rs. 249,808 thousand) on subordinated debt of Rs. 2,000,000 thousand received from GoPb in year 2014. Further, the subordinated loan received from GoPb amounting to Rs.2,000,000 thousand has also been fully repaid by the Bank.

42.3 The Bank made contribution of Rs. 246,497 thousand (2019: Rs. 184,477 thousand) to employees provident fund during the year.

42.4 During the year, the Bank has recorded Rs. 13,286 thousand (2019: Rs 13,118 thousand) as gratuity to ex - Acting President / CEO and DCEO.

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

42.6 Advances to employees as at December 31, 2020, other than key management personnel, amounts to Rs. 7,375,234 thousand (2019: Rs. 5,494,198 thousand) with markup receivable of Rs.519,593 thousand (2019: Rs. 514,567 thousand).

	2020	2019
	Rupees in '000'	
43. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	28,388,806	28,388,806
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	41,936,560	37,926,403
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	41,936,560	37,926,403
Eligible Tier 2 Capital	15,270,354	11,742,487
Total Eligible Capital (Tier 1 + Tier 2)	57,206,914	49,668,890
Risk Weighted Assets (RWAs):		
Credit Risk	289,144,564	286,447,542
Market Risk	6,871,393	3,381,838
Operational Risk	56,498,084	45,712,499
Total	352,514,041	335,541,879
Common Equity Tier 1 Capital Adequacy ratio	11.90%	11.30%
Tier 1 CAR (%)	11.90%	11.30%
Total CAR (%)	16.23%	14.80%

43.1 Capital adequacy framework

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The paid-up capital requirement (net of losses) as at December 31, 2020 is Rs.10.0 billion.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% plus capital conservation buffer of 2.50% of the risk weighted assets of the Bank.

However, due to COVID situation SBP vide Circular No 12 of 2020 dated March 26, 2020, provided relaxation to maintain CCB of 1.5% from March, 2020 onward. The Bank's capital adequacy ratio as at December 31, 2020 under Basel III is 16.23%.

The capital adequacy ratio of the Bank was subject to Basel III capital adequacy guidelines stipulated by the SBP through its circular BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2020. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Sr. No.	Ratio	
1	CET1	6.00%
2	ADT-1	1.50%
3	Tier-1	7.50%
4	Total capital	10.00%
5	CCB (consisting of CET1 only)	2.50%
6	Total capital plus CCB	12.500%

*As explained above, the requirement with respect to capital adequacy ratio as of December 31, 2020 stood at 11.50%.

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes instrument meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.

The deductions from Tier 1 capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Shortfall in provision
- iii) Deficit on revaluation of available for sale investments - AFS & fixed assets;
- iv) Defined benefit pension fund asset
- v) Investment in own shares
- vi) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- vii) Investment in mutual funds above a prescribed ceiling
- viii) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- ix) 10% of investments in majority capital instruments or other financial subsidiaries not consolidated in the statement of financial position during transition phase

- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves, exchange translation reserves after all regulatory adjustments applicable on Tier-II.

The deductions from Tier 2 include mainly

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 10% of investments in majority capital instruments or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

	2020	2019
	Rupees in '000'	
43.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	41,936,560	37,926,403
Total Exposures	1,307,635,296	1,063,176,213
LR (%)	3.21%	3.57%
43.3 Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	538,917,589	346,077,837
Total Net Cash Outflow	386,811,819	293,511,879
LCR (%)	139.32%	117.91%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	600,034,473	474,402,901
Total Required Stable Funding	471,758,220	441,990,495
NSFR (%)	127.19%	107.33%

- 43.4** The full disclosures on the capital adequacy, leverage ratio and liquidity requirements as per SBP instructions issued from time to time are available on <http://bop.com.pk>.

44. RISK MANAGEMENT

The Bank has established market, credit, liquidity and operational risk appetite under the supervision of Board of Directors, where the Bank has already implemented new core business system and web based obligor risk rating system. The Bank has implemented a system of reporting risks and exceptions on various frequencies to business groups, Asset and Liabilities Committee, Investment Committee, Board Risk Management Committee and Board of Directors.

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

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

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

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

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The

Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

The Bank's risk management involves the identification, measurement, monitoring, mitigation and controlling of risks to ensure that following primary objectives are adhered:

- a. Individuals who take or manage risks clearly understand it in the entire credit value chain.
- b. The Bank's risk exposure is within the risk appetite limits duly defined by the regulator or established by Board of Directors.
- c. Risk taking decisions are in line with business strategy and objectives set by the management.
- d. Business decisions optimize the risk-reward trade-off.
- e. Risk taking decisions are explicit and clear.
- f. Sufficient capital as a buffer is available to take risk.

The risk management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19 pandemic situation. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk. The Bank's management has created a buffer against unforeseen loan losses and to preserve the quality of the credit portfolio. The Bank is continuously assessing the situation as it develops and is in the process of accounting for the same in its loan loss provision.

In light of above stated circumstances and on account of foreseeable changes in regulatory regime with respect to provisioning requirement, the management considers it appropriate to create a general provision of 1% on funded credit portfolio, excluding Government guaranteed exposure and exposure secured against cash and equivalents, to mitigate any adverse impact on equity, performance and related regulatory compliance.

Accordingly, a general provision of Rs. 3,281,355 thousand (2019: Rs. Nil) has been recognized in these unconsolidated financial statements.

Further, assessment of following obligor risk rating factors are in place for effective risk management:

Adjusted net worth, current ratio, net profit margin, adjusted leverage, relationship with the Bank, quality of financial reporting, ownership structure, account behavior, internal quality and buyer / supplier concentration.

44.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					
Public / Government	2,500,000	-	-	-	-	-
Private	13,586,867	4,059,771	-	-	-	-
	16,086,867	4,059,771	-	-	-	-

	Gross investments		Non-performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					

44.1.2 Investment in debt securities

Oil & gas	145,833	187,500	-	-	-	-
Textile	582,301	582,301	582,301	582,301	582,301	582,301
Cement	20,000	20,000	20,000	20,000	20,000	20,000
Sugar	308,606	308,606	308,606	308,606	308,606	125,678
Electronics and electrical appliances	520,599	427,862	27,862	27,862	27,862	27,862
Construction	47,387	47,387	47,387	47,387	47,387	47,387
Power (electricity), gas, water, sanitary	11,314,946	3,336,114	400	400	400	400
Transport, storage and communication	5,488	5,488	5,488	5,488	5,488	5,488
Financial	545,408,204	349,790,307	26,908	34,008	26,908	34,008
Services	890,258	950,000	-	-	-	-
Chemical and Pharmaceuticals	1,500,000	1,500,000	-	-	-	-
Fertilizer	1,624,255	1,730,831	1,517,680	1,518,079	1,517,680	1,518,079
	562,367,877	358,886,396	2,536,632	2,544,131	2,536,632	2,361,203

Credit risk by public / private sector

Public/ Government	553,416,407	349,790,307	400	400	400	400
Private	8,951,470	9,096,089	2,536,232	2,543,731	2,536,232	2,360,803
	562,367,877	358,886,396	2,536,632	2,544,131	2,536,632	2,361,203

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					

44.1.3 Advances

Agriculture, Forestry, Hunting and Fishing	16,240,841	14,260,967	1,719,776	1,104,290	1,301,745	856,027
Oil & Gas	1,432,213	1,609,520	108,181	86,131	83,138	74,134
Textile	81,325,326	72,594,898	25,196,074	25,074,925	23,397,721	22,467,710
Chemical and Pharmaceuticals	10,724,142	9,913,675	108,105	117,630	87,022	83,935
Cement	16,450,985	18,241,013	93,246	423,980	93,246	364,013
Sugar	16,276,840	14,195,669	2,021,095	2,019,841	1,759,210	1,596,099
Footwear and Leather garments	1,729,427	1,183,400	517,610	517,610	516,066	516,066
Automobile and transportation equipment	2,289,286	2,574,879	2,114,743	1,986,465	2,011,725	1,982,999
Electronics and electrical appliances	3,107,790	4,008,717	31,513	37,720	31,513	37,720
Cable, electrical & Engineering	6,871,970	6,429,908	2,184,081	2,127,649	2,103,054	1,817,804
Production & transmission of energy	74,470,207	72,264,093	3,272,610	1,863,385	2,076,873	1,561,765
Construction	6,455,130	6,142,392	1,727,683	1,868,215	1,422,215	1,592,760
Trading & Commerce	31,895,731	46,286,350	9,213,670	6,979,645	6,708,841	6,470,028
Food & Allied	34,252,509	37,663,811	3,082,326	3,241,565	2,929,458	3,005,118
Transport, Storage and Communication	50,370,204	39,193,270	176,319	184,877	176,319	168,797
Financial	3,116,218	1,954,778	606,009	602,553	606,009	602,553
Fertilizer	11,342,978	10,688,089	66,879	71,814	66,879	71,814
Services	13,897,447	8,799,311	1,383,421	1,264,556	1,229,461	1,243,770
Individuals	43,087,668	42,252,583	898,549	666,204	671,745	433,723
Others	17,422,975	18,588,631	2,729,281	1,124,236	578,542	173,098
	442,759,887	428,845,954	57,251,171	51,363,291	47,850,782	45,119,933

Credit risk by public / private sector

Public/ Government	115,264,859	108,488,179	-	-	-	-
Private	327,495,028	320,357,775	57,251,171	51,363,291	47,850,782	45,119,933
	442,759,887	428,845,954	57,251,171	51,363,291	47,850,782	45,119,933

	2020	2019
	Rupees in '000'	
44.1.4 Contingencies and commitments		
Textile and ginning	14,184,990	6,986,694
Cement	2,203,095	1,496,748
Sugar	1,971,414	67,674
Financial	67,237,907	68,807,739
Construction and real estate	12,100,439	11,916,521
Oil and gas	6,874,235	5,337,217
Auto and allied	1,556,366	1,540,729
Food and allied	3,772,706	2,156,197
Chemical and pharmaceuticals	2,726,604	1,569,381
Fertilizers	2,998,697	775,473
Cable, electrical and engineering	3,273,404	3,204,888
Production and transmission of energy	42,075,870	48,213,526
Transport, storage and communication	6,519,333	4,543,928
Trading and commerce	2,927,534	3,024,711
Services	781,120	1,564,082
Others	42,546,191	34,019,132
	213,749,905	195,224,640
Credit risk by public / private sector		
Public/ Government	61,831,913	56,259,659
Private	151,917,992	138,964,981
	213,749,905	195,224,640

44.1.5 Concentration of advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 179,556,038 thousand (2019: Rs. 184,799,160 thousand).

	2020	2019
	Rupees in '000'	
Funded	121,923,500	135,670,438
Non funded	57,632,538	49,128,722
Total exposure	179,556,038	184,799,160

The sanctioned limits against these top 10 exposures aggregated to Rs. 259,445,323 thousand (2019: Rs. 224,430,459 thousand).

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
Rupees in '000'				
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	6,071,699	5,695,850	6,151,699	4,595,850
Loss	-	-	-	-
Total	6,071,699	5,695,850	6,151,699	4,595,850

For the purpose of this note, exposure means outstanding funded facilities and utilized non-funded facilities as at the reporting date.

44.1.6 Advances - province / region-wise disbursement and utilization

Province / Region	Disbursements		Utilization				
			2020				
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
Rupees in '000'							
Punjab	222,079,696	213,964,993	5,082,660	336,305	503,459	2,187,443	4,836
Sindh	83,087,045	2,414,776	79,063,437	1,528,123	80,709	-	-
KPK including FATA	817,217	275	-	816,942	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	22,268,326	-	-	3,910,769	-	18,315,802	41,755
AJK including Gilgit-Baltistan	4,500	-	-	-	-	-	4,500
Total	328,256,784	216,380,044	84,146,097	6,592,139	584,168	20,503,245	51,091

Province / Region	Disbursements		Utilization				
			2019				
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
Rupees in '000'							
Punjab	167,474,617	155,444,593	8,875,926	180,831	474,329	2,489,884	9,054
Sindh	66,819,458	1,744,827	64,701,698	372,932	-	1	-
KPK including FATA	806,887	32,939	-	773,948	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	24,718,591	-	-	3,025,632	-	21,692,955	4
AJK including Gilgit-Baltistan	55,256	-	-	-	-	-	55,256
Total	259,874,809	157,222,359	73,577,624	4,353,343	474,329	24,182,840	64,314

44.1.7 Credit risk - general disclosures

The Bank follows the standardized approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit rating or type of exposure, whichever is applicable.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

Type of exposures & ECAs used

Exposures	JCR-VIS	PACRA	S&P	Moody's	Fitch
Corporate	√	√			
Banks	√	√	√	√	√
Sovereigns			√		
PSEs	√	√			
SMEs	√	√			

Mapping to SBP rating grades

For all credit exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long term ratings grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Credit exposures subject to standardized approach

Exposures	Rating	2020			2019		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	39,718,795	(5,783,299)	33,935,496	30,265,905	(5,821,265)	24,444,640
	2	86,847,146	(1,462,186)	85,384,960	73,762,423	(1,321,057)	72,441,366
	3,4	14,853,075	(206,106)	14,646,969	13,141,502	(28,724)	13,112,778
	5,6	-	-	-	-	-	-
	Unrated-125%	25,657,917	(660,089)	24,997,828	57,746,100	(16,237,564)	41,508,536
	Unrated-100%	49,795,777	(730,216)	49,065,561	49,866,743	(1,139,090)	48,727,653
Bank	1	26,570,344	(5,334,907)	21,235,437	27,471,538	(553,175)	26,918,363
	2,3	15,048	-	15,048	25,550	-	25,550
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Public sector enterprises in Pakistan	1	24,377,640	(5,556,688)	18,820,952	20,431,083	-	20,431,083
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	74,755,104	(74,062,609)	692,495	57,943,992	(56,415,159)	1,528,833
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash	0	614,195,065	(23,344,678)	590,850,387	412,403,060	(28,435,835)	383,967,225
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	16,448	-	16,448	136,933	-	136,933
	6	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	
Listed equity investments	100%	249,846	-	249,846	320,711	-	320,711
Un-listed equity investments	150%	15,582	-	15,582	15,582	-	15,582
Non performing loans	150%	4,772,618	-	4,772,618	3,458,604	-	3,458,604
	100%	3,877,256	-	3,877,256	902,232	-	902,232
	50%	750,515	-	750,515	1,882,521	-	1,882,521
Mortgage	35%	6,290,344	-	6,290,344	4,586,060	-	4,586,060
Retail	75%	55,186,506	(12,934,665)	42,251,841	47,166,141	(13,158,889)	34,007,252
Fixed assets	100%	14,812,949	-	14,812,949	15,218,892	-	15,218,892
Deferred tax assets	100%	-	-	-	-	-	-
Deferred tax assets	250%	4,519,166	-	4,519,166	4,044,926	-	4,044,926
Significant investments	250%	-	-	-	-	-	-
Others	100%	25,464,245	(994,789)	24,469,456	33,796,541	(636,600)	33,159,941
Total		1,072,741,386	(131,070,232)	941,671,154	854,587,039	(123,747,358)	730,839,681

44.1.8 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collaterals, the Bank reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

44.1.8.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

44.1.8.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2020 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	-	3,351,674	3,351,674
Ordinary shares (un-listed) - net of impairment held	-	19,601	19,601
Preference shares - net of impairment held	-	270,000	270,000
Total	-	3,641,275	3,641,275

The Bank classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments – Held for trading
- Investments – Available for Sale
- Investments in subsidiaries

44.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, foreign exchange rates and equity position risk.

Interest rate risk is risk to the earnings or market value of a portfolio due to uncertain future interest rates. Interest rate risks can be categorized in different ways, and there is usually some overlap between categories. Interest rate risk can be categorized into the following components:

- a. Repricing or maturity mismatch risk or yield curve risk
- b. Basis risk
- c. Options risk
- d. Price risk

Equity price risk is the risk that the value of a security or portfolio of securities will decline in the future. It is risk to earnings or capital that results from adverse changes in the value of equity related portfolios of a financial institution.

Foreign exchange risk is the exposure of an institution to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a loss to the institution.

Foreign exchange risk arises from two factors: currency mismatches in an institution's assets and liabilities (both on- and off-balance sheet) that are not subject to a fixed exchange rate, and currency cash flow mismatches. Such risk continues until the foreign exchange position is covered.

The Bank's market risk management structure consists of Board Risk Management Committee, Assets and Liabilities Committee, Market Risk Management Committee and independent Enterprise Risk Management unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and the SBP.

The Bank is using following techniques for mitigation of market risk:

- Hedging the open positions i.e. taking offsetting positions
- Portfolio diversification
- Limits setting, monitoring and reporting

The Bank is using following techniques for measurement of market risk and all the reports along with suggestive strategies which are escalated to senior management for their review and corrective actions:

- Daily mark to market revaluation of equity, foreign exchange and bonds portfolio
- Estimated value at risk on equity and foreign exchange exposures
- Interest rate gap analysis
- Duration analysis
- Stress testing of market risk exposures
- Scenarios based analysis

44.2.1 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	69,271,804	-	69,271,804	53,414,628	-	53,414,628
Balances with other banks	2,397,707	-	2,397,707	10,310,569	-	10,310,569
Lendings to financial institutions	16,086,867	-	16,086,867	4,059,771	-	4,059,771
Investments	545,710,522	22,078,101	567,788,623	350,020,681	11,432,249	361,452,930
Advances	391,160,612	-	391,160,612	383,313,380	-	383,313,380
Fixed assets	14,812,949	-	14,812,949	15,218,893	-	15,218,893
Intangible assets	688,508	-	688,508	793,285	-	793,285
Deferred tax assets	7,774,264	-	7,774,264	6,567,783	-	6,567,783
Other assets	25,464,682	-	25,464,682	33,796,541	-	33,796,541
	1,073,367,915	22,078,101	1,095,446,016	857,495,531	11,432,249	868,927,780

44.2.2 Foreign exchange risk

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. Foreign exchange exposure and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration. Market risk charge calculates on FEEL and forward contracts (interest rate) and credit risk charge manage by Bank on all forward contracts.

	2020				2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000								
United States Dollar	3,949,430	5,427,835	(147,258)	(1,625,664)	3,341,446	5,976,241	1,229,367	(1,405,428)
Great Britain Pound Sterling	1,163,850	3,418,473	2,246,898	(7,725)	900,210	3,013,573	2,114,558	1,195
Euro	2,578,326	1,310,425	(1,447,381)	(179,479)	692,362	1,164,322	265,480	(206,480)
Japanese Yen	295	2,253	4,663	2,705	-	67,173	68,564	1,390
Other currencies	107,670	1,340	(46,803)	59,526	94,289	4,419	(25,320)	64,550
	7,799,571	10,160,326	610,119	(1,750,637)	5,028,307	10,225,728	3,652,649	(1,544,773)

	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	-	(2,487)	-	(2,675)
- Other comprehensive income	-	-	-	-

44.2.3 Equity position risk

The risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities. The Bank's strategy is to invest in equity securities for increase in dividend income and capital gains through market volatility.

	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	-	(167,584)	-	(70,720)
- Other comprehensive income	-	-	-	-

44.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II specific

Interest rate risk is the potential that the value of the on-balance sheet and the off-balance sheet positions of the bank would be negatively affected with the change in the market interest rates. The vulnerability of the Bank towards the adverse movements of the interest rate can be gauged by using duration GAP analysis.

"Interest rate risk in the banking book is the risk to interest income arising from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. The banking book activities that give rise to interest rate risk include lending activities, balance sheet funding and capital management. Interest rate risk in banking book can be measured by both, changes in net interest income and changes in market value of interest bearing AFS investments. This also refers to the non-trading market risk. To adjust the effective rate sensitivity, the Bank is using following strategies after proper analysis of the Bank's gaps and prevailing interest rate:

- Reduced asset sensitivity
- Increased asset sensitivity
- Reduced liability sensitivity
- Increased liability sensitivity

The Bank's interest rate risk management policy includes following techniques to mitigate potential risks:

- a) Monitoring and management of interest rate volatility in terms of percentage change in net income through interest sensitive gaps.
- b) Key consideration in investing in interest rate driven financial instruments.
- c) Managing volatility in the trading on category / instrument wise basis.

	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	(4,847,855)	(191,484)	6,807,925	98,945
- Other comprehensive income	-	-	-	-

44.2.5 Mismatch of interest rate sensitive assets and liabilities

2020

	Effective yield / interest rate	Total	Exposed to Yield / Interest risk							Above 10 years	Non-interest bearing financial instruments	
			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			
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		69,271,804	-	-	-	-	-	-	-	-	-	68,315,180
Balances with other banks	5.50%	2,397,707	-	-	-	-	-	-	-	-	-	634,376
Lending to financial institutions	10.41%	16,086,867	1,800,000	-	-	-	-	-	-	-	-	-
Investments - net	9.81%	567,788,623	27,580,589	162,417,091	84,851,556	34,666,974	43,006,414	43,079,934	89,055,218	-	-	3,371,275
Advances - net	9.12%	391,160,612	38,065,185	-	-	-	-	-	-	-	-	9,170
Other assets		19,443,710	-	-	-	-	-	-	-	-	-	19,443,710
		1,066,149,323	82,652,596	162,417,091	84,851,556	34,666,974	43,006,414	43,079,934	89,055,218	-	-	91,773,711
Liabilities												
Bills payable		4,168,641	-	-	-	-	-	-	-	-	-	4,168,641
Borrowings	8.68%	154,841,415	29,419,076	5,703,591	36,353,005	4,274,982	5,906,562	3,005,488	6,840,746	663,682	-	2,136
Deposits and other accounts	7.04%	835,067,592	44,844,606	38,663,540	94,915,051	5,175,166	332,451	4,086,864	-	-	-	170,679,251
Subordinated debts	11.23%	6,791,700	-	6,791,700	-	-	-	-	-	-	-	-
Other liabilities		40,769,802	6,718	5,341	46,433	148,442	195,523	871,599	1,982,905	4,040,924	-	33,471,428
		1,041,639,150	107,523,471	51,164,172	131,314,489	9,598,590	6,434,536	7,963,951	8,823,651	4,704,606	-	208,321,456
On-balance sheet gap		24,510,173	(24,870,875)	111,252,919	(46,462,933)	25,068,384	36,571,878	35,115,983	80,231,567	(4,704,606)	-	(116,547,745)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		143,824,645	-	-	-	-	-	-	-	-	-	143,824,645
Commitments in respect of:												
- forward foreign exchange contracts - net		610,119	-	-	-	-	-	-	-	-	-	610,119
- forward lending		20,393,865	-	-	-	-	-	-	-	-	-	20,393,865
Other commitments		715,185	-	-	-	-	-	-	-	-	-	715,185
Off-balance sheet gap		165,543,814	-	-	-	-	-	-	-	-	-	165,543,814
Total yield / interest risk sensitivity gap		(24,870,875)	(71,144,399)	111,252,919	(46,462,933)	25,068,384	36,571,878	35,115,983	80,231,567	(4,704,606)	-	48,996,069
Cumulative yield / interest risk sensitivity gap		(24,870,875)	(96,015,274)	15,237,645	(31,225,288)	(6,156,904)	30,414,974	65,530,957	145,762,524	141,057,918	-	190,053,987

2019

Effective yield / interest rate	Total	Exposed to Yield / Interest risk							Above 10 years	Non-interest bearing financial instruments	
		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
On-balance sheet financial instruments											
Assets											
	53,414,628	1,587,930	-	-	-	-	-	-	-	-	51,826,698
Cash and balances with treasury banks	10,310,569	2,843,062	-	-	-	-	-	-	-	-	7,467,507
Balances with other banks	4,059,771	3,759,771	300,000	-	-	-	-	-	-	-	-
Lending to financial institutions	361,452,930	40,017,931	799,887	94,713,229	10,899,246	56,146,242	7,546,577	68,871,711	80,904,775	-	1,553,332
Investments - net	383,313,380	63,515,669	319,779,016	-	-	-	-	-	-	-	18,695
Advances - net	23,637,717	-	-	-	-	-	-	-	-	-	23,637,717
Other assets	836,186,995	111,724,363	320,878,903	94,713,229	10,899,246	56,146,242	7,546,577	68,871,711	80,904,775	-	84,503,949
Liabilities											
	3,421,083	-	-	-	-	-	-	-	-	-	3,421,083
Bills payable	77,044,955	27,480,316	23,223,666	4,744,105	13,697,909	505,239	521,664	970,777	5,762,091	-	139,188
Borrowings	691,017,447	22,009,025	399,304,872	78,032,305	32,730,526	127,650	4,700,300	609,950	-	-	153,502,819
Deposits and other accounts	8,794,420	-	8,794,420	-	-	-	-	-	-	-	-
Subordinated debts	40,556,372	1,385	2,418	19,364	5,690	104,544	224,307	569,536	2,539,286	-	33,838,434
Other liabilities	820,834,277	49,490,726	422,530,956	82,795,774	55,228,545	737,433	5,446,271	2,150,263	8,301,377	3,251,408	190,901,524
On-balance sheet gap											
	15,354,718	62,233,637	(101,652,053)	11,917,455	(44,329,299)	2,100,306	66,721,448	72,603,398	(3,251,408)	(106,397,575)	
Off-balance sheet financial instruments											
	118,394,704	-	-	-	-	-	-	-	-	-	118,394,704
Documentary credits and short-term trade-related transactions	3,652,649	-	-	-	-	-	-	-	-	-	3,652,649
Commitments in respect of:	23,449,998	-	-	-	-	-	-	-	-	-	23,449,998
- forward foreign exchange contracts	56,782	-	-	-	-	-	-	-	-	-	56,782
- forward lending	145,554,133	-	-	-	-	-	-	-	-	-	145,554,133
Other commitments	62,233,637	(101,652,053)	(44,329,299)	11,917,455	55,408,809	2,100,306	66,721,448	72,603,398	(3,251,408)	39,156,568	
Off-balance sheet gap	62,233,637	(39,418,416)	(83,747,715)	(71,830,260)	(16,421,451)	(14,321,145)	52,400,303	125,003,701	121,752,293	160,908,851	
Total yield / interest risk sensitivity gap											
Cumulative yield / interest risk sensitivity gap											

Reconciliation of financial assets and liabilities with total assets and liabilities:

	2020	2019
	Rupees in '000'	
Financial assets	1,066,149,323	836,188,995
Non financial assets:		
Fixed assets	14,812,949	15,218,893
Intangibles	688,508	793,285
Deferred tax assets - net	7,774,264	6,567,783
Other assets	6,020,972	10,158,824
	29,296,693	32,738,785
Total assets as per statement of financial position	1,095,446,016	868,927,780
Financial liabilities	1,041,639,150	820,834,277
Non financial liabilities:		
Other liabilities	1,545,355	1,411,169
Total liabilities as per statement of financial position	1,043,184,505	822,245,446

44.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Bank has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

The Bank uses Risk Control Self Assessment and monitoring of Key Risk Indicators to mitigate operational losses. The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by Board of Directors, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

In accordance with the operational risk policy and framework, a database covering losses, control breaches and near misses is being maintained. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on operational risk events are presented to senior management and the Board Risk Management Committee (BRMC).

44.3.1 Operational risk disclosures Basel-II specific

Currently, the Bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiatives with respect to operational risk management. The Bank will initiate further steps for improvement in operational risk management to adopt next approach of capital charge i.e. Alternative Standardized Approach (ASA).

44.4 Liquidity risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Bank are given significant importance.

The Bank is using following strategies for mitigation of liquidity risk:

- Invest key liquid deposit providers in liquid investment
- Contingency funding plan
- Monitoring of advances to deposits ratio
- Diversification of portfolio
- Maintaining desirable level of currency wise liquidity
- Identify situations or events that may trigger a crisis situation in terms of liquidity

44.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

	2020													
	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
Rupees in '000														
Assets														
Cash and balances with treasury banks	69,271,804	69,271,804	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,397,707	2,397,707	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,086,867	-	7,886,867	1,010,000	5,390,000	1,800,000	-	-	-	-	-	-	-	-
Investments - net	567,788,623	4,885	-	14,908,665	12,291,789	39,242,603	34,863,099	152,176,817	52,247,705	33,020,259	35,422,260	43,581,464	51,191,717	98,837,260
Advances - net	391,160,612	17,664,170	2,398,325	3,596,090	14,406,600	20,391,101	38,949,039	28,455,639	9,634,978	25,571,550	25,633,812	53,474,189	78,910,285	72,074,834
Fixed assets	14,812,949	3,904	23,422	33,608	66,420	80,210	80,261	236,119	235,076	248,492	986,358	1,017,578	2,431,287	9,370,214
Intangible assets	688,508	617	3,702	4,319	10,487	19,125	19,125	57,375	57,375	57,375	229,500	229,500	-	-
Deferred tax assets - net	7,774,264	-	-	-	-	-	-	-	-	-	-	-	7,774,264	-
Other assets - net	25,464,682	7,686,363	77,465	301,791	7,942,133	692,734	276,399	497,174	946,267	7,044,356	-	-	-	-
	1,095,446,016	97,029,550	10,389,781	19,854,473	40,107,429	62,225,773	74,187,923	181,423,124	63,121,401	65,942,032	62,271,930	98,302,739	140,307,553	180,282,308
Liabilities														
Bills payable	4,168,641	4,168,641	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	154,841,415	2,426,090	42,988,829	9,664,727	7,594,637	19,204,577	10,214,499	5,703,591	9,854,028	26,498,977	4,274,982	5,906,562	3,005,488	7,504,428
Deposits and other accounts	835,067,592	569,085,666	7,725,313	16,210,203	16,838,799	24,332,092	52,745,363	40,310,611	50,139,774	47,213,979	5,374,267	590,787	4,500,738	-
Subordinated debts	6,791,700	-	-	-	-	-	-	1,360	-	1,360	2,720	2,720	5,440	6,778,100
Other liabilities	42,315,157	20,195,703	691,496	547,564	748,486	1,398,788	549,745	677,790	1,379,893	1,244,108	1,455,284	2,319,759	4,978,875	6,127,666
	1,043,184,505	595,876,100	51,405,638	26,422,494	25,181,922	44,935,457	63,509,607	46,693,352	61,373,695	74,958,424	11,107,253	8,819,828	12,490,541	20,410,194
Net assets	52,261,511	(498,846,550)	(41,015,857)	(6,568,021)	14,925,507	17,290,316	10,678,316	134,729,772	1,747,706	(9,016,392)	51,164,677	89,482,911	127,817,012	159,872,114
Share capital - net	26,173,766													
Reserves	8,029,024													
Surplus on revaluation of assets - net of tax	5,955,359													
Unappropriated profit	12,103,362													
	52,261,511													

2019

	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
Rupees in '000														
Assets														
Cash and balances with treasury banks	53,414,628	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	10,310,569	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,059,771	-	530,000	-	3,229,771	300,000	-	-	-	-	-	-	-	-
Investments - net	361,452,930	-	-	-	39,583,112	14	728,111	2,324,372	76,359,325	18,128,392	60,183,668	8,207,913	72,467,710	83,470,313
Advances - net	383,313,380	34,492,195	6,344,253	8,203,237	14,475,984	16,302,428	45,839,149	32,721,138	17,872,550	18,166,533	17,384,760	25,084,301	91,269,605	55,157,147
Fixed assets	15,218,893	3,430	16,404	19,138	48,089	86,856	85,052	261,230	258,638	267,729	1,111,813	1,223,113	2,549,294	9,288,107
Intangible assets	793,285	875	5,250	6,125	14,875	27,125	27,126	81,376	81,376	81,376	324,733	143,048	-	-
Deferred tax assets - net	6,567,783	-	-	-	-	-	-	-	-	-	-	-	6,567,783	-
Other assets - net	33,796,541	12,420,511	327,580	649,445	8,324,475	354,175	508,045	853,242	125,297	9,171,404	1,062,367	-	-	-
	868,927,780	110,642,208	7,223,487	8,877,945	65,676,306	17,070,598	47,187,483	36,241,358	94,697,186	45,815,534	80,067,341	34,658,375	172,854,392	147,915,567
Liabilities														
Bills payable	3,421,083	3,421,083	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	77,044,955	139,187	11,660,187	4,715,872	11,104,257	11,886,472	11,337,194	13,697,909	4,647,362	96,743	505,239	521,664	970,777	5,762,092
Deposits and other accounts	691,017,447	490,014,656	3,569,043	4,623,973	11,727,776	18,683,692	26,949,782	39,307,964	41,265,743	44,857,581	2,378,523	5,327,065	2,311,649	-
Subordinated debts	8,794,420	-	-	-	-	-	-	1,360	-	-	2,002,720	2,720	5,440	6,780,820
Other liabilities	41,967,541	16,937,870	361,663	790,898	1,057,177	878,996	628,481	2,870,518	1,860,141	2,031,673	3,091,307	1,549,098	4,108,201	5,801,518
	822,245,446	510,512,796	15,590,893	10,130,743	23,889,210	31,449,160	38,915,457	55,877,751	47,773,246	46,987,357	7,977,789	7,400,547	7,396,067	18,344,430
Net assets	46,682,334	(399,870,588)	(8,367,406)	(1,252,798)	41,787,096	(14,378,562)	8,272,026	(19,636,393)	46,923,940	(1,171,823)	72,089,562	27,257,828	165,458,325	129,571,137
Share capital - net	26,173,766													
Reserves	6,640,276													
Surplus on revaluation of assets - net of tax	5,371,207													
Unappropriated profit	8,497,085													
	46,682,334													

44.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank
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										
Assets										
Cash and balances with treasury banks	69,271,804	69,271,804	-	-	-	-	-	-	-	-
Balances with other banks	2,397,707	2,397,707	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,086,867	14,286,867	1,800,000	-	-	-	-	-	-	-
Investments - net	567,788,623	27,205,439	74,105,702	152,176,817	85,267,964	35,422,260	43,581,464	51,191,717	98,837,260	-
Advances - net	391,160,612	38,065,185	59,340,140	28,455,639	35,206,528	25,633,812	53,474,189	78,910,285	62,815,195	9,259,639
Fixed assets	14,812,949	127,354	160,471	236,119	483,568	986,358	1,017,578	2,431,287	5,640,245	3,729,969
Intangible assets	688,508	19,125	38,250	57,375	114,750	229,500	229,508	-	-	-
Deferred tax assets - net	7,774,264	-	-	-	-	-	-	7,774,264	-	-
Other assets - net	25,464,682	16,007,752	969,133	497,174	7,990,623	-	-	-	-	-
	1,095,446,016	167,381,233	136,413,696	181,423,124	129,063,433	62,271,930	98,302,739	140,307,553	167,292,700	12,989,608
Liabilities										
Bills payable	4,168,641	4,168,641	-	-	-	-	-	-	-	-
Borrowings	154,841,415	62,674,283	29,419,076	5,703,591	36,353,005	4,274,982	5,906,562	3,005,488	6,840,746	663,682
Deposits and other accounts	835,067,592	145,828,108	158,965,432	94,902,596	151,945,738	59,966,252	55,182,772	59,092,723	54,591,985	54,591,986
Subordinated debts	6,791,700	-	-	1,360	1,360	2,720	2,720	5,440	6,778,100	-
Other liabilities	42,315,157	22,183,249	1,948,533	677,790	2,624,001	1,455,284	2,319,759	4,978,875	2,086,742	4,040,924
	1,043,184,505	234,854,281	190,333,041	101,285,337	190,924,104	65,699,238	63,411,813	67,082,526	70,297,573	59,296,592
Net assets	52,261,511	(67,473,048)	(53,919,345)	80,137,787	(61,860,671)	(3,427,308)	34,890,926	73,225,027	96,995,127	(46,306,984)
Share capital - net	26,173,766									
Reserves	8,029,024									
Surplus on revaluation of assets - net of tax	5,955,359									
Unappropriated profit	12,103,362									
	52,261,511									

Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

2019

	Total	Upto 1 month	Over 1 to 3 months	Over 3 top 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	53,414,628	53,414,628	-	-	-	-	-	-	-	-
Balances with other banks	10,310,569	10,310,569	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,059,771	3,759,771	300,000	-	-	-	-	-	-	-
Investments - net	361,452,930	39,583,112	728,125	2,324,372	94,487,717	60,183,668	8,207,913	72,467,710	83,470,313	-
Advances - net	383,313,380	63,515,669	62,141,577	32,721,138	36,039,183	17,384,760	25,084,301	91,269,605	43,202,579	11,954,568
Fixed assets	15,218,893	87,061	171,908	261,230	526,367	1,111,813	1,223,113	2,549,294	7,461,002	1,827,105
Intangible assets	793,285	27,125	54,251	81,376	162,752	324,733	143,048	-	-	-
Deferred tax assets - net	6,567,783	-	-	-	-	-	-	6,567,783	-	-
Other assets - net	33,796,541	21,722,011	862,220	853,242	9,296,701	1,062,367	-	-	-	-
	868,927,780	192,419,946	64,258,081	36,241,358	140,512,720	80,067,341	34,658,375	172,854,392	134,133,894	13,781,673
Liabilities										
Billis payable	3,421,083	3,421,083	-	-	-	-	-	-	-	-
Borrowings	77,044,955	27,619,503	23,223,666	13,697,909	4,744,105	505,239	521,664	970,777	5,762,092	-
Deposits and other accounts	691,017,447	109,091,836	116,370,582	86,466,037	133,281,396	49,536,596	52,485,138	49,469,723	47,158,073	47,158,066
Subordinated debts	8,794,420	-	-	1,360	1,360	2,002,720	2,720	5,440	6,780,820	-
Other liabilities	41,967,541	19,147,608	1,507,477	2,870,518	3,891,814	3,091,307	1,549,098	4,108,201	2,550,110	3,251,408
	822,245,446	159,280,030	141,101,725	103,035,824	141,918,675	55,135,862	54,558,620	54,554,141	62,251,095	50,409,474
Net assets	46,682,334	33,139,916	(76,843,644)	(66,794,466)	(1,405,955)	24,931,479	(19,900,245)	118,300,251	71,882,799	(36,627,801)
Share capital - net	26,173,766									
Reserves	6,640,276									
Surplus on revaluation of assets - net of tax	5,371,207									
Unappropriated profit	8,497,085									
	<u>46,682,334</u>									

45. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Bank in its meeting held on February 19, 2021 has proposed a cash dividend of 10 percent (2019: 7.5%). These appropriations will be approved in the forthcoming Annual General Meeting. These unconsolidated financial statements for the year ended December 31, 2020 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2021.

46. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on February 19, 2021 by the Board of Directors of the Bank.

47. GENERAL

47.1 Figures have been rounded off to the nearest thousand rupees.

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

Chief Financial Officer

President

Chairman

Director

Director

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 written-off	Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
11	Muhammad Yousaf (Basti Jhandeer Colony Po Karam Pur Kotli Mahtam Tehsil Maisi Dist Vehari)	Muhammad Yousaf (36602-7091496-3)	Faiz Bakhsh	2,009	64	-	2,073	-	395	242	637
12	Muhammad Mohsin Ali (Mohallah Grid Road Narang Tehsil Muridke Distt Sheikhpura)	Muhammad Mohsin Ali (35401-8030316-7)	Fazal Karim	2,296	136	-	2,432	-	416	308	724
13	Al Shehbaz Traders (Al-Shahbaz Traders Mohallah Farooq Abad Ahmad Pur Sial Jhang)	Muhammad Shahbaz (33204-0352023-5)	Chaudhry Ghulam Rasool	7,291	263	-	7,554	-	1,039	698	1,737
14	Alamdard Hussain (Imam Bargah Ahmed Nagar Pattoki.)	Alamdard Hussain (35103-4289957-5)	Asghar Hussain	2,234	3,806	-	6,040	-	3,778	-	3,778
15	Alamdard Hussain (Imam Bargah Ahmed Nagar Pattoki.)	Alamdard Hussain (35103-4289957-5)	Asghar Hussain	7,458	12,533	-	19,991	-	12,533	-	12,533
16	Muhammad Jahangir Butt (Mouza 13-Kb Hoota Road Zarak Jhangir Rest House Pakpattan.)	Muhammad Jahangir Butt (36402-5049783-3)	Niaz Ahmad	1,000	1,541	-	2,541	-	1,572	-	1,572
17	Syed Ghulam Raza Shah (P/O Kot Mithan Basti Raham Shah Kot Mithan.)	Syed Ghulam Raza Shah (32403-9251798-1)	Syed Raham Farid Shah	1,183	2,370	-	3,553	-	2,400	-	2,400
18	Akmal Muzaifar (Vill. Bhaka Bhattian Distt. Hafizabad.)	Akmal Muzaifar (34301-5241668-5)	Muzaffar Khan	774	1,058	-	1,832	-	997	-	997
19	Akmal Muzaifar (Vill. Bhaka Bhattian Distt. Hafizabad.)	Akmal Muzaifar (34301-5241668-5)	Muzaffar Khan	423	581	-	1,004	-	603	-	603
20	Muhammad Akhtar (Godar Maikana P/O Hassokay Mandi Ahmad Abad Tehsil Depal Pur Distt Okara.)	Muhammad Akhtar (35301-1812930-5)	Wali Muhammad	455	706	-	1,161	-	699	-	699
21	Sabir Hussain (House # 05 Tehsil Road Mohallah A Block Okara.)	Sabir Hussain (35302-3594637-7)	Ch Mohammad Hussain	1,336	1,583	-	2,919	-	1,657	-	1,657
22	Shoukat Ali Virk (Dhehamoke P.O Same Teh & Distt Sheikhpura.)	Shoukat Ali Virk (35404-6989299-5)	Nishan Ali Virk	550	882	-	1,432	-	844	-	844

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 written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
68	Ghulam Hussain (Chak No. 5/1 R.A P/O Khas Tehsil Renala Khurd Okara.)	Ghulam Hussain (35303-9054483-1)	Muhammad Akram	-	1,403	-	1,403	-	1,401	-	1,401
69	Muhammad Ahmad (Bonga Salah Po Same Tehsil Depalpur District Okara.)	Muhammad Ahmad (35202-7551294-9)	Mohammad Jahangir	-	633	-	633	-	629	-	629
70	Allah Rakha (House No.474,Mohala Patwaryan Kehror Pakka.)	Allah Rakha (36202-7387938-1)	Allah Dewaya	-	678	-	678	-	535	-	535
71	Majid Hussain (V.P.O.Pathanky Cheema,Teh Wazi Rabad,Distt Gujranwal.)	Majid Hussain (34104-1528516-9)	Muhammad Nawaz	-	909	-	909	-	909	-	909
72	Shafi Muhammad (Kot Nawab Din Cheena P.O.Hallah Teh. Pattoki.)	Shafi Muhammad (35103-5596350-9)	Inayat Ali	-	513	-	513	-	509	-	509
73	Subha Sadiq (Mohalla Chah Boliain Walla Tehsil Fero-zwalla Distt Sheikhpura.)	Subha Sadiq (35401-1855199-9)	Ghulam Khokhar	-	3,420	-	3,420	-	639	2,737	3,376
74	Subha Sadiq (Mohalla Chah Boliain Walla Tehsil Fero-zwalla Distt Sheikhpura.)	Subha Sadiq (35401-1855199-9)	Ghulam Khokhar	-	961	-	961	-	639	366	1,005
75	Abdullah Protein Farm (23 Model Town Bahawalpur.)	Muhammad Abdullah (31202-5892790-9)	Malik Manzoor	4,970	682	-	5,652	-	507	140	647
76	Mehar Khalid Mehmoood (Chack#39/4-L P/O 40-A/4-L Teh & Distt.Okara.)	Mehar Khalid Mehmoood (35302-4928006-1)	Mehr Muhammad Bukhsh	-	1,230	-	1,230	-	1,230	-	1,230
77	Muhammad Bux Saqib (Meet Kot , P/O Chunian Tehsil Chunian Distt Kasur.)	Muhammad Bux Saqib (35101-3220836-3)	Inayat Ullah	-	503	-	503	-	503	-	503
78	Muhammad Bux Saqib (Meet Kot , P/O Chunian Tehsil Chunian Distt Kasur.)	Muhammad Bux Saqib (35101-3220836-3)	Inayat Ullah	-	560	-	560	-	560	-	560
79	Muhammad Jehangir (Mauza Kamal Pur Jatyal, Lodhran.)	Muhammad Jehangir (35202-6054434-7)	Muhammad Sid-dique	-	541	-	541	-	538	-	538

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 written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total					
	2	3	4	5	6	7	8	9	10	11	12	
Rupees in '000												
80	Sohail Hafeez Feeds. (Abu Dhabi Road, Near Cotton Research Institute, Raheem Yar Khan)	Muhammad Aslam Sohail (31303-6092772-9) Hafeez-ur-Rehman (31303-9047284-7)	Ghulam Mustafa Sohail Muhammad Anwar	-	3,720	-	3,720	-	1,423	-	1,423	
81	Sohail Hafeez Farms (Abu Dhabi Road, Near Cotton Research Institute, Raheem Yar Khan)	Muhammad Aslam Sohail (31303-6092772-9) Hafeez-ur-Rehman (31303-9047284-7)	Ghulam Mustafa Sohail Muhammad Anwar	-	27,719	-	27,719	-	10,264	-	10,264	
82	P K Associates (Thatha Kanjuan, Pindi Bhattian, Dist. Hafizabad)	Muhammad Arif (42301-1011791-5) Muhammad Hussain (34302-9078056-7)	Muhammad Bukhsh Raja	-	6,168	-	6,168	-	2,347	-	2,347	
83	D.M (Din Muhammad) Weaving Factory (Main Bazar Road, Kot Kasur)	Gohar Siddique (35102-5088198-9) Muhammad Irfan Siddique (35102-4655334-1)	Muhammad Sid- dique Muhammad Sid- dique	-	8,994	-	8,994	-	2,835	-	2,835	
84	Amanullah & Co (Shop No.2 Tolinton Market Lahore)	Amanullah Sheikh (36302-0258448-3)	Mahmood Allah Sheikh	1,394	3,584	-	4,978	-	1,144	-	1,144	
85	Paradise Electronics (Opposite Zaman Plaza, 4 Main Hall Road, Lahore)	Muhammad Mehmood ul Zaman (35202-7058146-5)	Irshad Muhammad Chaudhry	2,936	3,934	-	6,870	-	1,419	-	1,419	
86	Tayyab Autos (Gali Master Wali, Christian Town, Sialkot)	Iftekhar Ali (34603-7881772-9)	Muhammad Sid- dique	1,072	6,568	-	7,640	-	1,603	-	1,603	
87	Trafco Logistics Pvt Ltd (Trafco House, 2nd Floor, 1-C-1 Canal Bank Road, Canal Park, Gulberg II, Lahore)	Tahir Malik (35202-2546773-1) Saboohi Tahir (35202-1927392-4) Kashif Malik (35202-0198988-5)	Muhammad Riaz Malik Tahir Malik Tahir Malik	48,057	8,835	-	56,892	-	2,289	-	2,289	
88	Quality Cotton Ginners Ginning (515/EB Kamad Road, Burewala)	Muhammad Ayub (36601-1608705-3) Muhammad Tahir (36601-4378870-7) Khalid Maqsood Ghuman (36601-6918397-1)	Muhammad Sule- man Muhammad Saleem Ch. Muhammad Yousaf Ghuman	7,789	2,300	-	10,089	-	1,539	-	1,539	

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 written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total	9				
	2	3	4	5	6	7	8	9	10	11	12	
Rupees in '000												
95	Irshad Traders (Khalid Paint Store Court Road Opp. Sarwar Gold Plaza Gujrat)	Zulfiqar Ali (34201-7847568-3)	Mirza Salah-ud-Din	6,170	4,248	-	10,418	-	1,056	-	1,056	
96	Tractor House Peshwar (Opp.Eid Ghah Charasada Road Peshwar)	Gamar Zaman (17101-8091742-3)	Muhammad Zaman	13,443	18,069	-	31,512	-	11,151	-	11,151	
97	Baiwa Engineering Works Regd (13/10 Sher Shah Road Naseerabad Shalamar Town Lahore)	Muhammad Yousaf Bajwa (35201-0817818-1)	Muhammad Ismail	763	1,213	-	1,976	-	578	-	578	
98	Miller Flour Mills (Shaheen Abad G.T. Road Gujranwala)	Mirza Muhammad Riaz (34101-5067504-5) Muhammad Imtiaz (34101-0411046-7) Muhammad Hanif (34101-2678848-7)	Fazal Hussain Fazal Hussain Fazal Hussain	3,252	6,592	-	9,844	-	2,920	-	2,920	
99	Bhulla Traders Proprietor Irfan Ras (Bhulla House Old Narang Road Muridke)	Irfan Rasool Bhulla (35401-1832770-1)	Ch. Anayat Ali	2,688	2,122	-	4,810	-	835	-	835	
100	Saadullah Sh (7-New Tollintol Market Shadman Lahore)	Saad Ullah Sheikh (35202-3222140-5)	Masood Ullah Sheikh	2,184	5,521	-	7,705	-	2,333	-	2,333	
101	Sh Masood Ullah (63,64,65 New Tollinton Market Shadman Lahore)	Masud Ullah Sheikh (35202-9275369-9)	Sheikh Muhammad Sharif	1,574	13,696	-	15,270	-	1,882	-	1,882	
102	A-One Color Lab / Studio (82-Allama Iqbal Road Garhi Shahu Lahore)	Aamir Riaz (35202-4803654-9)	Riaz Ahmed	1,642	3,124	-	4,766	-	1,347	-	1,347	
103	Al-Madina Wood Works (Bilal Park Dhubi Gaat Chowk Chah Miran Lahore)	Muhammed Arif (35202-8441841-1)	Ghulam Nabi	503	775	-	1,278	-	826	-	826	
104	Ghafoor Gamer / Brothers (118/W.B.P.O 122/WB Teh Mailsi Distt Vehari)	Abdul Ghafoor (36602-3179550-1)	Ashiq Muhammad	1,259	5,239	-	6,498	-	3,103	-	3,103	
105	Arshad Thread Works (H-4 St-3 Mohalla Ibrahim Stret Jia Musa Shahdra Lahore)	Arshad Ali (35202-5749559-5)	Chaudhry Ghulam Ali	5,751	9,411	-	15,162	-	3,984	-	3,984	

ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the December 31, 2020, The Bank is operating 102 Islamic banking branches and 02 sub Islamic banking branches (2019: 98 Islamic banking branches and 02 sub Islamic banking branches).

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	2020 Rupees in '000'	2019
ASSETS			
Cash and balances with treasury banks		5,351,954	3,742,675
Balances with other banks		307,986	3,355,122
Due from financial institutions	1	8,632,000	3,395,000
Investments - net	2	16,996,603	8,936,196
Islamic financing and related assets - net	3	33,201,187	27,270,972
Fixed assets		1,670,801	1,757,599
Intangible assets		6,626	4,428
Due from head office		951,270	2,342,604
Other assets		2,003,185	2,459,344
Total assets		69,121,612	53,263,940
LIABILITIES			
Bills payable		212,448	250,213
Due to financial institutions		607,842	-
Deposits and other accounts	4	61,539,589	46,089,009
Due to head office		-	-
Subordinated debt		-	-
Other liabilities		2,647,285	3,169,627
		65,007,164	49,508,849
NET ASSETS		4,114,448	3,755,091
REPRESENTED BY			
Islamic banking fund		1,500,000	1,500,000
Reserves		735	32,768
(Deficit) / surplus on revaluation of assets		(97,165)	67,698
Unappropriated profit	5	2,710,878	2,154,625
		4,114,448	3,755,091
CONTINGENCIES AND COMMITMENTS	6		

ISLAMIC BANKING BUSINESS PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
Profit / return earned	7	5,057,562	4,824,953
Profit / return expensed	8	2,558,654	2,186,851
Net profit / return		2,498,908	2,638,102
Fee and commission income		108,798	91,077
Dividend income		-	-
Foreign exchange income		4,915	849
Income / (loss) from derivatives		-	-
Loss on securities		-	(634)
Other income		4,278	2,701
		117,991	93,993
Total income		2,616,899	2,732,095
Other expenses			
Operating expenses		1,646,171	1,417,871
Workers welfare fund		-	-
Other charges		150	710
		1,646,321	1,418,581
Profit before provisions		970,578	1,313,514
Provisions and write offs - net		414,325	28,083
Profit before taxation		556,253	1,285,431
Taxation	9	-	-
Profit after taxation		556,253	1,285,431

ISLAMIC BANKING BUSINESS CASH FLOW STATEMENT

Annexure II

For the year ended December 31, 2020

	2020	2019
Rupees in '000'		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	556,253	1,285,431
Less: dividend income	-	-
	556,253	1,285,431
Adjustments for:		
Depreciation on fixed assets	126,823	90,348
Amortization on intangible assets	1,353	564
Depreciation on ijarah assets under IFAS - 2	162,883	238,279
Depreciation right-of-use assets	158,935	147,208
Markup on lease liability against right-of-use assets	181,732	146,890
Amortization of premium / (discount) on debt securities - net	43,739	(8,232)
Gain on termination of lease liability against right-of-use assets	(17)	(433)
Gain on sale of fixed assets-net	(2,135)	-
Provision and write-offs - net	414,325	28,083
	1,087,638	642,707
(Increase) / decrease in operating assets:	1,643,891	1,928,138
Lendings to financial institutions	(5,237,000)	1,955,000
Advances	(6,507,423)	(7,541,708)
Others assets	1,847,493	(3,071,135)
	(9,896,930)	(8,657,843)
Increase / (decrease) in operating liabilities:		
Bills payable	(37,765)	40,451
Due to financial institutions	607,842	-
Deposits and other accounts	15,450,580	9,587,898
Other liabilities	(582,550)	(465,928)
	15,438,107	9,162,421
Net cash flow from operating activities	7,185,068	2,432,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(8,269,009)	718,522
Investments in operating fixed assets	(122,916)	(238,917)
Net cash (used in) / flow from investing activities	(8,391,925)	479,605
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(231,000)	(210,698)
Net cash used in financing activities	(231,000)	(210,698)
Net (decrease) / increase in cash and cash equivalents	(1,437,857)	2,701,623
Cash and cash equivalents at beginning of the year	7,097,797	4,396,174
Cash and cash equivalents at end of the year	5,659,940	7,097,797

Notes to the Annexure

1. DUE FROM FINANCIAL INSTITUTIONS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Unsecured	8,632,000	-	8,632,000	3,395,000	-	3,395,000

2. INVESTMENTS BY SEGMENTS

	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'							
Federal government securities:								
- Ijarah sukuku	2,249,072	-	1,078	2,250,150	1,985,749	-	(5,749)	1,980,000
- Sukuk - bai muajjal with Government of Pakistan	2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
	5,005,268	-	1,078	5,006,346	4,741,945	-	(5,749)	4,736,196
Non government debt securities								
- Listed	8,521,689	-	(171,690)	8,349,999	-	-	-	-
- Lisited	3,640,258	-	-	3,640,258	4,200,000	-	-	4,200,000
- Unlisted								
Total investments	17,167,215	-	(170,612)	16,996,603	8,941,945	-	(5,749)	8,936,196

	Note	2020	2019
		Rupees in '000'	
3. ISLAMIC FINANCING AND RELATED ASSETS			
Ijarah	3.1	1,988,841	1,737,428
Murabaha	3.2	220,091	1,272,740
Musharaka		9,347,782	10,684,948
Diminishing musharaka		18,353,796	10,599,650
Istisna		3,894,158	3,166,670
Payment against documents		55,304	55,303
Gross islamic financing and related assets		33,859,972	27,516,739
Less: provision against islamic financings			
- Specific		658,785	245,767
- General		-	-
		658,785	245,767
Islamic financing and related assets - net of provision		33,201,187	27,270,972

3.1 Ijarah

	2020								
	Cost				Depreciation				Book value
	As at Jan 01, 2020	Additions	Deletion / adjustment	As at Dec 31, 2020	As at Jan 01, 2020	Deletion / adjustment	Charge for the year	As at Dec 31, 2020	as at Dec 31, 2020
	Rupees in '000'								
Plant and machinery	125,415	-	(29,153)	96,262	48,493	(31,144)	20,821	38,170	58,092
Vehicles	521,933	31,188	(15,443)	537,678	212,044	(11,434)	78,024	278,634	259,044
Equipment	214,523	-	(18,300)	196,223	99,424	(14,537)	64,038	148,925	47,298
Service Ijarah	1,235,518	388,889	-	1,624,407	-	-	-	-	1,624,407
Total	2,097,389	420,077	(62,896)	2,454,570	359,961	(57,115)	162,883	465,729	1,988,841

Annexure II

	2019									
	Cost				Depreciation				Book value	
	As at Jan 01, 2019	Additions	Deletion / adjustment	As at Dec 31, 2019	As at Jan 01, 2019	Deletion / adjustment	Charge for the year	As at Dec 31, 2019	as at Dec 31, 2019	
	Rupees in '000'									
Plant and machinery	125,415	-	-	125,415	26,770	-	21,723	48,493	76,922	
Vehicles	368,933	237,553	(84,553)	521,933	220,050	(75,953)	67,947	212,044	309,889	
Equipment	762,428	-	(547,905)	214,523	457,036	(506,221)	148,609	99,424	115,099	
Service Ijarah	-	1,235,518	-	1,235,518	-	-	-	-	1,235,518	
Total	1,256,776	1,473,071	(632,458)	2,097,389	703,856	(582,174)	238,279	359,961	1,737,428	

3.1.1 Future ijarah payments receivable

	2020				2019			
	Not later than 1 year	Later than 1 & less than 5 years	Over five years	Total	Not later than 1 year	Later than one & less than 5 years	Over five years	Total
	Rupees in '000'				Rupees in '000'			
Ijarah rental receivables	425,493	1,145,529	417,817	1,988,839	355,326	1,029,099	353,003	1,737,428

	Note	2020	2019
		Rupees in '000'	
3.2 Murabaha			
Murabaha financing	3.2.1	197,566	1,001,934
Advances for murabaha		22,525	270,806
		220,091	1,272,740
3.2.1 Murabaha receivable - gross	3.2.2	242,516	1,046,741
Less: deferred murabaha income	3.2.4	344	29,784
Profit receivable shown in other assets		44,606	15,023
Murabaha financings		197,566	1,001,934
3.2.2 The movement in murabaha financing during the year is as follows:			
Opening balance		1,046,741	968,565
Sales during the year		859,021	2,001,983
Adjusted during the year		1,663,246	1,923,807
Closing balance		242,516	1,046,741
3.2.3 Murabaha sale price		203,970	1,061,235
Murabaha purchase price		6,404	59,301
		197,566	1,001,934
3.2.4 Deferred murabaha income			
Opening balance		29,784	25,772
Arised during the year		32,506	98,645
Less: recognized during the year		61,946	94,633
Closing balance		344	29,784

3.3 Islamic financing and related assets include Rs. 2,876,933 thousand (2019: Rs. 305,734 thousand) which have been placed under non-performing status.

4. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000'						
Customers						
Current deposits	11,129,196	361,767	11,490,963	9,093,509	330,022	9,423,531
Savings deposits	46,122,394	65,342	46,187,736	33,025,303	98,310	33,123,613
Term deposits	1,967,176	-	1,967,176	1,092,240	-	1,092,240
Others	1,581,404	-	1,581,404	1,125,855	-	1,125,855
	60,800,170	427,109	61,227,279	44,336,907	428,332	44,765,239
Financial institutions						
Current deposits	216,155	-	216,155	200,243	-	200,243
Savings deposits	90,864	5,291	96,155	1,122,998	-	1,122,998
Term deposits	-	-	-	-	-	-
Others	-	-	-	529	-	529
	307,019	5,291	312,310	1,323,770	-	1,323,770
	61,107,189	432,400	61,539,589	45,660,677	428,332	46,089,009

	2020	2019
	Rupees in '000'	
4.1 Composition of deposits		
- Individuals	13,391,543	14,264,657
- Government	24,840,912	21,875,177
- Public sector entities	430,596	224,962
- Banking companies	269,062	258,495
- Non-banking financial institutions	43,248	1,065,275
- Private sector	22,564,228	8,400,443
	61,539,589	46,089,009

4.2 This includes deposits eligible to be covered under insurance arrangements of Deposit Protection Corporation amounting to Rs. 30,735,192 thousand (2019: Rs 20,556,009 thousand).

	2020	2019
	Rupees in '000'	
5. ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT		
Opening balance	2,154,625	869,194
Add: Islamic banking profit for the year	556,253	1,285,431
Closing balance	2,710,878	2,154,625
6. CONTINGENCIES AND COMMITMENTS		
-Guarantees	1,683,665	1,095,316
-Commitments	1,586,274	15,712,318
	3,269,939	16,807,634

Annexure II

	2020	2019
	Rupees in '000'	
7. PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT		
Profit earned on:		
Financing	3,209,835	3,299,327
Investments	1,543,985	1,076,755
Placements	291,047	384,550
Deposits with financial institutions	12,695	64,321
	5,057,562	4,824,953
8. PROFIT ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	2,317,614	2,029,295
Markup on lease liability against right-of-use assets	181,732	146,890
Markup on borrowings from SBP	49	-
Profit on deposits from conventional HO	59,259	10,666
	2,558,654	2,186,851

9. The Bank calculates and files a single corporate tax return as per the requirements of Income Tax Ordinance, 2001. Segmental calculation is not required for filing. However, considering the format requirement of the financial statements to disclose Islamic Banking segment's tax charge separately, a notional net tax charge for Islamic Banking is expected to be Rs. 234,071 thousand (2019: Rs. 530,497 thousand).

	2020	2019
	Rupees in '000'	
10. CHARITY FUND		
Opening balance	40,263	45,844
Additions during the year		
Received from customers on account of delayed payment	11,259	41,052
Profit on charity saving account	982	2,526
	12,241	43,578
Payments / utilization during the year		
Education	-	25,000
Health	48,342	24,159
	48,342	49,159
Closing balance	4,162	40,263

11. POOL MANAGEMENT

11.1 BOP TAQWA islamic banking division is maintaining following pools for profit declaration and distribution.

- i) General pool
- ii) Special pool-I
- iii) Special pool-II
- iv) Special pool-IV
- v) Special pool-VII (PER)
- vi) Special pool-IX
- vii) Special pool-XIII
- viii) Special pool-XIV
- ix) Special pool-XV
- x) Special pool-XVI
- xi) Special pool-XVII
- xii) Special pool-XVIII
- xiii) Special pool-XIX
- xiv) Taqwa Foreign Currency USD Pool
- xv) Taqwa Foreign Currency GBP Pool
- xvi) Taqwa Foreign Currency EURO Pool
- xvii) USD special pool-I

11.2 General pool

The general pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from BOP head office. The Bank acts as fund manager (Mudarib) and invests the funds in shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

a) Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in Mudaraba based depositors' accounts and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

b) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

c) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from principal office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & shariah clearance.

11.3 Special pools

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from BOP head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-TAQWA as Mudarib.

a) Weightages for distribution of profit in special pools

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

b) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

c) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from principal office, islamic banking institutions and shariah compliant organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & shariah clearance.

11.4 Avenues / sectors of economy / business where mudaraba based deposits have been deployed:

	2020	2019
	Rupees in '000'	
Federal and provincial governments	9,602,269	7,836,261
Due from GOP - bai muajjal	2,756,196	2,756,196
Placement with Financial Institutions	8,632,000	3,395,000
Ijara sukuk	2,249,071	1,985,749
Transport, storage, logistics and communication	186,055	245,269
Manufacturing and trading of food items	842,840	713,311
Manufacture of pesticides and other agro-chemical product	68,137	98,944
Power generation	18,131,692	10,954,848
Manufacture of paper, paperboard and products thereof	614,086	640,842
Consumer car Ijarah	16,225	23,074
Textile composite / other	4,328,821	1,138,879
Cement & allied	3,138,939	3,127,597
Iron & steel industry	856,890	647,524
Rubber / plastic products etc.	198,648	199,910
Others	8,054,170	8,841,148
	59,676,039	42,604,552

11.5 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

	2020	2019
	Rupees in '000'	
Provisions		
Murabaha	50,009	47,067
Istisna	10,000	-
Ijarah	186,380	185,000
Diminishing Musharika	412,396	13,700
	658,785	245,767

11.6 Mudarib share (in amount and percentage of distributable income):

	2020		2019	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
	Rupees in '000'			
Rabbul mal	2,250,493	56.74%	1,960,390	60.89%
Mudarib	1,715,683	43.26%	1,259,103	39.11%
Distributable income	3,966,176	100.00%	3,219,493	100.00%

11.7 Amount & percentage of mudarib share transferred to depositors through Hiba:

	2020	2019
	Rupees in '000'	
Mudarib share	1,715,683	1,259,103
Hiba	173,347	60,123
Hiba percentage of mudarib share	10.10%	4.78%

This is not a special hiba as such. This hiba has been distributed across the board to all the investment account holders.

Profit rate earned vs. profit rate distributed to the depositors during the year:

Profit rate earned	9.53%	12.71%
Profit rates distributed to depositors	4.83%	5.27%



**CONSOLIDATED
FINANCIAL
STATEMENTS**

for the year ended December 31, 2020
(The Bank of Punjab & Its Subsidiaries)



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INDEPENDENT AUDITOR'S REPORT

To the members of The Bank of Punjab

Report on the Audit of the Consolidated Financial Statements

For the year ended 31 December 2020

Opinion

We have audited the annexed consolidated financial statements of The Bank of Punjab and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit and loss account and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and 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
<p>1. Provision against non-performing advances</p>	
<p>The Group's credit portfolios include advances, debt securities and non-funded credit facilities. The portfolio is spread across various domestic branches and include corporate financing to several public sector entities and large to small size businesses operating in the private sector, as well as consumer financing to individuals.</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 5.4 to the consolidated financial statements), the Group determines provisions against non-performing financings exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for 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 borrower's economic, financial and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against financings 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 financings are included in note 5.4 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"> - We reviewed the Group's process for identification and classification of non-performing financings. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired financings and declassification of accounts from non-performing to regular and vice versa, as the case may be. - We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations; - In addition, we selected a representative sample of borrowers from the financings portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower; - In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management. - We also assessed adequacy of disclosures as included in note 10 to the consolidated financial statements regarding the non-performing financings and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.

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

Management is responsible for the other information. The other information comprises the Annual report, but does not include the financial statements and our auditors' report 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 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 the accounting and reporting standards as applicable in Pakistan and 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 auditor's report is Farooq Hameed.

EY Ford Rhodes
Chartered Accountants

Date: February 19, 2021
Place: Lahore

Consolidated Statement of Financial Position

As at December 31, 2020

	Note	2020 Rupees in '000'	2019
ASSETS			
Cash and balances with treasury Banks	6	69,272,177	53,414,645
Balances with other Banks	7	2,507,010	10,374,371
Lendings to financial institutions	8	15,086,867	3,959,771
Investments - net	9	567,803,516	361,467,822
Advances - net	10	391,889,808	383,646,616
Fixed assets	11	14,817,059	15,223,601
Intangible assets	12	695,648	800,425
Deferred tax assets - net	13	7,838,663	6,632,182
Other assets - net	14	25,937,481	34,162,404
		1,095,848,229	869,681,837
LIABILITIES			
Bills payable	16	4,168,641	3,421,083
Borrowings	17	154,841,415	77,358,612
Deposits and other accounts	18	835,070,362	691,015,859
Liabilities against assets subject to finance lease		-	-
Subordinated debts	19	6,791,700	8,794,420
Deferred tax liabilities		-	-
Other liabilities	20	42,593,336	42,225,055
		1,043,465,454	822,815,029
NET ASSETS			
		52,382,775	46,866,808
REPRESENTED BY			
Share capital - net	21	26,173,766	26,173,766
Reserves		8,113,976	6,725,228
Non controlling interest		506,993	445,331
Surplus on revaluation of assets - net of tax	22	5,955,359	5,371,207
Unappropriated profit		11,632,681	8,151,276
		52,382,775	46,866,808
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 47 and annexures I and II form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Consolidated Profit and Loss Account

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
Mark-up / return / interest earned	24	86,120,415	80,961,051
Mark-up / return / interest expensed	25	62,696,412	54,113,537
Net mark-up / interest income		23,424,003	26,847,514
NON MARK-UP / INTEREST INCOME			
Fee and commission income	26	3,757,167	3,554,915
Dividend income		136,987	103,925
Foreign exchange income		328,303	10,598
Income / (loss) from derivatives		-	-
Gain on securities - net	27	8,466,492	221,564
Other income - net	28	387,191	72,173
Total non-markup / interest income		13,076,140	3,963,175
Total income		36,500,143	30,810,689
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	29	17,064,740	14,587,962
Workers welfare fund		334,882	284,961
Other charges	30	304,279	138,697
Total non-markup / interest expenses		17,703,901	15,011,620
Profit before provisions		18,796,242	15,799,069
Provisions and write offs - net	31	6,869,929	1,727,088
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		11,926,313	14,071,981
Taxation - net	32	5,045,784	5,794,431
PROFIT AFTER TAXATION		6,880,529	8,277,550
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent		6,818,867	8,160,271
Non controlling Interest		61,662	117,279
		6,880,529	8,277,550
Basic earnings per share	33	2.58	3.09
Diluted earnings per share	34	2.58	3.09

The annexed notes 1 to 47 and annexures I and II form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
Profit after taxation for the year		6,880,529	8,277,550
Other comprehensive income:			
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement loss on defined benefit obligations	37.2.2	(87,285)	(54,429)
Movement in surplus on revaluation of fixed assets - net of tax	22.1	-	599,529
Movement in surplus on revaluation of non-banking assets - net of tax	22.2	(6,978)	(103,986)
		(94,263)	441,114
		6,786,266	8,718,664
Items that may be reclassified to profit and loss account in subsequent periods:			
Movement in surplus on revaluation of investments - net of tax	22	707,349	2,238,283
Total comprehensive income		7,493,615	10,956,947
Total comprehensive income attributable to:			
Equity holder of the parent		7,431,953	10,839,668
Non- controlling interest		61,662	117,279
		7,493,615	10,956,947

The annexed notes 1 to 47 and annexures I and II form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Surplus / (Deficit) - net of tax on revaluation of							Non-Controlling Interest	Total	
	Share capital	Discount on issue of shares	Share capital - net	Share premium	Statutory reserve	Investments	Fixed / non banking assets			Unappropriated profit
	R u p e e s i n '000'									
Balance as on January 01, 2019	26,436,924	(263,158)	26,173,766	2,215,040	2,859,890	(11,369)	3,271,681	3,038,684	328,052	37,875,744
Profit after taxation for the year	-	-	-	-	-	2,238,283	495,543	8,160,271	117,279	8,277,550
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(54,429)	-	2,679,397
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	2,238,283	495,543	8,105,842	117,279	10,956,947
Transfer to statutory reserve	-	-	-	-	1,650,298	-	-	(1,650,298)	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(42,861)	42,861	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(17,059)	17,059	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(558,120)	574,814	-	16,694
Transfer from surplus on revaluation of non Banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(4,891)	5,083	-	192
Transactions with owners, recognized directly in equity										
Final cash dividend - December 31, 2018 declared subsequent to year end at 7.5%	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
Balance as on December 31, 2019	26,436,924	(263,158)	26,173,766	2,215,040	4,510,188	2,226,914	3,144,293	8,151,276	445,331	46,866,808
Profit after taxation for the year	-	-	-	-	-	707,349	(6,978)	6,818,867	61,662	6,880,529
Other comprehensive income / (loss)	-	-	-	-	-	-	-	(87,285)	-	613,086
Total comprehensive income / (loss) for the year ended December 31, 2020	-	-	-	-	-	707,349	(6,978)	6,731,582	61,662	7,493,615
Transfer to statutory reserve	-	-	-	-	1,388,748	-	-	(1,388,748)	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(66,510)	66,510	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(9,424)	9,424	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(12,140)	14,963	-	2,823
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(28,145)	30,443	-	2,298
Transactions with owners recognized directly in equity :										
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5%	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
Balance as on December 31, 2020	26,436,924	(263,158)	26,173,766	2,215,040	5,898,936	2,934,263	3,021,096	11,632,681	506,993	52,382,775

The annexed notes 1 to 47 and annexures I and II form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Consolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		11,926,313	14,071,981
Less: Dividend income		(136,987)	(103,925)
		11,789,326	13,968,056
Adjustments:			
Depreciation on fixed assets	11.3	1,181,997	1,050,391
Depreciation on non banking assets acquired in satisfaction of claims	14.1.1	58,923	73,977
Depreciation on ijarah assets under IFAS - 2	29	287,075	312,990
Depreciation on right-of-use assets	29	891,145	875,718
Amortization on intangible assets	12.1	197,899	173,590
Amortization of discount on debt securities - net		(3,042,435)	(2,600,497)
Markup expense on lease liability against right-of-use assets	25	937,275	779,483
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.1	(1,630)	4,207
Provision and write-offs - net	31	6,869,929	1,727,088
Loss on termination of lease liability against right-of-use assets	28	2,635	4,922
Gain on sale of fixed assets - net	28	(101,461)	(63,892)
Gain on sale of non banking assets - net	28	(225,129)	(67)
Realized gain on sale of securities - net	27.1	(8,464,862)	(225,771)
Provision for employees compensated absences	29.1	13,982	13,898
Gratuity expense	29.1	187,775	170,472
		(1,206,882)	2,296,509
		10,582,444	16,264,565
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(11,127,096)	23,483,382
Held for trading securities		(9,188,822)	15,138,343
Advances		(14,114,064)	(3,065,217)
Others assets		4,660,063	(8,169,614)
		(29,769,919)	27,386,894
Increase / (Decrease) in operating liabilities:			
Bills Payable		747,558	(156,594)
Borrowings from financial institutions		77,619,855	35,628,947
Deposits		144,054,503	95,453,896
Other liabilities		(501,197)	8,165,669
		221,920,719	139,091,918
Income tax paid		(4,854,867)	(3,975,779)
Net cash flow from operating activities		197,878,377	178,767,598

Consolidated Cash Flow Statement

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(185,058,541)	(101,476,536)
Net investment in held to maturity securities		-	(59,182,166)
Dividends received		134,790	103,946
Investment in fixed assets		(1,069,119)	(1,063,224)
Investment in non-banking assets		-	(378,000)
Investment in intangible assets		(93,122)	(76,025)
Proceeds from sale of fixed assets		651,797	943,649
Proceeds from sale of non banking assets		842,089	63,618
Net cash used in investing activities		(184,592,106)	(161,064,738)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of subordinated debts		(2,002,720)	(2,720)
Dividend paid		(1,982,769)	(1,982,769)
Payment of lease liability against right-of-use assets		(1,173,559)	(1,284,352)
Net cash used in financing activities		(5,159,048)	(3,269,841)
Increase in cash and cash equivalents		8,127,223	14,433,019
Cash and cash equivalents at beginning of the year		63,649,828	49,216,809
Cash and cash equivalents at end of the year	35	71,777,051	63,649,828

The annexed notes 1 to 47 and annexures I and II form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. STATUS AND NATURE OF BUSINESS

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

The Group consists of:

Parent

The Bank of Punjab

	% age of holding 2020	% age of holding 2019
Rupees in '000'		
Subsidiaries		
Punjab Modaraba Service (Private) Limited	100.00%	100.00%
First Punjab Modaraba	39.16%	39.16%
Punjab Capital Securities (Private) Limited	39.16%	39.16%

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

The Bank of Punjab was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. The Bank has 636 branches including 18 sub branches and 104 Islamic banking branches (2019: 624 branches including 17 sub branches and 100 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

Punjab Modaraba Service (Private) Limited

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

It has accumulated losses of Rs.68,213 thousand as at December 31, 2020. Further, the Company's current liabilities exceeded its current assets by Rs. 66,857 thousand. These losses are mainly due to drying up of revenue streams. The management fee and dividend from First Punjab Modaraba (the Managed Modaraba) are the main sources of revenue of the Company. The financial statements of PMSL, however, have been prepared under the going concern assumption due to the reason that with continued support of the Bank of Punjab (the Holding Company), the Modaraba is expected to show better performance going forward yielding returns for the Bank.

First Punjab Modaraba

First Punjab Modaraba was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab). The registered office of the Modaraba is situated at Office No 100, 3rd floor, National Tower 28-Edgerton Road, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

During the period ended 31 December 2020, the Modaraba has made operating profit of Rs. 1,337 thousand, however the accumulated losses of First Punjab Modaraba, net of capital reserve, as at 31 December 2020 amount to Rs. 201,792 thousand which exceed more than fifty percent of the total amount subscribed by the holders of the Modaraba Certificates. Further the current liabilities of the Modaraba exceed its current liabilities by Rs. 38,220 thousand as at 30 June 2020. The losses attributed mainly to the increased finance costs in the recent financial years.

In order to address going concern issue in terms of section 23 of the Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980 (the Modaraba Ordinance), The Bank of Punjab (BOP) being the parent company of the Modaraba's Management Company has planned to extend its due support in terms of capital injection. Further, BOP has confirmed that it shall continue to provide financial support to the Modaraba in order to mitigate the liquidity risk. On 13 January 2021, the SECP has granted approval to initiate real estate activities for which the modaraba has to submit amended prospectus and obtain prior written approval of the Registrar Modaraba before undertaking the business of Real Estate. The approval in respect of capital injections from BOP are in process.

On the basis of support and the arrangements as outlined above and the business plan prepared by the management of the Modaraba which has been approved by the Board of Directors, the management is of the view that no material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and the Modaraba shall be able to operate on going concern basis in the foreseeable future. Consequently, the financial statements of First Punjab Modaraba have been prepared reflecting these assumptions.

Punjab Capital Securities (Private) Limited

Punjab Capital Securities (Private) Limited is registered under the Companies Ordinance, 1984 as company limited by shares from the 29th day of November 2016. PCSL is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the company is situated at Room No 319, 3rd Floor, LSE Building, Lahore. The Company is wholly-owned subsidiary of First Punjab Modaraba.

1.2 Basis of Consolidation

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries

have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

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

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

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

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

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

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2. BASIS OF PRESENTATION

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

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

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

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.1.2 SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements.

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

2.1.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2020

During the year, certain amendments to standards, interpretations and improvement to accounting standards became effective; however, the standards, amendments, interpretations and improvements did not have any material effect on these consolidated financial statements of the Group.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Group considers that the

following standards and interpretations are either not relevant or will not have any material impact on its consolidated financial statements in the period of initial application other than IFRS 9.

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

Standard or Interpretations	Effective date (accounting periods beginning on or after)	
IFRS 9, IFRS 7, IFRS 4 & IFRS 16	Interest Rate Benchmark Reform – Phase 2 - Amendments	1 January 2021
IFRS 3	Reference to conceptual framework - Amendments	1 January 2022
IAS 16	Property, plant and equipment: Proceeds before intended use -Amendments	1 January 2022
IAS 37	Onerous contracts - costs of fulfilling a contract - Amendments	1 January 2022
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41	Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current -Amendments	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture - Amendments	1 January 2023

3. BASIS OF MEASUREMENT

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:

4.1 Classification of investments

In classifying investments as “held for trading” the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

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 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.

4.2 Provision against non-performing advances and debt securities classified as investments

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances and debt securities is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

4.3 Impairment of available for sale investments

The Group considers that available for sale equity investments are impaired when there has been a significant and prolonged decline in the fair value below its cost. Other factors will also need to be considered before deciding the permanent impairment of investment. This determination of what is significant and prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the consolidated statement of financial position date, the management has determined an impairment loss on available for sale securities and held to maturity securities as disclosed in Note 9.3 to these consolidated financial statements.

4.4 Depreciation, amortization and revaluation of fixed assets

Estimates of useful life of fixed assets are based on management’s best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. 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 assets, the method is changed to reflect the change in pattern. Further, the Group estimates the revalued amount of freehold land and buildings on freehold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

4.5 Income taxes

In making 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. There are certain matters where the Group’s view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

4.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

4.7 Non banking assets acquired in satisfaction of claims

The Group estimates the revalued amounts of non banking assets acquired in satisfaction of claims on a regular basis. The estimates are based on expected legal enforceability, ease of realization and valuations carried out by an independent valuation expert under the market conditions.

4.8 Lease liability on right-of-use assets

In making estimates, the Bank uses following practical expedients and significant judgments, as permitted by the standard:

- Use of a single discount rate for leases with similar characteristics; and
- Lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of previous financial year. Significant accounting policies are enumerated as follows:

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

5.2 Lendings / borrowings from financial institutions

The Group enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

5.2.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

5.2.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the consolidated financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

5.3 Investments

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognized at fair value and transaction costs are expensed in the consolidated profit and loss account.

All regular way purchase / sale of investment are recognized on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchase or sale of investment

requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Held for trading

These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.

Held to maturity

These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.

Available for sale

These are investments which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus / (deficit) on revaluation taken to 'Surplus / (deficit) on revaluation of assets' shown in equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as "Surplus / (Deficit) on revaluation of assets" in equity is included in the profit and loss account for the year.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

5.4 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

The rentals received / receivable on Ijarahs are recorded as income / revenue. Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Group charges depreciation from the date of the delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

5.5 Fixed assets and depreciation

5.5.1 Owned

Property and equipment, other than freehold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles, leasehold improvements and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 11.2 to these consolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus on Revaluation of Assets" in equity and any deficit arising on revaluation is taken to profit and loss account directly. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of fixed assets are included in profit and loss account currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

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

5.5.2 Right of use assets

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are subsequently depreciated over the lease term using a straight line basis as it closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are to be reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liability. Right-of-use assets are recognized using cost model.

5.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.1 to these consolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

Intangible-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

5.7 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.8 Subordinated debt

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

5.9 Employee retirement and other benefits

Defined contribution plan – Provident fund

The Group operates an approved provident fund scheme, covering all permanent employees. Contributions are made monthly by the Group and the employees at the rate of 8.33% of basic salary. Contributions by the Group are charged to profit and loss account.

Defined benefit plan - Gratuity scheme

The Group operates an approved funded gratuity scheme for all its permanent employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

Defined benefit plan - Employees' compensated absences

The Group makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

5.10 Assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation except land which is carried at revalued amount. Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of non banking assets is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized.

5.11 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

5.12 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

Mark-up / return / interest income

Mark-up / return / interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

Dividend income

Dividend income is recognized when the Group's right to receive the dividend is established.

Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (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 periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

Fees and commission income

Fee commission is recognized at amount that reflects consideration to which the Group expects to be entitled in exchange for providing the services. The Bank recognizes fees earned on transaction based arrangements at point in time, when the Bank has provided the services to customer. where the contract requires services to be provided over time, income is recognized on systematic basis over the period of arrangement.

5.13 Lease liabilities

The lease liability is initially measured at present value of lease payments to be made over lease term, discounted using bank's incremental weighted average borrowing rate. The lease liability shall be subsequently measured at amortized cost using the effective interest rate method i.e. increase by interest cost on lease liability and decrease by lease payments made.

5.13.1 Short-term leases and leases of low-value asset

The bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

5.14 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments / changes in laws and changes in estimates made during the current year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

5.15 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each consolidated statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.16 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

5.17 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Group has 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 amount can be made. Charge to profit and loss account is stated net of expected recoveries.

5.18 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the equity.

5.19 Acceptances

Acceptances comprise undertaking by the Group to pay bills of exchange drawn on customer. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on balance sheet transactions.

5.20 Financial instruments

5.20.1 Financial assets and liabilities

Financial instruments carried on the consolidated statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.20.2 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

5.21.1 Business segments

Corporate and investment banking

This includes, loans, project finance, real estate finance, export finance, trade finance, investment banking, and other banking activities with corporate and public sector customers.

Consumer and digital banking

It includes deposits and banking services including digital banking services to customers of the Bank.

Retail and priority sector lending

It includes loans of individuals, agriculture customers, SME and lending under government initiatives. Products offered to customers include transport finance, house finance, livestock finance, dairy finance etc.

Treasury

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos and brokerage debt.

Islamic

The segment pertains to full scale Islamic Banking operations of the Bank.

Others

This includes head office related activities, and all other activities not tagged to the segments above.

5.21.2 Geographical segments

The Group operates only in Pakistan.

5.22 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the consolidated financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

5.23 Earnings per share

The Group presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

	Note	2020 Rupees in '000'	2019
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		17,921,945	10,744,190
Foreign currencies		4,182,816	1,862,526
		22,104,761	12,606,716
With SBP in:			
Local currency current account	6.1	33,648,622	24,791,197
Foreign currency current account	6.2	484,298	531,902
Foreign currency deposit account	6.3	956,624	1,587,930
		35,089,544	26,911,029
With National Bank of Pakistan in:			
Local currency current account		11,200,818	13,526,747
Prize bonds		877,054	370,153
		69,272,177	53,414,645

6.1 This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

6.2 This represents mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

6.3 This carries mark-up at the rate ranging from 0.00% to 0.76% per annum (2019: 0.70% to 1.51% per annum) as announced by SBP on monthly basis.

	Note	2020 Rupees in '000'	2019
7. BALANCES WITH OTHER BANKS			
In Pakistan:			
Current accounts		504,317	7,300,725
Deposit accounts	7.1	10,592	2,788,624
		514,909	10,089,349
Outside Pakistan:			
Current accounts		229,657	205,569
Deposit accounts	7.2	1,762,444	79,453
		1,992,101	285,022
		2,507,010	10,374,371

7.1 These carry mark-up at rates ranging from 2.84% to 6.02% per annum (2019: 5.01% to 12.25% per annum).

7.2 These carry mark-up at rates ranging from 0.03% to 1.34% per annum (2019: 1.25% to 1.30% per annum).

	Note	2020 Rupees in '000'	2019
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.2	7,454,867	564,771
Placements	8.3	7,632,000	3,395,000
		15,086,867	3,959,771
8.1 Particulars of lending			
In local currency		15,086,867	3,959,771
In foreign currencies		-	-
		15,086,867	3,959,771

8.2 Securities held as collateral against lendings 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	4,154,867	-	4,154,867	-	-	-
Pakistan investment bonds	3,300,000	-	3,300,000	564,771	-	564,771
Total	7,454,867	-	7,454,867	564,771	-	564,771

Market value of securities held as collateral as at December 31, 2020 amounted to Rs. 6,651,750 thousand (2019: Rs. 564,464 thousand). These carry mark-up at rate 6.00% to 7.30% per annum (2019: 13.75% per annum) with maturities upto January 15, 2021.

8.3 These carry profit at rate ranging from 6.40% to 7.00% per annum (2019: 11.00% to 13.75% per annum) with maturities upto February 18, 2021.

9. INVESTMENTS - NET

Note	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'								
9.1 Investments by type:									
Held for trading securities									
Federal government securities	9.1.1	19,146,767	-	1,630	19,148,397	9,896,210	-	(1,710)	9,894,500
Ordinary shares		-	-	-	-	65,836	-	(2,497)	63,339
		19,146,767	-	1,630	19,148,397	9,962,046	-	(4,207)	9,957,839
Available for sale securities									
Federal government securities	9.1.1 & 9.2.1	465,221,303	-	4,453,720	469,675,023	279,471,832	-	3,305,176	282,777,008
Shares		4,830,566	(1,378,194)	199,777	3,652,149	2,620,866	(1,169,906)	119,326	1,570,286
Non government debt securities		17,516,016	(2,536,232)	(139,247)	14,840,537	9,755,954	(2,360,803)	1,519	7,396,670
Foreign securities		4,019	-	-	4,019	4,019	-	-	4,019
		487,571,904	(3,914,426)	4,514,250	488,171,728	291,852,671	(3,530,709)	3,426,021	291,747,983
Held to maturity securities									
Federal government securities	9.1.1 & 9.6.1	60,483,391	-	-	60,483,391	59,762,000	-	-	59,762,000
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		60,483,791	(400)	-	60,483,391	59,762,400	(400)	-	59,762,000
Total investments		567,202,462	(3,914,826)	4,515,880	567,803,516	361,577,117	(3,531,109)	3,421,814	361,467,822

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

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

Note	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'									
9.2 Investments by segments:									
Federal government securities:									
Market treasury bills	9.2.1	329,361,613	-	149,632	329,511,245	133,425,140	-	228,944	133,654,084
Pakistan investment bonds	9.2.1	210,484,580	-	4,304,640	214,789,220	210,962,957	-	3,080,271	214,043,228
Ijarah sukuk		2,249,072	-	1,078	2,250,150	1,985,749	-	(5,749)	1,980,000
Sukuk - bai muajjal with Government of Pakistan		2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		544,851,861	(400)	4,455,350	549,306,811	349,130,442	(400)	3,303,466	352,433,508
Shares:									
Listed companies		4,709,316	(1,287,418)	199,777	3,621,675	2,565,452	(1,148,551)	116,829	1,533,730
Unlisted companies		121,250	(90,776)	-	30,474	121,250	(21,355)	-	99,895
		4,830,566	(1,378,194)	199,777	3,652,149	2,686,702	(1,169,906)	116,829	1,633,625
Non government debt securities:									
Listed		10,294,933	(15,850)	(139,247)	10,139,836	1,992,459	(15,850)	1,519	1,978,128
Unlisted		7,221,083	(2,520,382)	-	4,700,701	7,763,495	(2,344,953)	-	5,418,542
		17,516,016	(2,536,232)	(139,247)	14,840,537	9,755,954	(2,360,803)	1,519	7,396,670
Foreign securities:									
Equity securities		4,019	-	-	4,019	4,019	-	-	4,019
Total investments		567,202,462	(3,914,826)	4,515,880	567,803,516	361,577,117	(3,531,109)	3,421,814	361,467,822

Note	2020	2019
Rupees in '000'		
9.2.1 Investments given as collateral - at cost / amortized cost		
Market treasury bills	66,472,184	11,378,650
Pakistan investment bonds	35,514,708	41,022,618
	101,986,892	52,401,268
9.3 Provision for diminution in value of investments		
9.3.1 Opening balance	3,531,109	3,261,903
Charge / reversals :		
Charge for the year	516,324	370,738
Reversals for the year	(7,500)	-
	31	
Reversal on disposals	508,824	370,738
	(125,107)	(101,532)
Closing balance	3,914,826	3,531,109

9.3.2 Particulars of provision against debt securities

Category of classification	2020		2019	
	NPI	Provision	NPI	Provision
	Rupees in '000'			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	308,606	125,678
Loss	2,536,632	2,536,632	2,235,525	2,235,525
Total	2,536,632	2,536,632	2,544,131	2,361,203

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

9.4 Quality of available for sale securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2020	2019
	Cost / Amortized cost	
	Rupees in '000'	
Federal government securities - government guaranteed		
Market treasury bills	310,457,363	123,528,930
Pakistan investment bonds	149,758,672	151,200,957
Ijarah sukuks	2,249,072	1,985,749
Sukuk bai-muajjal with Government of Pakistan	2,756,196	2,756,196
	465,221,303	279,471,832
Shares		
Fertilizer	1,040,336	885,978
Commercial banks	882,759	340,575
Power generation & distribution	622,608	512,427
Chemicals	384,453	51,375
Cable & electrical goods	317,908	181,726
Oil & gas marketing companies	285,265	102,288
Textile composite	264,381	104,834
Technology & telecommunication	211,367	87,894
Cement	197,516	160,183
Oil & gas exploration companies	164,466	-
Food & personal care products	93,724	18,283
Sugar & allied industries	89,448	89,448
Engineering	81,113	-
Pharmaceuticals	73,660	41,783
Automobile	29,952	-
Insurance	27,081	12,317
Leasing companies	15,566	168
Textile spinning	2,067	2,067
Paper & board	85	11,310
Glass & ceramics	43	43
Others	46,768	18,167
	4,830,566	2,620,866

Unlisted Companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000'			
AI - Baraka Bank Pakistan Limited	25,000	15,582	25,000	15,582
AI - Arabia Sugar Mills Limited	81,358	-	81,358	69,421
LSE Financial Services Limited	14,892	19,606	14,892	19,155
	121,250	35,188	121,250	104,158

	2020		2019	
	Cost			
	Rupees in '000'			
Non government debt securities				
Listed				
- AAA		145,833		187,500
- AA+, AA, AA-		1,606,575		1,784,124
- Unrated		8,542,525		20,835
		10,294,933		1,992,459
Unlisted				
- AAA		2,792,857		3,335,714
- AA+, AA, AA-		-		950,000
- A+, A, A-		1,565,258		700,000
- BBB+, BBB, BBB-		249,850		249,900
- Unrated		2,613,118		2,527,881
		7,221,083		7,763,495
9.5 Foreign equity securities				
SWIFT shares		4,019		4,019

This represents 66 shares (2019: 66 shares) of SWIFT purchased by the Group as per mandatory requirement of the SWIFT by-laws requiring its members to purchase shares allocated on the basis of financial contributions payable to SWIFT.

9.6 Particulars relating to Held to Maturity securities are as follows:

	2020		2019	
	Cost / Amortized cost			
	Rupees in '000'			
Federal government securities - government guaranteed				
Pakistan investment bonds		60,483,391		59,762,000
WAPDA bonds		400		400
		60,483,791		59,762,400

9.6.1 Market value of held to maturity investments amounted to Rs. 69,082,534 thousand (2019: Rs.64,466,364 thousand).

10. ADVANCES - NET

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
		Rupees in '000'					
Loans, cash credits, running finances, etc.	10.1	341,611,646	320,238,315	54,569,660	51,293,677	396,181,306	371,531,992
Net book value of assets in ijarah under IFAS 2 - In Pakistan		1,773,841	1,522,428	215,000	215,000	1,988,841	1,737,428
Islamic financing and related assets		29,209,198	25,688,577	2,661,933	90,734	31,871,131	25,779,311
Bills discounted and purchased		13,643,227	30,318,260	30,521	30,521	13,673,748	30,348,781
Advances - gross		386,237,912	377,767,580	57,477,114	51,629,932	443,715,026	429,397,512
Provision against advances:							
- Specific		-	-	(48,076,725)	(45,338,255)	(48,076,725)	(45,338,255)
- General		(3,748,493)	(412,641)	-	-	(3,748,493)	(412,641)
		(3,748,493)	(412,641)	(48,076,725)	(45,338,255)	(51,825,218)	(45,750,896)
Advances - net of provision		382,489,419	377,354,939	9,400,389	6,291,677	391,889,808	383,646,616

10.1 Includes net investment in finance lease as disclosed below:

	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	2,398,732	20,012,262	459,238	22,870,232	5,567,432	19,391,488	44,849	25,003,769
Residual value	4,506,914	7,414,848	104,100	12,025,862	5,469,299	7,062,183	10,193	12,541,675
Minimum lease payments	6,905,646	27,427,110	563,338	34,896,094	11,036,731	26,453,671	55,042	37,545,444
Financial charges for future periods	556,073	2,839,503	17,170	3,412,746	905,496	3,640,011	4,077	4,549,584
Present value of minimum lease payments	6,349,573	24,587,607	546,168	31,483,348	10,131,235	22,813,660	50,965	32,995,860

10.2 Particulars of advances (gross)

	2020	2019
	Rupees in '000'	
In local currency	443,535,313	428,636,583
In foreign currencies	179,713	760,929
	443,715,026	429,397,512

10.3 Advances include Rs. 57,477,114 thousand (2019: Rs. 51,629,932 thousand) 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	190,528	3,495	185,320	9,079
Substandard	6,286,206	1,234,491	1,179,397	139,457
Doubtful	8,086,336	6,149,532	8,204,461	4,808,487
Loss	42,914,044	40,689,207	42,060,754	40,381,232
Total	57,477,114	48,076,725	51,629,932	45,338,255

10.4 Particulars of provision against advances

	Note	2020			2019		
		Specific	General	Total	Specific	General	Total
		Rupees in '000'					
Opening balance		45,338,255	412,641	45,750,896	43,763,990	348,299	44,112,289
Charge for the year		4,825,954	3,335,852	8,161,806	3,774,826	64,342	3,839,168
Reversals for the year		(2,087,484)	-	(2,087,484)	(2,199,509)	-	(2,199,509)
Amounts written off	10.5.1	2,738,470	3,335,852	6,074,322	1,575,317	64,342	1,639,659
		-	-	-	(1,052)	-	(1,052)
Closing balance		48,076,725	3,748,493	51,825,218	45,338,255	412,641	45,750,896
10.4.1 Particulars of provision against advances with respect to currencies							
In local currency		48,011,924	3,748,493	51,760,417	45,338,255	412,641	45,750,896
In foreign currencies		64,801	-	64,801	-	-	-
		48,076,725	3,748,493	51,825,218	45,338,255	412,641	45,750,896

10.4.2 This includes general provision recognized during the year as explained in note 44.1 of these consolidated financial statements and provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

10.4.3 The Group has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 2,996,620 thousand (2019: Rs. 2,527,122 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	2020	2019
		Rupees in '000'	
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	-	1,052
Directly charged to profit and loss account		-	13
		-	1,065
10.5.2 Domestic			
Write offs of Rs. 500,000 and above	10.6	-	740
Write offs of below Rs. 500,000		-	325
		-	1,065

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 December 31, 2020 is given in Annexure-I.

	Note	2020 Rupees in '000'	2019
11. FIXED ASSETS			
Capital work-in-progress	11.1	98,500	192,270
Right-of-use assets	11.2	6,265,106	6,342,167
Property and equipment	11.3	8,453,453	8,689,164
		14,817,059	15,223,601
11.1 Capital work-in-progress			
Civil works		98,500	192,270
11.2 Right-of-use assets			
At January 1:			
Cost		7,191,638	-
Impact of IFRS-16		-	5,191,472
Accumulated depreciation		(849,471)	-
Net book value		6,342,167	5,191,472
Opening net book value		6,342,167	5,191,472
For the year ended December 31:			
Additions		900,920	2,106,596
Terminations - at cost		(105,121)	(106,430)
Depreciation on terminations		18,285	26,247
Terminations - at book value		(86,836)	(80,183)
Depreciation charge	11.2.1	(891,145)	(875,718)
Closing net book value		6,265,106	6,342,167
At December 31:			
Cost		7,987,437	7,191,638
Accumulated depreciation		(1,722,331)	(849,471)
Net book value		6,265,106	6,342,167

11.2.1 Right-of-use assets are depreciated over their respective lease term.

		2020							
		Freehold land	Building on freehold land	Furniture and fixture	Lease hold improvements	Electrical and office equipment	Computer equipment	Vehicles	Total
		Rupees in '000'							
11.3	Property and equipment								
At January 1, 2020:									
Cost / Revalued amount		1,660,054	4,246,656	765,026	2,816,022	1,895,925	1,729,874	373,417	13,486,974
Accumulated depreciation		-	-	(320,189)	(2,283,622)	(1,012,812)	(903,273)	(277,914)	(4,797,810)
Net book value		1,660,054	4,246,656	444,837	532,400	883,113	826,601	95,503	8,689,164
For the year ended December 31, 2020:									
Opening net book value		1,660,054	4,246,656	444,837	532,400	883,113	826,601	95,503	8,689,164
Additions		2,036	-	44,853	346,428	208,982	424,315	136,275	1,162,889
Revaluation surplus		-	-	-	-	-	-	-	-
Disposals - at cost / revalued amount		(440,860)	(111,335)	(17,517)	-	(44,023)	(33,545)	(45,974)	(693,254)
Depreciation on disposal		-	17,475	11,395	-	37,667	32,092	44,289	142,918
Disposals - at book value		(440,860)	(93,860)	(6,122)	-	(6,356)	(1,453)	(1,685)	(550,336)
Depreciation charge		-	(209,994)	(46,924)	(379,070)	(191,574)	(285,248)	(69,187)	(1,181,997)
Depreciation adjustment on revaluation surplus		-	-	-	-	-	-	-	-
Transfers / adjustments		317,649	19,278	(3,084)	-	(576)	3,660	-	336,927
Depreciation on transfers / adjustments		-	(3,194)	3,027	-	629	(3,656)	-	(3,194)
		317,649	16,084	(57)	-	53	4	-	333,733
Closing net book value		1,538,879	3,958,886	436,587	499,758	894,218	964,219	160,906	8,453,453
At December 31, 2020:									
Cost / Revalued amount		1,538,879	4,154,599	789,278	3,162,450	2,060,308	2,124,304	463,718	14,293,536
Accumulated depreciation		-	(195,713)	(352,691)	(2,662,692)	(1,166,090)	(1,160,085)	(302,812)	(5,840,083)
Net book value		1,538,879	3,958,886	436,587	499,758	894,218	964,219	160,906	8,453,453
Rate of depreciation (percentage)		-	5%	10%	33.33%	20%	20%	33.33%	
		2019							
		Freehold land	Building on freehold land	Furniture and fixture	Lease hold improvements	Electrical and office equipment	Computer equipment	Vehicles	Total
		Rupees in '000'							
At January 1, 2019									
Cost / Revalued amount		2,332,187	3,871,830	695,847	2,500,834	1,652,345	1,414,803	385,471	12,853,317
Accumulated depreciation		-	(291,099)	(275,815)	(1,938,411)	(826,666)	(678,782)	(281,300)	(4,292,073)
Net book value		2,332,187	3,580,731	420,032	562,423	825,679	736,021	104,171	8,561,244
Year ended December 31, 2019									
Opening net book value		2,332,187	3,580,731	420,032	562,423	825,679	736,021	104,171	8,561,244
Additions		-	99,693	71,895	313,020	256,740	320,489	41,049	1,102,886
Revaluation surplus		55,376	418,078	-	-	-	-	-	473,454
Disposals - at cost / revalued amount		(775,959)	(159,910)	(2,799)	-	(9,061)	(7,271)	(53,103)	(1,008,103)
Depreciation on disposal		-	57,651	2,105	-	8,216	7,271	53,103	128,346
Disposals - at book value		(775,959)	(102,259)	(694)	-	(845)	-	-	(879,757)
Depreciation charge		-	(182,860)	(47,378)	(345,136)	(195,040)	(230,260)	(49,717)	(1,050,391)
Depreciation adjustment on revaluation surplus		-	419,080	-	-	-	-	-	419,080
Transfers / adjustments		48,450	16,965	83	2,168	(4,099)	1,853	-	65,420
Depreciation on transfers / adjustments		-	(2,772)	899	(75)	678	(1,502)	-	(2,772)
		48,450	14,193	982	2,093	(3,421)	351	-	62,648
Closing net book value		1,660,054	4,246,656	444,837	532,400	883,113	826,601	95,503	8,689,164
At December 31, 2019									
Cost / Revalued amount		1,660,054	4,246,656	765,026	2,816,022	1,895,925	1,729,874	373,417	13,486,974
Accumulated depreciation		-	-	(320,189)	(2,283,622)	(1,012,812)	(903,273)	(277,914)	(4,797,810)
Net book value		1,660,054	4,246,656	444,837	532,400	883,113	826,601	95,503	8,689,164
Rate of depreciation (percentage)		-	5%	10%	33.33%	20%	20%	33.33%	

11.3.1 Freehold land and buildings on freehold land were revalued on December 31, 2019 by PBA approved independent valuer, on the basis of fair market value. The valuation resulted in surplus of Rs. 55,376 thousand and Rs. 837,158 thousand in respect of freehold land and buildings on freehold land respectively. Detailed particulars as on December 31, 2020 are as follows:

	Revalued amount Rupees in '000'
Freehold land	1,538,879
Buildings on freehold land	3,958,886

11.3.2 Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2020	2019
	Rupees in '000'	
Freehold land	906,842	1,079,045
Buildings on freehold land	2,013,342	2,196,666

11.3.3 The gross carrying amount (cost) of fully depreciated assets that are still in use is Rs. 771,782 thousand (2019: Rs. 658,754 thousand).

11.3.4 Detail of fixed assets sold to related parties is as follows:

Particulars	Cost	Book value	Sale price	Gain / (Loss)
	Rupees in '000'			
Toyota Prado sold as per Bank's policy to Mr. Khalid Tirmizi Ex-Acting President/CEO	11,250	1,563	1,563	-
Toyota Corolla sold through auction to Mr. Sulman Alam Shah - employee	1,646	-	1,775	1,775
Suzuki Mehran sold through auction to Mr. Tariq Ali - employee	665	-	545	545

11.3.5 The carrying amount of fixed assets held for disposal is Rs. Nil (2019: Rs. 8,700 thousand). The fair value of these fixed assets approximates their carrying amount.

	Note	2020	2019
		Rupees in '000'	
12. INTANGIBLE ASSETS			
Intangible in progress		67,644	126,421
Softwares	12.1	628,004	674,004
		695,648	800,425
12.1 Softwares			
At January 01			
Cost		1,015,278	936,395
Accumulated amortization		(341,274)	(167,684)
Net book value		674,004	768,711
Year ended December 31			
Opening net book value		674,004	768,711
Capitalized during the year		151,899	78,883
Amortization charge		(197,899)	(173,555)
Impairment loss recognized in the profit and loss account - net		-	(35)
Closing net book value		628,004	674,004

	2020	2019
	Rupees in '000'	
At December 31		
Cost	1,167,177	1,015,278
Accumulated amortization	(539,173)	(341,274)
Net book value	628,004	674,004
Rate of amortization (percentage)	10-33.33%	10-33.33%

12.1.1 The gross carrying amount (cost) of fully amortized intangible assets that are still in use is Rs. 113,502 thousand (2019: Rs. 86,134 thousand).

13. DEFERRED TAX ASSETS - NET

	2020			
	At January 01	Recognized in P&L	Recognized in OCI	At December 31
	Rupees in '000'			
Deductible temporary differences on:				
- Deficit on revaluation of investments	-	-	-	-
- Right-of-use assets	129,797	231,847	-	361,644
- Provision against advances	8,763,726	1,288,076	-	10,051,802
- Business loss - Subsidiaries	64,399	-	-	64,399
	8,957,922	1,519,923	-	10,477,845
Taxable temporary differences on:				
- Surplus on revaluation of fixed assets	(717,498)	35,813	743	(680,942)
- Surplus on revaluation of investments	(1,199,107)	-	(380,880)	(1,579,987)
- Accelerated tax depreciation	(306,240)	39,754	-	(266,486)
- Surplus on revaluation of non banking assets	(102,895)	5,075	(13,947)	(111,767)
	(2,325,740)	80,642	(394,084)	(2,639,182)
	6,632,182	1,600,565	(394,084)	7,838,663
	2019			
	At January 01	Recognized in P&L	Recognized in OCI	At December 31
	Rupees in '000'			
Deductible temporary differences on:				
- Deficit on revaluation of investments	6,122	-	(6,122)	-
- Right-of-use assets	-	129,797	-	129,797
- Provision against advances	8,926,570	(162,844)	-	8,763,726
- Business loss - Subsidiaries	61,834	2,565	-	64,399
	8,994,526	(30,482)	(6,122)	8,957,922
Taxable temporary differences on:				
- Surplus on revaluation of fixed assets	(463,493)	23,078	(277,083)	(717,498)
- Surplus on revaluation of investments	-	-	(1,199,107)	(1,199,107)
- Accelerated tax depreciation	(320,078)	13,841	-	(306,240)
- Surplus on revaluation of non banking assets	(183,851)	9,186	71,770	(102,895)
	(967,422)	46,105	(1,404,420)	(2,325,740)
	8,027,104	15,623	(1,410,542)	6,632,182

	Note	2020 Rupees in '000'	2019
14. OTHER ASSETS - NET			
Income / mark-up accrued in local currency		15,558,654	20,059,765
Income / mark-up accrued in foreign currencies		4,526	3,786
Profit paid in advance on pehlay munafa scheme		539	321
Advances, deposits, advance rent and other prepayments		637,991	610,934
Advance taxation (payments less provisions)		7,819	1,799,299
Non-banking assets acquired in satisfaction of claims	14.1	5,866,478	7,257,669
Acceptances		2,821,232	2,913,345
Branch adjustment account		8,751	180,250
Mark to market gain on forward foreign exchange contracts		20,250	-
Stock of stationery		129,902	147,340
Suspense account		7,413	5,387
Zakat recoverable from NITL	14.2	36,790	36,790
Unrealized gain on revaluation of foreign bills and trade loans		41,129	37,999
Fraud and forgeries		462,656	193,559
Unearned income on sale of sukuk on bai-muajjal basis		336,351	691,120
Others		797,996	658,601
		26,738,477	34,596,165
Less: Provision held against other assets	14.3	(2,037,220)	(1,767,448)
Other assets (net of provision)		24,701,257	32,828,717
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,236,224	1,333,687
Other assets - total		25,937,481	34,162,404
14.1 Market value of non-banking assets acquired in satisfaction of claims - net of provision			
		5,904,147	7,392,801

The carrying and revalued amounts have been determined based on prudence, expected legal enforceability, ease of realization and current market conditions etc. These include assets which are in the process of sale and are stated at their respective sale prices. Latest desktop valuations are carried out by independent valuer as on December 31, 2020.

	Note	2020 Rupees in '000'	2019
14.1.1 Non-banking assets acquired in satisfaction of claims			
Opening balance		7,392,801	7,436,947
Additions during the year		-	378,000
Surplus / (deficit) on revaluation during the year		45,122	(174,792)
Disposals during the year - net book value	14.1.2	(616,960)	(63,551)
Transfer to fixed assets - net book value		(333,733)	(62,638)
Reversal on account of restoration of loan		(524,160)	(424,303)
Depreciation charged during the year	29	(58,923)	(73,977)
Impairment reversed during the year - net		-	377,115
Closing balance		5,904,147	7,392,801

	2020	2019
	Rupees in '000'	
14.1.2 Gain on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	842,089	63,618
Less:		
- Cost / revalued amount	636,019	64,028
- Depreciation	(19,059)	(477)
	616,960	63,551
Gain on sale recognized during the year	225,129	67

14.2 This represents zakat deducted on dividends by NITL. The Bank has filed suit against NITL for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Group's claim against NITL at the court of law, the claim amount has been fully provided for.

	2020	2019
	Rupees in '000'	
Note		
14.3 Provision held against other assets		
Advances, deposits, advance rent & other prepayments	35,723	35,723
Non banking assets acquired in satisfaction of claims	1,198,555	1,198,555
Zakat recoverable from NITL	36,790	36,790
Fraud and forgeries	459,093	190,122
Others	307,059	306,258
	2,037,220	1,767,448

14.3.1 Movement in provision held against other assets

Opening balance		1,767,448	2,052,280
Charge for the year		292,072	139,471
Reversals during the year		(5,308)	(424,303)
	31	286,764	(284,832)
Amount written off		(16,992)	-
Closing balance		2,037,220	1,767,448

15. CONTINGENT ASSETS

Contingent assets	Nil	Nil
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16. BILLS PAYABLE

In Pakistan	4,168,641	3,421,083
Outside Pakistan	-	-
	4,168,641	3,421,083

	Note	2020 Rupees in '000'	2019
17. BORROWINGS			
Secured			
Borrowings from SBP under:			
Export refinance scheme (ERF)	17.1	22,609,115	16,701,300
Long term financing facility (LTFF)	17.2	11,250,709	7,839,710
Storage of agricultural produce (FFSAP)	17.3	69,523	37,048
Renewable energy performance platform (REPP)	17.4	1,859,306	2,011,143
Payment of salaries and wages	17.5	16,242,813	-
Combating COVID-19	17.6	123,005	-
Modernization of small and medium enterprises (SMES)	17.7	119,299	-
		52,273,770	26,589,201
Repurchase agreement borrowings	17.8	37,430,967	11,688,192
Call borrowings	17.9	64,672,133	38,942,031
Borrowings from Pakistan Mortgage Refinance Company Limited	17.10	462,409	-
Total secured		154,839,279	77,219,424
Unsecured			
Overdrawn nostro accounts		2,136	139,188
		154,841,415	77,358,612

17.1 These are secured against the Group's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 2.00% per annum (2019: 1.00% to 2.00% per annum) with maturities upto June 29, 2021.

17.2 This amount is due to the SBP and has been obtained for providing long term finance to customers. The Group has granted the SBP right to recover outstanding amount from the Group at date of maturity of finance by directly debiting current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 6.00% per annum (2019: 1.00% to 9.00% per annum) with maturities upto June 26, 2032.

17.3 These represent borrowings from the SBP under scheme of financing facility for storage of agricultural produce. Mark-up on these borrowings is payable quarterly at rates ranging from 2.00% to 3.50% per annum (2019: 2.50% to 3.50% per annum) with maturities upto February 24, 2028.

17.4 These represent borrowings from the SBP under scheme of financing facility for renewable energy performance platform. Mark-up on these borrowings is payable quarterly at rate of 2.00% to 3.00% per annum (2019: 2.00% to 3.00% per annum) with maturities upto December 06, 2027.

17.5 These represent borrowings from the SBP under scheme of financing facility for payment of salaries and wages. Mark-up on these borrowings is payable quarterly at rate of Nil (2019: Nil) with maturities upto April 01, 2023.

17.6 These represent borrowings from the SBP under scheme of financing facility for combating COVID-19. Mark-up on these borrowings is payable quarterly at rate of Nil per annum (2019: Nil) with maturities upto June 05, 2025.

17.7 These represent borrowings from the SBP under scheme of financing facility for modernization of small and medium enterprises (SMES). Mark-up on these borrowings is payable quarterly at rate of 2.00% per annum (2019: Nil) with maturities upto November 11, 2030.

- 17.8** These are secured against market treasury bills, carrying mark-up at rates ranging from 6.25% to 7.05% per annum (2019: 13.10% to 13.20% per annum) maturing on January 04, 2021. The carrying value of market treasury bills given as collateral against these borrowings is Rs. 37,448,377 thousand (2019: Rs. 11,378,650 thousand).
- 17.9** These are secured against Pakistan investment bonds (PIBs) and Market treasury bills (MTBs), carrying markup at rates ranging from 6.25% to 7.15% per annum (2019: 10.88% to 13.75% per annum) maturing on December 30, 2021. The carrying value of PIBs and MTBs given as collateral against these borrowings is Rs. 35,233,653 thousand and Rs.29,023,807 thousand respectively (2019: PIBs Rs. 41,022,618 thousand).
- 17.10** These are secured against Pakistan investment bonds (PIBs) and hypothecation charge over mortgage loan portfolio (2019: Nil), carrying markup at rates ranging from 7.00% to 7.85% per annum (2019: Nil) maturing on September 30, 2023. The carrying value of PIBs given as collateral against these borrowings is Rs. 281,055 thousand (2019: Nil).

	2020	2019
	Rupees in '000'	
17.11 Particulars of borrowings with respect to currencies		
In local currency	154,839,279	76,108,529
In foreign currencies	2,136	1,250,083
	154,841,415	77,358,612

18. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Customers:						
Current deposits	144,971,825	3,099,131	148,070,956	128,760,062	2,777,676	131,537,738
Savings deposits	388,946,529	2,635,237	391,581,766	328,444,179	2,683,909	331,128,088
Term deposits	265,567,945	3,594,396	269,162,341	198,611,751	3,210,224	201,821,975
Others	19,012,007	-	19,012,007	16,222,707	-	16,222,707
	818,498,306	9,328,764	827,827,070	672,038,699	8,671,809	680,710,508
Financial institutions:						
Current deposits	2,679,477	821,999	3,501,476	5,068,904	550,472	5,619,376
Savings deposits	2,746,932	7,427	2,754,359	3,293,719	209	3,293,928
Term deposits	889,875	-	889,875	405,000	864,050	1,269,050
Others	97,582	-	97,582	122,997	-	122,997
	6,413,866	829,426	7,243,292	8,890,620	1,414,731	10,305,351
	824,912,172	10,158,190	835,070,362	680,929,319	10,086,540	691,015,859

	2020	2019
	Rupees in '000'	
18.1 Composition of deposits:		
- Individuals	157,876,351	152,925,128
- Private sector	168,490,505	107,087,010
- Government (federal and provincial)	409,081,183	352,520,837
- Public sector entities	92,393,088	68,177,533
- Banking companies	3,121,762	5,692,942
- Non-banking financial institutions	4,107,473	4,612,409
	835,070,362	691,015,859

- 18.2** Deposits eligible to be covered under insurance arrangements of Deposit Protection Corporation amounts to Rs. 276,891,867 thousand (2019: Rs. 219,977,447 thousand).

	Note	2020 Rupees in '000'	2019
19. SUBORDINATED DEBTS			
Loan from GoPb	19.1	-	2,000,000
Privately placed term finance certificates - I	19.2	2,496,000	2,497,000
Privately placed term finance certificates - II	19.3	4,295,700	4,297,420
		6,791,700	8,794,420

19.1 Loan from GoPb

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

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

19.2 Privately placed term finance certificates - I

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

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

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

19.3 Privately placed term finance certificates - II

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

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

	Note	2020 Rupees in '000'	2019
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		15,775,450	16,670,871
Mark-up / return / interest payable in foreign currency		63,615	82,589
Lease key money		12,025,862	12,541,675
Sundry creditors and accrued expenses		1,680,865	851,407
Acceptances		2,821,232	2,913,345
Mark-up payable on privately placed term finance certificates		75,781	130,626
Unclaimed dividends		2,588	2,588
Mark to market loss on forward foreign exchange contracts		-	155,671
Payable to gratuity fund	37.1.3	261,774	211,782
Gratuity payable to key management personnel		-	53,145
Provision against off-balance sheet obligations	20.1	62,183	62,183
Provision for employees compensated absences	37.9.3	123,506	111,612
Taxes / zakat / import fee payable		526,978	372,905
Deferred income on sale of sukuk on bai - muajjal basis		336,351	691,120
Lease liability against right-of-use assets	20.2	7,298,374	6,717,938
Workers welfare fund		619,843	286,007
IBFT payable		298,024	-
Others		620,910	369,591
		42,593,336	42,225,055

20.1 The above provision has been made against letters of guarantee issued by the Group.

20.2 Lease liability against right-of-use assets

Not later than one year		47,926	28,857
Later than one year and less than five years		1,215,565	898,387
Over five years		6,034,883	5,790,694
		7,298,374	6,717,938

21. SHARE CAPITAL - NET

21.1 Authorized Capital

2020	2019		2020	2019
Number of shares			Rupees in '000'	
5,000,000,000	5,000,000,000	Ordinary / Preference shares of Rs. 10 each	50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

21.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
Number of shares			Rupees in '000'	
1,607,912,555	1,607,912,555	Ordinary shares of Rs. 10 each paid in cash	16,079,125	16,079,125
526,315,789	526,315,789	Ordinary shares of Rs. 10 each issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
2,643,692,380	2,643,692,380		26,436,924	26,436,924
-	-	Less: Discount on issue of shares	(263,158)	(263,158)
2,643,692,380	2,643,692,380		26,173,766	26,173,766

GoPb held 57.47% shares in the Bank as at December 31, 2020 (December 31, 2019: 57.47%).

		2020	2019
	Note	Rupees in '000'	
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	9.1	4,514,250	3,426,021
- Fixed assets	22.1	2,577,581	2,630,999
- Non-banking assets acquired in satisfaction of claims	22.2	1,236,224	1,333,687
		8,328,055	7,390,707
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(1,579,987)	(1,199,107)
- Fixed assets	22.1	(680,942)	(717,498)
- Non-banking assets acquired in satisfaction of claims	22.2	(111,767)	(102,895)
		(2,372,696)	(2,019,500)
		5,955,359	5,371,207
22.1 Surplus on revaluation of fixed assets - net of tax			
At January 01		2,630,999	2,374,212
Recognized during the year		-	892,534
Surplus on building transferred from non banking assets during the year		63,868	5,006
Surplus realized on disposal during the year		(14,963)	(574,814)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(66,510)	(42,861)
Related deferred tax liability on incremental depreciation charged during the year		(35,813)	(23,078)
At December 31		2,577,581	2,630,999
Less: related deferred tax liability on:			
- revaluation as at January 01		(717,498)	(463,493)
- revaluation recognized during the year		-	(293,005)
- surplus transferred from non banking asset during the year		(2,080)	(772)
- surplus realized on disposal during the year		2,823	16,694
- incremental depreciation charged during the year		35,813	23,078
	13	(680,942)	(717,498)
		1,896,639	1,913,501

		2020	2019
	Note	Rupees in '000'	
22.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net of tax			
At January 01		1,333,687	1,544,813
Surplus / (deficit) recognized during the year		45,122	(174,792)
Surplus realized on disposal during the year		(30,443)	(5,083)
Surplus reversed on account of restoration of loan		(33,775)	-
Surplus on building transferred to fixed assets during the year		(63,868)	(5,006)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(9,424)	(17,059)
Related deferred tax liability on incremental depreciation charged during the year		(5,075)	(9,186)
At December 31		1,236,224	1,333,687
Less: related deferred tax liability on:			
- revaluation as at January 01		(102,895)	(183,851)
- revaluation recognized during the year		(18,325)	70,806
- surplus transferred to fixed assets during the year		2,080	772
- surplus realized on disposal during the year		2,298	192
- incremental depreciation charged during the year		5,075	9,186
	13	(111,767)	(102,895)
		1,124,457	1,230,792
23. CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	64,847,674	57,676,022
Commitments	23.2	148,893,256	137,405,985
Other contingent liabilities	23.3	8,975	142,633
		213,749,905	195,224,640
23.1 Guarantees:			
Financial guarantees		18,515,042	18,399,059
Performance guarantees		18,139,861	16,411,708
Other guarantees		28,192,771	22,865,255
		64,847,674	57,676,022
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		78,976,971	60,718,682
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	48,807,235	53,180,523
- forward lending	23.2.2	20,393,865	23,449,998
Commitments for acquisition of:			
- fixed assets		689,875	50,934
- intangible assets		25,310	5,848
		148,893,256	137,405,985

		2020	2019
Rupees in '000'			
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		24,708,677	28,416,586
Sale		24,098,558	24,763,937
		48,807,235	53,180,523
23.2.2 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.2.1	20,393,865	23,449,998
23.2.2.1			
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Group without the risk of incurring significant penalty or expense. In addition, the Group makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
		2020	2019
Rupees in '000'			
23.3 Other contingent liabilities		8,975	142,633

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

	Note	2020	2019
Rupees in '000'			
23.4 Claims against the Bank not acknowledged as debts	23.4.1	54,765,641	53,806,237
23.4.1			
The amounts involved in the claims filed against the Group are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Group. Moreover, there is no likelihood of decreeing the suits against the Group because, the claims are frivolous.			
		2020	2019
Rupees in '000'			
24. MARK-UP / RETURN / INTEREST EARNED			
a) On loans and advances		38,959,973	46,282,500
b) On investments:			
Available for sale securities		37,345,707	26,239,963
Held for trading securities		1,018,716	2,609,982
Held to maturity securities		7,389,212	2,964,846
c) On lendings to financial institutions:			
Securities purchased under resale agreements		1,065,581	2,273,526
Call lending		94	2,438
Letters of placement		298,978	429,093
d) On balances with banks		42,154	158,703
		86,120,415	80,961,051

	Note	2020 Rupees in '000'	2019
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		52,483,499	46,981,075
Borrowings:			
Securities sold under repurchase agreements		2,654,161	1,559,555
Call borrowings		5,109,314	3,197,116
SBP borrowing		640,537	440,021
Borrowing from Pakistan Mortgage Refinance Company Limited		9,262	-
Foreign currency borrowing		-	46,546
Subordinated debts:			
Mark-up on subordinated loan from GoPb		106,644	249,808
Mark-up on privately placed term finance certificates		755,720	859,933
Markup on lease liability against right-of-use assets		937,275	779,483
		62,696,412	54,113,537
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		487,905	559,831
Consumer finance related fees		268,034	224,166
Card related fees		618,720	539,952
Credit related fees		642,252	443,188
Branchless banking fees		100,857	51,663
Commission on trade		584,589	590,617
Commission on guarantees		264,015	167,443
Commission on cash management		144,141	178,591
Commission on remittances including home remittances		363,128	277,979
Commission on bancassurance		38,452	156,628
Commission on wheat financing		-	134,878
SMS banking income		245,074	229,979
		3,757,167	3,554,915
27. GAIN ON SECURITIES - NET			
Realized gain on sale of securities - net	27.1	8,464,862	225,771
Unrealized gain / (loss) - held for trading	9.1	1,630	(4,207)
		8,466,492	221,564
27.1 Realized gain on sale of securities - net:			
Federal government		8,069,228	90,024
Shares / units		394,634	126,490
Term finance certificates		1,000	9,257
		8,464,862	225,771
28. OTHER INCOME - NET			
Rent on property		43,529	1,520
Loss on termination of lease liability against right-of-use assets		(2,635)	(4,922)
Gain on sale of fixed assets - net		101,461	63,892
Gain on sale of non banking assets - net		225,129	67
Others		19,707	11,616
		387,191	72,173

	Note	2020	2019
		Rupees in '000'	
29. OPERATING EXPENSES			
Total compensation expense	29.1	8,782,278	7,256,680
Property expense:			
Rent and taxes		39,039	71,363
Insurance		18,359	18,974
Utilities cost		664,833	637,731
Security		1,483	2,172
Repair and maintenance including janitorial charges		43,592	16,874
Depreciation		589,064	527,996
Depreciation on right-of-use assets	11.2	891,145	875,718
Others		397	4,632
		2,247,912	2,155,460
Information technology expenses:			
Software maintenance		473,022	376,222
Hardware maintenance		82,092	107,255
Depreciation		285,960	231,117
Amortization	12.1	197,899	173,590
Network charges		354,881	331,442
		1,393,854	1,219,626
Other operating expenses:			
Directors' fees and allowances	38.2	35,200	8,550
Fees and allowances to shariah board	38.3	3,660	3,805
Legal and professional charges		114,445	104,205
Subscription charges		32,258	18,653
Outsourced staff services costs	36.1	367,095	236,497
Travelling and conveyance		560,890	584,319
NIFT clearing charges		69,078	58,994
Depreciation		306,973	291,278
Depreciation on non banking assets	14.1.1	58,923	73,977
Depreciation on ijarah assets		287,075	312,990
Training and development		26,047	36,678
Postage and courier charges		221,169	143,809
Stationery and printing		265,579	230,641
Marketing, advertisement and publicity		356,682	103,928
Donations	29.2	10,000	1,000
Auditors remuneration	29.3	11,068	12,200
Insurance		145,328	140,896
Deposit protection fee		351,964	337,376
Repair and maintenance		180,907	159,208
Entertainment expenses		112,151	95,574
Fuel for generator		85,646	108,054
Commission and brokerage		242,593	141,506
Bank charges		41,931	63,414
SMS banking charges		48,491	38,669
ATM charges including ATM maintenance charges		174,061	140,012
Cash remittance charges		200,336	181,062
Branch license fee		16,507	14,641
CNIC verification / ECIB charges		71,311	70,947
COVID - 19 related expenses		45,725	-
Miscellaneous expenses		197,603	243,313
		4,640,696	3,956,196
		17,064,740	14,587,962

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 558,412 thousand (2019: Rs 410,912 thousand). This expense represents payments made to companies incorporated in Pakistan.

	Note	2020 Rupees in '000'	2019
29.1 Total compensation expense			
Managerial remuneration:			
Fixed		7,611,938	6,277,410
Variable cash bonus / awards etc.		465,342	386,447
Provision for gratuity	37.2.1	174,489	157,354
Provision for compensated absences	37.9.4	13,982	13,898
Gratuity expense of ex-key management personnel	42.4	13,286	13,118
Contribution to defined contribution plans		246,497	215,964
Rent & house maintenance		-	153
Utilities		106	600
Medical		1,052	421
Medical insurance		205,743	138,627
Conveyance		26,142	22,277
Liveries		17,641	23,684
Scholarship		6,060	6,727
Grand Total		8,782,278	7,256,680

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

	Note	2020 Rupees in '000'	2019
29.3 Auditors remuneration			
Audit fee		3,350	3,025
Fee for half year review and other statutory certifications		5,178	7,065
Special certifications		1,540	1,260
Out of pocket expenses		1,000	850
		11,068	12,200

30. OTHER CHARGES

Penalties imposed by SBP		304,279	138,697
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31. PROVISIONS AND WRITE OFFS - NET

Provision for diminution in value of investments	9.3.1	508,824	370,738
Provision against advances - net	10.4 & 31.1	6,074,322	1,639,659
Provision / (reversal) against other assets - net	14.3.1	286,764	(284,832)
Bad debts written off directly	10.5.1	-	13
Other assets written off directly		19	1,510
		6,869,929	1,727,088

31.1 This includes subjective provision amounting to Rs. 3,107,088 thousand (2019: Rs. 666,209 thousand) and general provision as explained in Note 44.1 of Rs. 3,281,355 thousand (2019: Nil).

	Note	2020	2019
		Rupees in '000'	
32. TAXATION			
Current	32.1	6,633,884	5,559,706
Prior years		12,463	250,348
Deferred		(1,600,563)	(15,623)
		5,045,784	5,794,431

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

	Note	2020	2019
		Rupees in '000'	
32.2 Relationship between tax expense and accounting profit			
Accounting profit before tax for the year		11,926,313	14,071,981
Tax on income @ 35%		4,174,210	4,925,193
Tax effect of permanent differences		106,498	48,544
Tax effect of super tax		669,764	569,922
Others		95,312	250,772
Tax charge for the year		5,045,784	5,794,431

		2020	2019
33. BASIC EARNINGS PER SHARE			
Profit after tax for the year (Rs in '000')		6,818,867	8,160,271
Weighted average number of ordinary shares (No.)		2,643,692,380	2,643,692,380
Basic earnings per share (Rs)		2.58	3.09

34. DILUTED EARNINGS PER SHARE

There is no dilution effect on basic earnings per share.

		2020	2019
		Rupees in '000'	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	69,272,177	53,414,645
Balance with other banks	7	2,507,010	10,374,371
Overdrawn nostro accounts	17	(2,136)	(139,188)
		71,777,051	63,649,828

	2020	2019
	Number	
36. STAFF STRENGTH		
Permanent	7,975	6,649
On Bank contract	2,037	3,032
Group's staff strength at the end of the year	10,012	9,681

36.1 In addition to the above, 1,033 (2019: 924) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

37. EMPLOYEE BENEFITS

37.1 Defined benefit plan - gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement / resignation which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in these consolidated financial statements for its liabilities on the basis of actuarial valuation.

37.1.1 Number of employees under the scheme

The number of employees covered under the following defined benefit scheme are:

	2020	2019
	Number	
- Eligible employees under gratuity scheme	7,930	6,555

37.1.2 Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2020 using the "Projected Unit Credit Method". The mortality rates used for active employees are based on SLIC (2001-05) Mortality Table. The principal assumptions used in the valuation were as follows:

	2020	2019
	Per annum	
Discount rate	9.75%	11.00%
Expected rate of return on plan assets	9.75%	11.00%
Expected rate of salary increase	8.75%	10.00%
Average expected remaining working life (years)	8	7

		2020	2019
	Note	Rupees in '000'	
37.1.3 Reconciliation of payable to defined benefit plan			
Present value of obligations	37.1.4	1,590,008	1,284,100
Fair value of plan assets	37.1.5	(1,343,925)	(1,088,236)
Benefits payable		15,691	15,919
Payable to defined benefit plan		261,774	211,783

	Note	2020 Rupees in '000'	2019
37.1.4 Movement in present value of defined benefit obligations			
Obligations at the beginning of the year		1,284,100	1,030,585
Current service cost		164,580	145,917
Interest cost		138,435	90,025
Benefits paid during the year		(51,196)	(60,624)
Re-measurement loss		54,089	78,197
Obligations at the end of the year		1,590,008	1,284,100
37.1.5 Movement in fair value of plan assets			
Fair value at the beginning of the year		1,088,236	760,528
Interest income on plan assets		128,526	78,588
Contribution by the Bank during the year		211,783	287,512
Benefits paid during the year		(51,424)	(62,160)
Return on plan assets excluding interest income		(33,196)	23,768
Fair value at the end of the year		1,343,925	1,088,236
37.1.6 Movement in (receivable) / payable under defined benefit schemes			
Opening balance		211,783	287,512
Charge for the year	37.2.1	174,489	157,354
Contribution by the Bank during the year		(211,783)	(287,512)
Re-measurement loss recognized in other comprehensive income during the year	37.2.2	87,285	54,429
Closing balance		261,774	211,783
37.2 Charge for defined benefit plans			
37.2.1 Cost recognized in profit and loss			
Current service cost		164,580	145,917
Net interest on defined benefit plan		9,909	11,437
		174,489	157,354
37.2.2 Re-measurements recognized in other comprehensive income during the year			
Loss on obligation experience adjustment		54,089	78,197
Return on plan assets over interest income		33,196	(23,768)
Total re-measurement loss recognized in other comprehensive income		87,285	54,429

	Note	2020 Rupees in '000'	2019
37.3 Components of plan assets			
Cash and cash equivalents - net		1,036,625	795,590
Shares / units		307,300	292,646
		1,343,925	1,088,236

These assets are mostly contained in the form of cash and cash equivalents so there is no significant risk associated with it. However, investments in shares/ units may be adversely affected by movement in equity and interest rate markets.

37.4 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in discount rate and salary growth is summarized below:

	2020 Rupees in '000'	2019
1% increase in discount rate	1,472,296	1,188,302
1% decrease in discount rate	1,724,426	1,393,361
1 % increase in expected rate of salary increase	1,724,426	1,393,361
1 % decrease in expected rate of salary increase	1,470,252	1,186,656
37.5 Expected contributions to be paid to the fund in the next financial year	261,774	211,783
37.6 Expected charge for the next financial year	206,947	186,125
37.7 Maturity profile		
The weighted average duration of the obligation (in years)	7	7

37.8 Funding policy

There is no statutory minimum funding requirements. However, contributions to the scheme are made on the basis of actuarial valuations carried in each year.

The Bank's gratuity scheme is mainly subject to following risks:

Asset volatility	The majority of the gratuity fund assets are invested in cash or cash-equivalent. Therefore, there is insignificant investment risk to the scheme due to fluctuation in interest rate environment or changes in bond yields. Also, there is no liquidity investment risk to the scheme. However, investments in shares/ units may be adversely affected by movement in equity and interest rate markets.
Inflation risk	Higher than expected growth in inflation may result in higher than assumed salary increases which will lead to increase in liability. However, assets of the scheme may not be at significant risk due to changes in inflation rate.

Life expectancy / Withdrawal rate	Actuarial valuation assumes heavy withdrawals for younger ages but moderate withdrawal rates are used for older ages. Significant withdrawals of employees having reasonable years of service would cause large benefit payments. Consequently, deficit position of the scheme would deteriorate further. However, availability of cash for benefit payments will not be an issue due to the liquid nature of assets of the Gratuity Fund.
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37.9 Defined benefit plan - compensated absences

The Bank makes annual provision in these consolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The employees of the Bank are entitled to take leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days basic salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

37.9.1 Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2020. The principal assumptions used in the valuation were as follows:

	2020	2019
Discount rate (%)	9.75%	11.00%
Expected rate of eligible salary increase in future years (%)	8.75%	10.00%
Average number of leaves accumulated per annum by the employees (days)	18	18
	2020	2019
	Rupees in '000'	
37.9.2 Present value of defined benefit obligation	123,506	111,612
37.9.3 Movement in payable to defined benefit plan:		
Opening balance	111,612	102,294
Charge for the year	13,982	13,898
Benefit paid	(2,088)	(4,580)
Closing balance	123,506	111,612
37.9.4 Charge for defined benefit plan:		
Current service cost	3,888	3,722
Interest cost	12,162	9,001
Actuarial (gain) / loss recognized	(2,068)	1,175
	13,982	13,898

37.9.5 Sensitivity analysis:

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit plan. The increase / (decrease) in the present value of defined benefit plan as a result of change in discount rate and salary growth is summarized below:

	2020	2019
	Rupees in '000'	
Increase in discount rate by 1%	111,827	100,872
Decrease in discount rate by 1%	137,205	124,251
Increase in expected future increment in salary by 1%	137,205	124,251
Decrease in expected future increment in salary by 1%	111,626	100,690

37.9.6 Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2020	2019	2017	2016	2015
	Rupees in '000'				
Opening net liability	111,612	102,294	93,523	91,181	228,742
Net charge for the year	11,894	9,318	8,771	2,342	(137,561)
	123,506	111,612	102,294	93,523	91,181
Actuarial gain / (loss) on obligation	2,068	(1,175)	886	1,617	162,677

37.10 Defined contribution plan

The Group operates and approved provident fund scheme for all its permanent employees. Equal monthly contributions are made by the Group and employees at the rate of 8.33% of basic salary.

38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total compensation expense

	2020					2019			
	Chairman	Members shariah board	President / CEO	Key management personnel	Other material risk takers / controllers	Chairman	Members shariah board	President / CEO	Key management personnel / other material risk takers / controllers
	Rupees in '000'								
Fees and allowances etc.	87	3,660	-	-	-	950	3,805	-	-
Managerial remuneration									
Fixed	-	983	76,323	187,840	180,710	807	553	75,115	195,000
Variable cash bonus / awards	-	44	19,325	11,956	16,842	-	-	16,104	18,785
Charge for defined benefit plan	-	-	13,286	3,950	6,529	-	-	13,118	6,358
Contribution to defined contribution plan	-	-	79	4,311	7,402	-	-	-	6,281
Utilities	-	-	-	487	-	291	-	-	442
Medical	-	-	-	-	-	421	-	-	442
LFA	-	-	-	-	-	-	-	-	-
Relocation allowance	-	-	-	-	-	-	-	-	720
Servant salary	-	-	510	1,924	1,940	-	-	-	-
Furnishing allowance	-	-	750	1,500	-	-	-	-	-
Club membership	-	-	46	3,650	565	-	-	-	-
Fuel	-	307	-	6,231	10,303	-	-	-	-
Others	-	-	21	2,077	-	21	-	264	1,249
Total	87	4,994	110,340	223,926	224,291	2,490	4,358	104,601	229,277
Number of persons	-	3	3	25	30	1	3	1	24

- 38.1.1** In terms of section 10 (2) of the Bank of Punjab Act, 1989, the Chairman of the Board shall be nominated by the GoPb amongst the Directors. However, the GoPb has not concluded nomination of the Chairman of the Board of Directors during the year ended December 31, 2020 and the same is in process. Further, Rs. 87 thousand paid during the year 2020 represents arrears paid to the ex-chairman on account of meeting attended in year 2019.
- 38.1.2** In terms of service agreement of President / CEO, certain benefits including provision of Bank maintained cars, medical insurance cover etc. are also available to him. Further, certain executives are also entitled for Bank maintained car as per Bank's policy.
- 38.1.3** Total compensation paid during the year ended December 31, 2020 to President / CEO includes amount paid to acting Presidents amounting to Rs. 49,143 thousand from January 01, 2020 to April 15, 2020.
- 38.1.4** Total compensation paid during the year ended December 31, 2019 to President / CEO represents amount paid to acting President / DCEO.

38.2 Remuneration paid to directors for participation in board and committee meetings

2020							
Rupees in '000'							
For Board Committees							
Name of Director	Board Meetings	Strategy, Islamic & Priority Sector Finance	Board Audit Committee	Human Resource, Compensation & Nomination Committee	Information Technology & Communications Committee	Risk Management, Compliance & NPL Review Committee	Total amount paid
Dr. Pervaiz Tahir - ex chairman	87	-	-	-	-	-	87
Mohammad Jehanzeb Khan	2,600	-	375	1,725	750	513	5,963
Abdullah Khan Sumbal	2,600	375	375	1,125	188	513	5,176
Syed Ghazanfar Abbas Jilani	1,125	-	375	563	-	375	2,438
Khawaja Farooq Saeed	2,600	187	837	1,725	562	375	6,286
Saeed Anwar	2,600	375	1,212	-	750	513	5,450
Dr. Muhammad Amjad Saqib	2,600	563	-	1,725	375	700	5,963
Shaharyar Ahmad	2,337	375	563	-	-	562	3,837
Total	16,549	1,875	3,737	6,863	2,625	3,551	35,200

2019							
Rupees in '000'							
For Board Committees							
Name of Director	Board Meetings	Islamic Banking Review Committee	Board Audit Committee	Human Resource, Compensation & Nomination Committee	Information Technology Review Committee	Risk Management Committee	Total amount paid
Dr. Pervaiz Tahir	800	100	-	-	50	-	950
Mohammad Jehanzeb Khan	1,100	-	-	350	50	100	1,600
Abdullah Khan Sumbal	400	-	-	-	-	50	450
Hamed Yaqoob Sheikh	400	-	50	-	-	100	550
Khawaja Farooq Saeed	1,100	100	250	350	-	-	1,800
Saeed Anwar	1,000	-	250	-	50	200	1,500
Dr. Muhammad Amjad Saqib	1,000	100	-	350	-	150	1,600
Shaharyar Ahmad	100	-	-	-	-	-	100
Total	5,900	300	550	1,050	150	600	8,550

38.3 Remuneration paid to Shariah board members

	2020				2019			
	Chairman	Resident member	Non-resident member	Total amount paid	Chairman	Resident member	Non-resident member	Total amount paid
	Rupees in '000'							
Meeting fee and allowances	1,890	-	1,770	3,660	1,935	-	1,870	3,805
Salary & festival bonus paid to resident member through Bank's payroll	-	1,334	-	1,334	-	553	-	553
Total amount	1,890	1,334	1,770	4,994	1,935	553	1,870	4,358
Number of persons	1	1	1		1	1	1	

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities is determined on the basis of the break-up value of these investments as per their latest available audited consolidated financial statements.

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

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

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

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

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

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

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

	2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
On balance sheet financial instruments					
Financial assets measured at fair value :					
Government securities	488,823,420	-	488,823,420	-	488,823,420
Shares	3,652,149	3,616,961	-	35,188	3,652,149
Non-Government debt securities	10,139,836	-	10,139,836	-	10,139,836
Foreign securities	4,019	-	-	4,019	4,019
Financial assets disclosed but not measured at fair value :					
Government securities	60,483,391	-	69,082,534	-	69,082,534
Non Financial assets measured at fair value :					
Operating fixed assets (land & building)	5,497,765	-	5,497,765	-	5,497,765
Non banking assets acquired in satisfaction of claims	5,904,147	-	5,904,147	-	5,904,147
Financial liabilities measured at fair value:					
Payable to gratuity fund	261,774	-	261,774	-	261,774
Provision for employees compensated absences	123,506	-	123,506	-	123,506
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	24,343,173	-	24,343,173	-	24,343,173
Forward sale of foreign exchange contracts	23,712,804	-	23,712,804	-	23,712,804

	2019				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
On balance sheet financial instruments					
Financial assets measured at fair value :					
Government securities	292,671,508	-	292,671,508	-	292,671,508
Shares	1,633,625	1,533,730	-	99,895	1,633,625
Non-Government debt securities	1,978,127	-	1,978,127	-	1,978,127
Foreign securities	4,019	-	-	4,019	4,019
Financial assets disclosed but not measured at fair value :					
Government securities	59,762,000	-	64,466,364	-	64,466,364
Non Financial assets measured at fair value :					
Operating fixed assets (land & building)	5,906,710	-	5,906,710	-	5,906,710
Non banking assets acquired in satisfaction of claims	7,392,801	-	7,392,801	-	7,392,801
Financial liabilities measured at fair value:					
Payable to gratuity fund	211,782	-	211,782	-	211,782
Provision for employees compensated absences	111,612	-	111,612	-	111,612
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	27,819,676	-	27,819,676	-	27,819,676
Forward sale of foreign exchange contracts	24,322,698	-	24,322,698	-	24,322,698

40. SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	2020						
	Corporate and investment banking	Consumer and digital banking	Retail and priority sector lending	Treasury	Islamic	Others including Head Office	Total
	Rupees in '000'						
Profit & loss							
Net mark-up / return / profit	29,246,361	-	6,346,075	45,088,416	5,057,562	382,001	86,120,415
Inter segment revenue - net	(22,931,710)	64,402,623	(3,982,350)	(34,842,275)	(59,260)	(2,587,028)	-
Non mark-up / return / interest income	629,452	1,723,574	263,241	9,964,601	117,991	377,281	13,076,140
Total income	6,944,103	66,126,197	2,626,966	20,210,742	5,116,293	(1,827,746)	99,196,555
Segment total expenses	1,159,107	58,580,536	897,820	8,104,777	4,145,715	7,512,358	80,400,313
Profit before provisions	5,784,996	7,545,661	1,729,146	12,105,965	970,578	(9,340,104)	18,796,242
Provisions	5,406,149	284,602	247,252	508,825	414,325	8,776	6,869,929
Profit / (loss) before tax	378,847	7,261,059	1,481,894	11,597,140	556,253	(9,348,880)	11,926,313
Balance sheet							
Cash & bank balances	-	43,951,026	-	22,168,221	5,659,940	-	71,779,187
Investments - net	2,320,445	-	-	548,486,468	16,996,603	-	567,803,516
Net inter segment lending	-	743,594,252	-	-	951,270	32,889,248	777,434,770
Lendings to financial institutions	-	-	-	6,454,867	8,632,000	-	15,086,867
Advances - performing	291,478,623	-	53,317,428	-	30,983,039	6,710,329	382,489,419
- non-performing - net	6,229,401	-	930,497	-	2,218,148	22,343	9,400,389
Others	8,830,835	6,015,362	746,993	7,309,414	3,680,612	22,705,635	49,288,851
Total assets	308,859,304	793,560,640	54,994,918	584,418,970	69,121,612	62,327,555	1,873,282,999
Borrowings	51,665,928	-	462,409	102,105,236	607,842	-	154,841,415
Subordinated debts	-	-	-	-	-	6,791,700	6,791,700
Deposits & other accounts	-	773,530,773	-	-	61,539,589	-	835,070,362
Net inter segment borrowing	254,101,382	-	42,481,624	480,851,764	-	-	777,434,770
Others	3,091,994	20,029,867	12,050,885	1,461,970	2,859,733	7,267,528	46,761,977
Total liabilities	308,859,304	793,560,640	54,994,918	584,418,970	65,007,164	14,059,228	1,820,900,224
Equity							52,382,775
Total equity & liabilities							1,873,282,999
Contingencies & commitments	160,308,823	-	639,748	48,807,235	3,269,939	724,160	213,749,905

2019

	Corporate and investment banking	Consumer and digital banking	Retail and priority sector lending	Treasury	Islamic	Others including Head Office	Total
Rupees in '000'							
Profit & loss							
Net mark-up / return / profit	36,354,067	-	6,560,184	32,832,790	4,824,953	389,057	80,961,051
Inter segment revenue - net	(29,045,346)	63,693,728	(4,942,190)	(27,080,722)	(10,665)	(2,614,805)	-
Non mark-up / return / interest income	609,447	1,391,892	179,016	1,618,107	93,993	70,720	3,963,175
Total income	7,918,168	65,085,620	1,797,010	7,370,175	4,908,281	(2,155,028)	84,924,226
Segment total expenses	1,102,812	52,683,673	580,430	5,094,431	3,594,767	6,069,044	69,125,157
Profit before provisions	6,815,356	12,401,947	1,216,580	2,275,744	1,313,514	(8,224,072)	15,799,069
Provisions	1,494,208	88,825	95,567	404,485	28,083	(384,080)	1,727,088
Profit / (loss) before tax	5,321,148	12,313,122	1,121,013	1,871,259	1,285,431	(7,839,992)	14,071,981
Balance sheet							
Cash & bank balances	-	36,597,942	-	20,093,277	7,097,797	-	63,789,016
Investments - net	2,569,293	-	-	349,962,333	8,936,196	-	361,467,822
Net inter segment lending	-	625,560,809	-	-	2,342,604	24,641,332	652,544,745
Lendings to financial institutions	-	-	-	564,771	3,395,000	-	3,959,771
Advances - performing	290,449,393	-	54,477,738	-	27,211,005	5,265,122	377,403,258
- non-performing	5,302,696	-	862,781	-	59,967	17,914	6,243,358
Others	14,523,234	5,727,520	1,169,369	7,888,965	4,216,943	23,292,581	56,818,612
Total assets	312,844,616	667,886,271	56,509,888	378,509,346	53,259,512	53,216,949	1,522,226,582
Borrowings	26,902,858	-	-	50,455,754	-	-	77,358,612
Subordinated debts	-	-	-	-	-	8,794,420	8,794,420
Deposits & other accounts	-	644,926,850	-	-	46,089,009	-	691,015,859
Net inter segment borrowing	282,770,899	-	43,904,084	325,869,762	-	-	652,544,745
Others	3,170,859	22,959,421	12,605,804	2,183,830	3,419,840	1,306,384	45,646,138
Total liabilities	312,844,616	667,886,271	56,509,888	378,509,346	49,508,849	10,100,804	1,475,359,774
Equity	-	-	-	-	-	-	46,866,808
Total equity & liabilities							1,522,226,582
Contingencies & commitments	124,290,688	-	746,379	53,180,523	16,807,634	199,416	195,224,640

Due to change in reportable business segments, the figures of comparative year are realigned for the purposes of comparison.

41. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, the Group arranges and maintain government securities on behalf of its customers.

42. RELATED PARTY TRANSACTIONS

Related parties comprise key management personnel and entities in which key management personnel are office holders / members. The Group in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Remuneration of key management personnel and fixed assets sold to related parties are disclosed in Note 38.1 & Note 11.3.4 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2020				2019			
	Directors	Key management personnel	Employee funds	Other related parties	Directors	Key management personnel	Employee funds	Other related parties
	Rupees in '000							
Advances:								
Opening balance	-	322,244	-	-	-	210,446	-	-
Addition during the year	-	51,412	-	5,541,638	-	225,070	-	-
Repaid during the year	-	202,509	-	4,945,917	-	113,272	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	171,147	-	595,721	-	322,244	-	-
Contingencies (non fund exposure)	-	-	-	419,488	-	-	-	49,822
Other assets - markup receivable	-	12,316	-	14,491	-	15,623	-	-
Right-of-use assets	-	-	-	66,055	-	-	-	93,381
Lease liability against right-of-use assets	-	-	-	20,030	-	-	-	38,502
Deposits and other accounts:								
Opening balance	61	13,961	2,564,910	876	651	38,348	2,398,389	7,753
Received during the year	4,353	473,997	1,152,506	122,199	3,036	547,232	1,148,293	85,894
Withdrawn during the year	3,816	461,705	645,800	89,197	3,626	571,619	981,772	92,771
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	598	26,253	3,071,616	33,878	61	13,961	2,564,910	876
Income:								
Mark-up / return / interest earned	-	15,096	-	24,297	-	20,864	-	-
Non markup income	-	-	-	580	-	-	-	-
Expense:								
Mark-up / return / interest paid	26	1,333	245,354	314	45	1,176	301,539	1,024
Mark-up on lease liability against right-of-use assets	-	-	-	4,240	-	-	-	4,826
Depreciation on right-of-use assets	-	-	-	4,614	-	-	-	7,373
Non markup expense	-	-	-	-	-	-	-	-

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

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

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 37,126,458 thousand (2019: Rs. 43,767,706 thousand), Rs. 421,019,222 thousand (2019: Rs. 357,426,911 thousand) and Rs. 27,142,344 thousand (2019: Rs. 29,655,042 thousand) respectively. Further, during the year, the Group has incurred markup expense of Rs. 106,644 thousand (2019: Rs. 249,808 thousand) on subordinated debt of Rs. 2,000,000 thousand received from GoPb in year 2014. Further, the subordinated loan received from GoPb amounting to Rs.2,000,000 thousand has also been fully repaid by the Group.

- 42.3 The Bank made contribution of Rs. 246,497 thousand (2019: Rs. 184,477 thousand) to employees provident fund during the year.
- 42.4 During the year, the Bank has recorded Rs. 13,286 thousand (2019: Rs. 13,118 thousand) as gratuity to ex - Acting President / CEO and DCEO.
- 42.5 Advances to employees as at December 31, 2020, other than key management personnel, amounts to Rs. 7,375,234 thousand (2019: Rs. 5,494,198 thousand) with markup receivable of Rs.519,593 thousand (2019: Rs.514,567 thousand)

	2020	2019
	Rupees in '000'	
43. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	28,388,806	28,388,806
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	41,439,997	37,567,213
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	41,439,997	37,567,213
Eligible Tier 2 Capital	15,059,584	11,742,487
Total Eligible Capital (Tier 1 + Tier 2)	56,499,581	49,309,700
Risk Weighted Assets (RWAs):		
Credit Risk	289,587,746	287,094,506
Market Risk	6,838,846	3,411,622
Operational Risk	56,706,471	45,898,636
Total	353,133,063	336,404,764
Common Equity Tier 1 Capital Adequacy ratio	11.73%	11.17%
Tier 1 CAR (%)	11.73%	11.17%
Total CAR (%)	16.00%	14.66%

43.1 Capital adequacy framework

The Basel Framework for a capital adequacy is applicable to the Group both at the consolidated level and on a stand alone basis. The Group's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Group monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The paid-up capital requirement (net of losses) as at December 31, 2020 is Rs.10.0 billion.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% plus capital conservation buffer of 2.50% of the risk weighted assets of the Bank but due to COVID situation SBP issued Circular no 12 of 2020 dated March 26, 2020, in which SBP provided relaxation to maintain 1.5% CCB from March, 2020 onward. The Group's capital adequacy ratio as at December 31, 2020 under Basel III is 16.00%.

The capital adequacy ratio of the Group was subject to Basel III capital adequacy guidelines stipulated by the SBP through its circular BPRD Circular No.06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2020. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Sr. No.	Ratio	
1	CET1	6.00%
2	ADT-1	1.50%
3	Tier-1	7.50%
4	Total capital	10.00%
5	CCB (consisting of CET1 only)	2.50%
6	Total capital plus CCB	12.500%

*As explained above, the requirement with respect to capital adequacy ratio as of December 31, 2020 stood at 11.50%.

The SBP's regulatory capital as managed by the Group is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes instrument meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.

The deductions from Tier 1 capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Shortfall in provision
- iii) Deficit on revaluation of available for sale investments - AFS & fixed assets;
- iv) Defined benefit pension fund asset
- v) Investment in own shares
- vi) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- vii) Investment in mutual funds above a prescribed ceiling
- viii) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;

- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves, exchange translation reserves after all regulatory adjustments applicable on Tier-II.

The deductions from Tier 2 include mainly

Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;

The Group calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group.

	2020	2019
	Rupees in '000'	
43.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	41,439,997	37,567,213
Total Exposures	1,307,692,667	1,063,747,831
LR (%)	3.17%	3.53%
43.3 Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	538,917,589	346,077,837
Total Net Cash Outflow	386,811,819	293,511,879
LCR (%)	139.32%	117.91%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	600,034,473	474,402,901
Total Required Stable Funding	471,758,220	441,990,495
NSFR (%)	127.19%	107.33%

- 43.4** The full disclosures on the capital adequacy, leverage ratio and liquidity requirements as per SBP instructions issued from time to time are available on <http://bop.com.pk>.

44. RISK MANAGEMENT

The Group has established market, credit, liquidity and operational risk appetite under the supervision of Board of Directors, where the Group has already implemented new core business system and web based obligor risk rating system. The Group has implemented a system of reporting risks and exceptions on various frequencies to business groups, Asset and Liabilities Committee, Investment Committee, Board Risk Management Committee and Board of Directors.

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

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

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

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

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Group manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Group's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Group will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

The Group's risk management involves the identification, measurement, monitoring, mitigation and controlling of risks to ensure that following primary objectives are adhered:

- a. Individuals who take or manage risks clearly understand it in the entire credit value chain.
- b. The Group's risk exposure is within the risk appetite limits duly defined by the regulator or established by Board of Directors.
- c. Risk taking decisions are in line with business strategy and objectives set by the management.
- d. Business decisions optimize the risk-reward trade-off.
- e. Risk taking decisions are explicit and clear.
- f. Sufficient capital as a buffer is available to take risk.

The risk management function of the Group is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Group has further strengthened its credit review procedures in the light of COVID-19 pandemic situation. The Group is continuously reviewing the portfolio, to identify accounts susceptible to higher risk. The Group's management has created a buffer against unforeseen loan losses and to preserve the quality of the credit portfolio. The Group is continuously assessing the situation as it develops and is in the process of accounting for the same in its loan loss provision.

In light of above stated circumstances and on account of foreseeable changes in regulatory regime with respect to provisioning requirement, the management considers it appropriate to create a general provision of 1% on funded credit portfolio, excluding Government guaranteed exposure and exposure secured against cash and equivalents, to mitigate any adverse impact on equity, performance and related regulatory compliance.

Accordingly, a general provision of Rs. 3,281,355 thousand (2019: Rs. Nil) has been recognized in these consolidated financial statements.

Further, assessment of following obligor risk rating factors are in place for effective risk management:

Adjusted net worth, current ratio, net profit margin, adjusted leverage, relationship with the Group, quality of financial reporting, ownership structure, account behavior, internal quality and buyer / supplier concentration.

44.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					
Public / Government	1,500,000	-	-	-	-	-
Private	13,586,867	3,959,771	-	-	-	-
	15,086,867	3,959,771	-	-	-	-

	Gross investments		Non-performing lendings		Provision held	
	2020	2019	2020	2019	2020	2019
	Rupees in '000'					

44.1.2 Investment in debt securities

Oil & gas	145,833	187,500	-	-	-	-
Textile	582,301	582,301	582,301	582,301	582,301	582,301
Cement	20,000	20,000	20,000	20,000	20,000	20,000
Sugar	308,606	308,606	308,606	308,606	308,606	125,678
Electronics and electrical appliances	520,599	427,862	27,862	27,862	27,862	27,862
Construction	47,387	47,387	47,387	47,387	47,387	47,387
Power (electricity), gas, water, sanitary	11,314,946	3,336,114	400	400	400	400
Transport, storage and communication	5,488	5,488	5,488	5,488	5,488	5,488
Financial	545,408,204	349,790,307	26,908	34,008	26,908	34,008
Services	890,258	950,000	-	-	-	-
Chemical and Pharmaceuticals	1,500,000	1,500,000	-	-	-	-
Fertilizer	1,624,255	1,730,831	1,517,680	1,518,079	1,517,680	1,518,079
	562,367,877	358,886,396	2,536,632	2,544,131	2,536,632	2,361,203
	Rupees in '000'					
	Credit risk by public / private sector					
Public/ Government	553,416,407	349,790,307	400	400	400	400
Private	8,951,470	9,096,089	2,536,232	2,543,731	2,536,232	2,360,803
	562,367,877	358,886,396	2,536,632	2,544,131	2,536,632	2,361,203

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
Rupees in '000'						
44.1.3 Advances						
Agriculture, Forestry, Hunting and Fishing	16,240,841	14,260,967	1,719,776	1,104,290	1,301,745	856,027
Oil & Gas	1,465,651	1,609,520	176,838	86,131	151,795	74,134
Textile	81,536,150	72,594,898	25,302,956	25,074,925	23,504,603	22,467,710
Chemical and Pharmaceuticals	10,767,746	9,913,675	144,509	117,630	123,426	83,935
Cement	16,455,668	18,241,013	93,246	423,980	93,246	364,013
Sugar	16,308,840	14,195,669	2,035,095	2,019,841	1,773,210	1,596,099
Footwear and Leather garments	1,729,427	1,183,400	517,610	517,610	516,066	516,066
Automobile and transportation equipment	2,289,286	2,574,879	2,114,743	1,986,465	2,011,725	1,982,999
Electronics and electrical appliances	3,204,546	4,008,717	31,513	37,720	31,513	37,720
Cable, electrical & Engineering	6,871,970	6,429,908	2,184,081	2,127,649	2,103,054	1,817,804
Production & transmission of energy	74,470,207	72,264,093	3,272,610	1,863,385	2,076,873	1,561,765
Construction	6,580,362	6,142,392	1,727,683	1,868,215	1,422,215	1,592,760
Trading & Commerce	31,895,731	46,286,350	9,213,670	6,979,645	6,708,841	6,470,028
Food & Allied	34,274,979	37,663,811	3,082,326	3,241,565	2,929,458	3,005,118
Transport, Storage and Communication	50,472,137	39,193,270	176,319	184,877	176,319	168,797
Financial	3,116,218	1,954,778	606,009	602,553	606,009	602,553
Fertilizer	11,342,978	10,688,089	66,879	71,814	66,879	71,814
Services	13,897,447	8,799,311	1,383,421	1,264,556	1,229,461	1,243,770
Individuals	43,371,867	42,252,583	898,549	666,204	671,745	433,723
Others	17,422,975	19,140,189	2,729,281	1,390,877	578,542	391,420
	443,715,026	429,397,512	57,477,114	51,629,932	48,076,725	45,338,255
Credit risk by public / private sector						
Public/ Government	115,264,859	108,488,179	-	-	-	-
Private	328,450,167	320,909,333	57,477,114	51,629,932	48,076,725	45,338,255
	443,715,026	429,397,512	57,477,114	51,629,932	48,076,725	45,338,255

	2020	2019
	Rupees in '000'	
44.1.4 Contingencies and commitments		
Textile and ginning	14,184,990	6,986,694
Cement	2,203,095	1,496,748
Sugar	1,971,414	67,674
Financial	67,237,907	68,807,739
Construction and real estate	12,100,439	11,916,521
Oil and gas	6,874,235	5,337,217
Auto and allied	1,556,366	1,540,729
Food and allied	3,772,706	2,156,197
Chemical and pharmaceuticals	2,726,604	1,569,381
Fertilizers	2,998,697	775,473
Cable, electrical and engineering	3,273,404	3,204,888
Production and transmission of energy	42,075,870	48,213,526
Transport, storage and communication	6,519,333	4,543,928
Trading and commerce	2,927,534	3,024,711
Services	781,120	1,564,082
Others	42,546,191	34,019,132
	213,749,905	195,224,640
Credit risk by public / private sector		
Public/ Government	61,831,913	56,259,659
Private	151,917,992	138,964,981
	213,749,905	195,224,640

44.1.5 Concentration of advances

The Group's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 179,556,038 thousand (2019: Rs. 184,799,160 thousand).

	2020	2019
	Rupees in '000'	
Funded	121,923,500	135,670,438
Non funded	57,632,538	49,128,722
Total exposure	179,556,038	184,799,160

The sanctioned limits against these top 10 exposures aggregated to Rs. 259,445,323 thousand (2019: Rs. 224,430,459 thousand).

Total funded classified therein

	2020		2019	
	Amount	Provision held	Amount	Provision held
	Rupees in '000'			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	6,071,699	5,695,850	6,151,699	4,595,850
Loss	-	-	-	-
Total	6,071,699	5,695,850	6,151,699	4,595,850

For the purpose of this note, exposure means outstanding funded facilities and utilized non-funded facilities as at the reporting date.

44.1.6 Advances - province / region-wise disbursement and utilization

Province / Region	2020						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
	Rupees in '000'						
Punjab	222,408,496	214,276,763	5,082,660	336,405	503,459	2,204,243	4,966
Sindh	83,087,045	2,414,776	79,063,437	1,528,123	80,709	-	-
KPK including FATA	817,217	275	-	816,942	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	22,268,326	-	-	3,910,769	-	18,315,802	41,755
AJK including Gilgit-Baltistan	4,500	-	-	-	-	-	4,500
Total	328,585,584	216,691,814	84,146,097	6,592,239	584,168	20,520,045	51,221

Province / Region	2019						
	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
	Rupees in '000'						
Punjab	291,246,424	279,216,400	8,875,926	180,831	474,329	2,489,884	9,054
Sindh	66,819,458	1,744,827	64,701,698	372,932	-	1	-
KPK including FATA	806,887	32,939	-	773,948	-	-	-
Baluchistan	-	-	-	-	-	-	-
Islamabad	24,718,591	-	-	3,025,632	-	21,692,955	4
AJK including Gilgit-Baltistan	55,256	-	-	-	-	-	55,256
Total	383,646,616	280,994,166	73,577,624	4,353,343	474,329	24,182,840	64,314

44.1.7 Credit risk - general disclosures

The Group follows the standardized approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit rating or type of exposure, whichever is applicable.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Group utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

Type of exposures & ECAIs used

Exposures	JCR-VIS	PACRA	S&P	Moody's	Fitch
Corporate	√	√			
Banks	√	√	√	√	√
Sovereigns			√		
PSEs	√	√			
SMEs	√	√			

Mapping to SBP rating grades

For all credit exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

Long term ratings grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Credit exposures subject to standardized approach

Exposures	Rating	2020			2019		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	39,718,795	(5,783,299)	33,935,496	30,241,089	(5,796,449)	24,444,640
	2	86,220,270	(1,462,186)	84,758,084	73,762,423	(1,321,057)	72,441,366
	3,4	14,853,075	(206,106)	14,646,969	13,141,502	(28,724)	13,112,778
	5,6	-	-	-	-	-	-
	Unrated-125%	25,657,917	(660,089)	24,997,828	57,746,100	(16,237,564)	41,508,536
Unrated-100%	50,151,850	(730,216)	49,421,634	50,124,795	(1,037,636)	49,087,159	
Bank	1	26,679,647	(5,334,908)	21,344,739	27,535,339	(553,175)	26,982,164
	2,3	15,048	-	15,048	25,550	-	25,550
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Public sector enterprises in Pakistan	1	24,377,640	(5,556,688)	18,820,952	20,431,083	-	20,431,083
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	74,755,104	(74,062,609)	692,495	57,943,992	(56,415,159)	1,528,833
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash	0	614,195,438	(23,344,677)	590,850,761	412,403,077	(28,435,835)	383,967,242
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	16,448	-	16,448	136,933	-	136,933
	6	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	
Listed equity investments	100%	249,846	-	249,846	320,711	-	320,711
Un-listed equity investments	150%	15,582	-	15,582	15,582	-	15,582
Non performing loans	150%	4,772,618	-	4,772,618	3,458,604	-	3,458,604
	100%	3,877,256	-	3,877,256	902,232	-	902,232
	50%	750,514	-	750,514	1,882,521	-	1,882,521
Mortgage	35%	6,290,344	-	6,290,344	4,586,060	-	4,586,060
Retail	75%	55,186,506	(12,934,665)	42,251,841	47,166,141	(13,158,889)	34,007,252
Fixed assets	100%	14,817,057	-	14,817,057	15,223,605	-	15,223,605
Deferred tax assets	100%	-	-	-	-	-	-
Deferred tax assets	250%	4,479,878	-	4,479,878	4,018,127	-	4,018,127
Significant investments	250%	-	-	-	-	-	-
Others	100%	25,937,481	(994,789)	24,942,692	34,162,402	(636,600)	33,525,802
Total		1,073,018,314	(131,070,232)	941,948,082	855,227,868	(123,621,088)	731,606,780

44.1.8 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Group has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Group's exposure to an obligor is secured by eligible collaterals, the Group reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

44.1.8.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

44.1.8.2 Equity position risk in the banking book

The Group takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2020 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
		Rs. In '000'	
Ordinary shares (listed) - net of impairment held	-	3,351,674	3,351,674
Ordinary shares (un-listed) - net of impairment held	-	34,494	34,494
Preference shares - net of impairment held	-	270,000	270,000
Total	-	3,656,168	3,656,168

The Group classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments – Held for trading
- Investments – Available for Sale

44.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, foreign exchange rates and equity position risk.

Interest rate risk is risk to the earnings or market value of a portfolio due to uncertain future interest rates. Interest rate risks can be categorized in different ways, and there is usually some overlap between categories. Interest rate risk can be categorized into the following components:

- a. Repricing or maturity mismatch risk or yield curve risk
- b. Basis risk
- c. Options risk
- d. Price risk

Equity price risk is the risk that the value of a security or portfolio of securities will decline in the future. It is risk to earnings or capital that results from adverse changes in the value of equity related portfolios of a financial institution.

Foreign exchange risk is the exposure of an institution to the potential impact of movements in foreign exchange rates. The risk is that adverse fluctuations in exchange rates may result in a loss to the institution.

Foreign exchange risk arises from two factors: currency mismatches in an institution's assets and liabilities (both on- and off-balance sheet) that are not subject to a fixed exchange rate, and currency cash flow mismatches. Such risk continues until the foreign exchange position is covered.

The Group's market risk management structure consists of Board Risk Management Committee, Assets and Liabilities Committee, Market Risk Management Committee and independent Enterprise Risk Management unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Group and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Group's market risk profile to the senior management, the Board of Directors and the SBP.

The Group is using following techniques for mitigation of market risk:

- Hedging the open positions i.e. taking offsetting positions
- Portfolio diversification
- Limits setting, monitoring and reporting

The Group is using following techniques for measurement of market risk and all the reports along with suggestive strategies which are escalated to senior management for their review and corrective actions:

- Daily mark to market revaluation of equity, foreign exchange and bonds portfolio
- Estimated value at risk on equity and foreign exchange exposures.
- Interest rate gap analysis
- Duration analysis
- Stress testing of market risk exposures.
- Scenarios based analysis

44.2.1 Balance sheet split by trading and banking books

	2020			2019		Total
	Banking book	Trading book	Total	Banking book	Trading book	
Rupees in '000'						
Cash and balances with treasury banks	69,272,177	-	69,272,177	53,414,645	-	53,414,645
Balances with other banks	2,507,010	-	2,507,010	10,374,371	-	10,374,371
Lendings to financial institutions	15,086,867	-	15,086,867	3,959,771	-	3,959,771
Investments	545,710,520	22,092,996	567,803,516	350,020,681	11,447,141	361,467,822
Advances	391,889,808	-	391,889,808	383,646,616	-	383,646,616
Fixed assets	14,817,059	-	14,817,059	15,223,601	-	15,223,601
Intangible assets	695,648	-	695,648	800,425	-	800,425
Deferred tax assets	7,838,663	-	7,838,663	6,632,182	-	6,632,182
Other assets	25,937,481	-	25,937,481	34,162,404	-	34,162,404
	1,073,755,233	22,092,996	1,095,848,229	858,234,696	11,447,141	869,681,837

44.2.2 Foreign exchange risk

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. Foreign exchange exposure and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration. Market risk charge calculates on FEEL and forward contracts (interest rate) and credit risk charge manage by Bank on all forward contracts.

	2020				2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000'								
United States Dollar	3,949,430	5,427,835	(147,258)	(1,625,664)	3,341,446	5,976,241	1,229,367	(1,405,428)
Great Britain Pound Sterling	1,163,850	3,418,473	2,246,898	(7,725)	900,210	3,013,573	2,114,558	1,195
Euro	2,578,326	1,310,425	(1,447,381)	(179,479)	692,362	1,164,322	265,480	(206,480)
Japanese Yen	295	2,253	4,663	2,705	-	67,173	68,564	1,390
Other currencies	107,670	1,340	(46,803)	59,526	94,289	4,419	(25,320)	64,550
	7,799,571	10,160,326	610,119	(1,750,637)	5,028,307	10,225,728	3,652,649	(1,544,773)

	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	-	(2,487)	-	(2,675)
- Other comprehensive income	-	-	-	-

44.2.3 Equity position risk

The risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behavior similar to equities. The Group's strategy is to invest in equity securities for increase in dividend income and capital gains through market volatility.

	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	-	(167,584)	-	(77,431)
- Other comprehensive income	-	-	-	-

44.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II specific

Interest rate risk is the potential that the value of the on-balance sheet and the off-balance sheet positions of the bank would be negatively affected with the change in the market interest rates. The vulnerability of the Group towards the adverse movements of the interest rate can be gauged by using duration GAP analysis.

Interest rate risk in the banking book is the risk to interest income arising from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. The banking book activities that give rise to interest rate risk include lending activities, balance sheet funding and capital management. Interest rate risk in banking book can be measured by both, changes in net interest income and changes in market value of interest bearing AFS investments. This also refers to the non-trading market risk. To adjust the effective rate sensitivity, the Group is using following strategies after proper analysis of the Group's gaps and prevailing interest rate:

- Reduced asset sensitivity
- Increased asset sensitivity
- Reduced liability sensitivity
- Increased liability sensitivity

The Group's interest rate risk management policy includes following techniques to mitigate potential risks:

- a) Monitoring and management of interest rate volatility in terms of percentage change in net income through interest sensitive gaps.
- b) Key consideration in investing in interest rate driven financial instruments.
- c) Managing volatility in the trading on category / instrument wise basis.

	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	(4,847,855)	(191,484)	6,807,925	98,945
- Other comprehensive income	-	-	-	-

44.2.5 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Exposed to Yield / Interest risk							Above 10 years	Non-interest bearing financial instruments	
		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
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks		69,272,177	956,624	-	-	-	-	-	-	-	68,315,553
Balances with other banks	5.50%	2,507,010	1,773,036	-	-	-	-	-	-	-	733,974
Lending to financial institutions	10.41%	15,086,867	13,586,867	1,500,000	-	-	-	-	-	-	-
Investments - net	9.81%	567,803,516	27,580,589	79,759,572	162,417,091	84,851,556	34,666,974	43,006,414	43,079,934	89,055,218	3,386,168
Advances - net	9.12%	391,889,808	38,794,381	353,086,257	-	-	-	-	-	-	9,170
Other assets		19,706,443	-	-	-	-	-	-	-	-	19,706,443
		1,066,265,821	82,691,497	434,345,829	162,417,091	84,851,556	34,666,974	43,006,414	43,079,934	89,055,218	92,151,308
Liabilities											
Bills payable		4,168,641	-	-	-	-	-	-	-	-	4,168,641
Borrowings	8.68%	154,841,415	62,672,147	29,419,076	5,703,591	36,353,005	4,274,982	5,906,562	3,005,488	6,840,746	663,682
Deposits and other accounts	7.04%	835,070,362	44,844,606	476,370,663	38,663,540	94,915,051	5,175,166	332,451	4,086,864	-	170,682,021
Subordinated debts	11.23%	6,791,700	-	-	6,791,700	-	-	-	-	-	-
Other liabilities		41,047,981	6,718	489	5,341	46,433	148,442	195,523	871,599	1,982,905	33,749,607
		1,041,920,099	107,523,471	506,790,228	51,164,172	131,314,489	9,598,590	6,434,536	7,963,951	8,823,651	208,602,405
On-balance sheet gap		24,345,722	(24,831,974)	(71,444,399)	111,252,919	(46,462,933)	25,068,384	36,571,878	35,115,983	80,231,567	(4,704,606)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions		143,824,645	-	-	-	-	-	-	-	-	143,824,645
Commitments in respect of:											
- forward foreign exchange contracts - net		610,119	-	-	-	-	-	-	-	-	610,119
- forward lending		20,393,865	-	-	-	-	-	-	-	-	20,393,865
Other commitments		715,185	-	-	-	-	-	-	-	-	715,185
Off-balance sheet gap		165,543,814	-	-	-	-	-	-	-	-	165,543,814
Total yield / interest risk sensitivity gap		(24,831,974)	(24,831,974)	(71,444,399)	111,252,919	(46,462,933)	25,068,384	36,571,878	35,115,983	80,231,567	(4,704,606)
Cumulative yield / interest risk sensitivity gap		(24,831,974)	(96,276,373)	(96,276,373)	14,976,546	(31,486,387)	(6,418,003)	30,153,875	65,269,858	145,501,425	140,796,819
											189,889,536

	Exposed to Yield / Interest risk												
	Effective yield / interest rate	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	Non-interest bearing financial instruments	
	Rupees in '000												
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks		53,414,645	1,587,930	-	-	-	-	-	-	-	-	-	51,826,715
Balances with other banks	11.25%	10,374,371	2,868,077	-	-	-	-	-	-	-	-	-	7,506,294
Lending to financial institutions	11.07%	3,959,771	3,659,771	300,000	-	-	-	-	-	-	-	-	-
Investments - net	12.09%	361,467,822	40,017,931	799,887	10,899,246	94,713,229	56,146,242	7,546,577	68,871,711	80,904,775	-	-	1,568,224
Advances - net	11.01%	383,646,616	63,665,669	319,962,252	-	-	-	-	-	-	-	-	18,695
Other assets		23,867,055	-	-	-	-	-	-	-	-	-	-	23,867,055
		836,730,280	111,799,378	321,062,139	10,899,246	94,713,229	56,146,242	7,546,577	68,871,711	80,904,775	-	-	84,786,983
Liabilities													
Bills payable		3,421,083	-	-	-	-	-	-	-	-	-	-	3,421,083
Borrowings	12.09%	77,358,612	27,505,766	23,249,166	13,726,439	4,886,605	596,916	521,664	970,777	5,762,092	-	-	139,187
Deposits and other accounts	7.68%	691,015,859	22,009,025	399,304,872	32,730,526	78,032,305	127,650	4,700,300	609,950	-	-	-	153,501,231
Liabilities against assets subject to finance lease	0%	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debts	12.62%	8,794,420	-	8,794,420	-	-	-	-	-	-	-	-	-
Other liabilities		40,812,840	1,385	2,418	5,690	19,364	104,544	224,307	569,636	2,539,286	3,251,408	-	34,753,814
		821,402,814	49,516,176	422,556,456	55,257,075	82,938,274	829,110	5,446,271	2,150,263	8,301,378	3,251,408	-	191,815,315
On-balance sheet gap		15,327,466	62,283,202	(101,494,317)	(44,357,829)	11,774,955	55,317,132	2,100,306	66,721,448	72,603,397	(3,251,408)	-	(107,028,332)
Off-balance sheet financial instruments													
Documentary credits and short-term trade-related transactions		118,394,704	-	-	-	-	-	-	-	-	-	-	118,394,704
Commitments in respect of:													
- forward foreign exchange contracts - net		3,652,649	-	-	-	-	-	-	-	-	-	-	3,652,649
- forward lending		23,449,998	-	-	-	-	-	-	-	-	-	-	23,449,998
Other commitments		56,782	-	-	-	-	-	-	-	-	-	-	56,782
Off-balance sheet gap		145,554,133	-	-	-	-	-	-	-	-	-	-	145,554,133
Total yield / interest risk sensitivity gap		62,283,202	(101,494,317)	(44,357,829)	11,774,955	55,317,132	2,100,306	66,721,448	72,603,397	(3,251,408)	-	-	38,525,801
Cumulative yield / interest risk sensitivity gap		62,283,202	(39,211,115)	(83,568,944)	(71,793,989)	(16,476,857)	(14,376,551)	52,344,897	124,948,294	121,696,886	160,222,687	-	160,222,687

Reconciliation of financial assets and liabilities with total assets and liabilities:

	2020	2019
	Rupees in '000'	
Financial assets	1,066,265,821	836,730,280
Non financial assets:		
Fixed assets	14,817,059	15,223,601
Intangibles	695,648	800,425
Deferred tax assets - net	7,838,663	6,632,182
Other assets	6,231,038	10,295,349
	29,582,408	32,951,557
Total assets as per statement of financial position	1,095,848,229	869,681,837
Financial liabilities	1,041,920,099	821,402,814
Non financial liabilities:		
Other liabilities	1,545,355	1,412,215
Total liabilities as per statement of financial position	1,043,465,454	822,815,029

44.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

The Group uses Risk Control Self Assessment and monitoring of Key Risk Indicators to mitigate operational losses. The Group's operational risk management framework, as laid down in the operational risk policy, duly approved by Board of Directors, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Group. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

In accordance with the operational risk policy and framework, a database covering losses, control breaches and near misses is being maintained. Major risk events are analyzed from the control breach perspective and mitigating controls are assessed on design and operating effectiveness. quarterly updates on operational risk events are presented to senior management and the Board Risk Management Committee (BRMC).

44.3.1 Operational risk disclosures Basel-II specific

Currently, the Group is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Group took a number of initiatives with respect to operational risk management. The Group will initiate further steps for improvement in operational risk management to adopt next approach of capital charge i.e. Alternative Standardized Approach (ASA).

44.4 Liquidity risk

Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Group's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Group manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Group are given significant importance.

The Group is using following strategies for mitigation of liquidity risk:

- Invest key liquid deposit providers in liquid investment.
- Contingency funding plan
- Monitoring of advances to deposits ratio.
- Diversification of portfolio
- Maintaining desirable level of currency wise liquidity
- Identify situations or events that may trigger a crisis situation in terms of liquidity

44.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

2020

	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
Rupees in '000														
Assets														
Cash and balances with treasury Banks	69,272,177	69,272,177	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other Banks	2,507,010	2,507,010	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,086,867	-	7,486,867	810,000	5,290,000	1,500,000	-	-	-	-	-	-	-	-
Investments - net	567,803,516	4,985	-	14,908,665	12,291,789	39,242,603	34,863,099	152,176,817	52,247,705	33,020,259	35,422,260	43,581,464	51,206,610	98,837,260
Advances - net	391,889,808	17,664,170	2,398,325	3,596,090	15,135,796	20,391,101	38,949,039	28,455,639	9,634,978	25,571,550	25,633,812	53,474,189	78,910,285	72,074,834
Fixed assets	14,817,059	3,904	23,422	33,608	66,420	80,210	80,261	236,119	235,076	248,492	986,358	1,017,578	2,431,287	9,374,324
Intangible assets	695,648	823	3,738	4,361	10,602	19,324	19,324	57,972	57,972	57,972	231,888	231,872	-	-
Deferred tax assets - net	7,838,663	-	-	-	-	-	-	-	-	-	-	-	-	7,838,663
Other assets - net	25,937,481	7,962,923	77,465	302,020	7,949,177	705,490	291,687	543,038	992,131	7,113,550	-	-	-	-
	1,095,848,229	97,415,792	9,989,817	19,654,744	40,743,784	61,938,728	74,203,410	181,469,585	63,167,862	66,011,823	62,274,318	98,305,103	140,386,845	180,286,418
Liabilities														
Bills payable	4,168,641	4,168,641	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	154,841,415	2,426,090	42,988,829	9,664,727	7,594,637	19,204,577	10,214,499	5,703,591	9,854,028	26,498,977	4,274,982	5,906,562	3,005,488	7,504,428
Deposits and other accounts	835,070,362	569,088,436	7,725,313	16,210,203	16,838,799	24,332,092	52,745,363	40,310,611	50,139,774	47,213,979	5,374,267	590,787	4,500,738	-
Subordinated debts	6,791,700	-	-	-	-	-	-	1,360	-	1,360	2,720	2,720	5,440	6,778,100
Other liabilities	42,593,336	20,473,882	691,496	547,564	748,486	1,398,788	549,745	677,790	1,379,893	1,244,108	1,455,284	2,319,769	4,978,875	6,127,666
	1,043,465,454	596,157,049	51,405,638	26,422,494	25,181,922	44,935,457	63,509,607	46,693,352	61,373,695	74,958,424	11,107,253	8,819,828	12,490,541	20,410,194
Net assets	52,382,775	(498,741,257)	(41,415,821)	(6,767,750)	15,561,862	17,003,271	10,693,803	134,776,233	1,794,167	(8,946,601)	51,167,065	89,485,275	127,896,304	159,876,224
Share capital - net	26,173,766													
Reserves	8,113,976													
Surplus on revaluation of assets - net of tax	5,955,359													
Unappropriated profit	11,632,681													
	51,875,782													

2019

	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
Rupees in '000														
Assets														
Cash and balances with treasury banks	53,414,645	53,414,645	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	10,374,371	10,374,371	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,959,771	-	530,000	-	3,129,771	300,000	-	-	-	-	-	-	-	-
Investments - net	361,467,822	-	-	-	39,583,112	14	728,111	2,324,372	76,359,325	18,128,392	60,183,668	8,207,913	72,482,602	83,470,313
Advances - net	383,646,616	34,492,195	6,344,253	8,203,237	14,625,984	16,427,580	45,839,149	32,779,222	17,872,550	18,166,633	17,384,760	25,084,301	91,269,605	55,157,147
Fixed assets	15,223,601	3,430	16,404	19,138	48,089	86,856	85,052	261,230	258,638	267,729	1,111,813	1,223,113	2,549,294	9,292,815
Intangible assets	800,425	875	5,250	6,125	15,073	27,323	27,323	81,969	81,969	81,969	327,876	144,673	-	-
Deferred tax assets - net	6,632,182	-	-	-	-	-	-	-	-	-	-	-	6,632,182	-
Other assets - net	34,162,404	12,786,373	327,580	649,445	8,324,475	354,175	508,045	853,242	125,297	9,171,404	1,062,368	-	-	-
	869,681,837	111,071,889	7,223,487	8,877,945	65,726,504	17,195,948	47,187,680	36,300,035	94,697,779	45,816,127	80,070,485	34,660,000	172,933,683	147,920,275
Liabilities														
Billis payable	3,421,083	3,421,083	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	77,358,612	139,187	11,660,187	4,715,872	11,129,707	11,911,972	11,337,194	13,726,439	4,789,862	96,743	596,916	521,664	970,777	5,762,092
Deposits and other accounts	691,015,859	490,013,068	3,569,043	4,623,973	11,727,776	18,683,692	25,949,782	39,307,964	41,265,743	44,857,581	2,378,523	5,327,065	2,311,649	-
Subordinated debts	8,794,420	-	-	-	-	-	-	1,360	-	1,360	2,002,720	2,720	5,440	6,780,820
Other liabilities	42,225,055	17,195,382	361,663	790,898	1,057,177	878,996	628,481	2,870,518	1,860,141	2,031,673	3,091,307	1,549,098	4,108,201	5,801,520
	822,815,029	510,768,720	15,590,893	10,130,743	23,914,660	31,474,660	38,915,457	55,906,281	47,915,746	46,987,357	8,069,466	7,400,547	7,396,067	18,344,432
Net assets	46,866,808	(399,696,831)	(8,367,406)	(1,252,798)	41,811,844	(14,278,712)	8,272,223	(19,606,246)	46,782,033	(1,171,230)	72,001,019	27,259,453	165,537,616	129,575,843
Share capital - net	26,173,766													
Reserves	6,725,228													
Non controlling interest	445,331													
Surplus on revaluation of assets - net of tax	5,371,207													
Unappropriated profit	8,151,276													
	<u>46,866,808</u>													

44.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group
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										
Assets										
Cash and balances with treasury Banks	69,272,177	69,272,177	-	-	-	-	-	-	-	-
Balances with other Banks	2,507,010	2,507,010	-	-	-	-	-	-	-	-
Lendings to financial institutions	15,086,867	13,586,867	1,500,000	-	-	-	-	-	-	-
Investments - net	567,803,516	27,205,439	74,105,702	152,176,817	85,267,964	35,422,260	43,581,464	51,206,610	98,837,260	-
Advances - net	391,889,808	38,794,381	59,340,140	28,455,639	35,206,528	25,633,812	53,474,189	78,910,285	62,815,195	9,259,639
Fixed assets	14,817,059	127,354	160,471	236,119	483,568	986,358	1,017,578	2,431,287	5,640,245	3,734,079
Intangible assets	695,648	19,324	38,648	57,972	115,944	231,888	231,872	-	-	-
Deferred tax assets - net	7,838,663	-	-	-	-	-	-	7,838,663	-	-
Other assets - net	25,937,481	16,291,585	997,177	543,038	8,105,681	-	-	-	-	-
	1,095,848,229	167,804,137	136,142,138	181,469,585	129,179,685	62,274,318	98,305,103	140,386,845	167,292,700	12,993,718
Liabilities										
Bills payable	4,168,641	4,168,641	-	-	-	-	-	-	-	-
Borrowings	154,841,415	62,674,283	29,419,076	5,703,591	36,353,005	4,274,982	5,906,562	3,005,488	6,840,746	663,682
Deposits and other accounts	835,070,362	145,840,474	158,963,739	94,901,467	151,944,609	59,965,123	55,181,643	59,091,594	54,590,856	54,590,857
Subordinated debts	6,791,700	-	-	1,360	1,360	2,720	2,720	5,440	6,778,100	-
Other liabilities	42,593,336	22,461,428	1,948,533	677,790	2,624,001	1,455,284	2,319,759	4,978,875	2,086,742	4,040,924
	1,043,465,454	235,144,826	190,331,348	101,284,208	190,922,975	65,698,109	63,410,684	67,081,397	70,296,444	59,295,463
Net assets	52,382,775	(67,340,689)	(54,189,210)	80,185,377	(61,743,290)	(3,423,791)	34,894,419	73,305,448	96,996,256	(46,301,745)
Share capital - net	26,173,766									
Reserves	8,113,976									
Surplus on revaluation of assets - net of tax	5,955,359									
Unappropriated profit	11,632,681									
	51,875,782									

Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

	Total	Upto 1 month	Over 1 to 3 months	Over 3 top 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	53,414,645	53,414,645	-	-	-	-	-	-	-	-
Balances with other banks	10,374,371	10,374,371	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,959,771	3,659,771	300,000	-	-	-	-	-	-	-
Investments - net	361,467,822	39,583,112	728,125	2,324,372	94,487,717	60,183,668	8,207,913	72,482,602	83,470,313	-
Advances - net	383,646,616	63,665,669	62,266,729	32,779,222	36,039,183	17,384,760	25,084,301	91,269,605	43,202,579	11,954,568
Fixed assets	15,223,601	87,061	171,908	261,230	526,367	1,111,813	1,223,113	2,549,294	7,465,711	1,827,104
Intangible assets	800,425	27,323	54,646	81,969	163,938	327,876	144,673	-	-	-
Deferred tax assets - net	6,632,182	-	-	-	-	-	-	6,632,182	-	-
Other assets - net	34,162,404	22,087,873	862,220	853,242	9,296,701	1,062,368	-	-	-	-
	869,681,837	192,899,825	64,383,628	36,300,035	140,513,906	80,070,485	34,660,000	172,933,683	134,138,603	13,781,672
Liabilities										
Bills payable	3,421,083	3,421,083	-	-	-	-	-	-	-	-
Borrowings	77,358,612	27,644,953	23,249,166	13,726,439	4,886,605	596,916	521,664	970,777	5,762,092	-
Deposits and other accounts	691,015,859	109,091,599	116,370,344	86,465,878	133,281,237	49,536,437	52,484,979	49,469,564	47,157,914	47,157,907
Subordinated debts	8,794,420	-	-	1,360	1,360	2,002,720	2,720	5,440	6,780,820	-
Other liabilities	42,225,055	19,405,120	1,507,477	2,870,518	3,891,814	3,091,307	1,549,098	4,108,201	2,550,110	3,251,410
	822,815,029	159,562,755	141,126,987	103,064,195	142,061,016	55,227,380	54,558,461	54,553,982	62,250,936	50,409,317
Net assets	46,866,808	33,337,070	(76,743,359)	(66,764,160)	(1,547,110)	24,843,105	(19,898,461)	118,379,701	71,887,667	(36,627,645)
Share capital - net	26,173,766									
Reserves	6,725,228									
Surplus on revaluation of assets - net of tax	5,371,207									
Non Controlling Interest	445,331									
Unappropriated profit	8,151,276									
	46,866,808									

45. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Bank in its meeting held on February 19, 2021 has proposed a cash dividend of 10 percent (2019: 7.5%). These appropriations will be approved in the forthcoming Annual General Meeting. These consolidated financial statements for the year ended December 31, 2020 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2021.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 19, 2021 by the Board of Directors of the Group.

47. GENERAL

47.1 Figures have been rounded off to the nearest thousand rupees.

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

Chief Financial Officer

President

Chairman

Director

Director

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

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			Rupees in '000			Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Principal	Interest / Mark-up written-off/ waived	Other financial relief provided			
	2	3	4	5	6	7	8	9	10	11	12	
1	Mahmood Shaukat (H# B-S-16/1, St# 4, Alhbib Park Bilal Gunj, Lahore.)	Mahmood Shaukat (35202-2486889-7)	Shaukat Ali	2,256	623	-	2,879	-	1,452	-	1,452	
2	Umat-Ul-Rauf (House #1, Gali #1, Shalimar Colony C/O Shalimar Service Station Bosan Road.)	Umat-Ul-Rauf (36302-2696801-6)	Masood Ahmad	2,038	1,339	-	3,377	-	1,347	-	1,347	
3	All General Trading, House (House# 741 Sector 5A-1 North Karachi Khursheed Begum Park Madiha Road Karachi.)	Syed Aman Ali (42101-7536719-7)	Syed Salman Yousuf	2,006	236	-	2,242	-	354	294	648	
4	Malik Muhammad Zahid (H#03, W-9 Cha Bibi Wala Near Nadirabad Patak Multan.)	Malik Muhammad Zahid (36302-5086719-9)	Malik Muhammad Shafi	1,788	155	-	1,943	-	346	268	614	
5	Muhammad Asif Iqbal (H No P-3037 St No 4 Mansoor Abad Faisalabad.)	Muhammad Asif Iqbal (33100-3612306-5)	Khushti Muhammad	3,075	1	-	3,076	-	303	219	522	
6	Babar Abbas (391-D I/S Lohari Gate Lahore.)	Babar Abbas (35202-2636410-9)	Abbas Khan	3,142	6	-	3,148	-	323	224	547	
7	Muhammad Azam Nawaz (Near Ghala Godam House No 44 Mohalla Wilayatbad No 02 Multan.)	Muhammad Azam Nawaz (36302-5418877-5)	Haji Malik Rizwan	1,339	110	-	1,449	-	234	321	555	
8	Muhammad Shahid Hafeez (H No 4 St No 7 Ibrahim St Rawan Chowk Khokhar Plaza Ichra Lahore.)	Muhammad Shahid Hafeez (35202-7046814-3)	Abdul Hafeez	2,306	147	-	2,453	-	481	294	775	
9	Adnan Traders (Adnan Traders Water Supply Road Sadiqabad.)	Farhan Saddique (31304-4559532-5)	Rana Muhammad Saddique	3,891	604	-	4,495	-	1,115	1,000	2,115	
10	Adnan Traders (Adnan Traders Water Supply Road Sadiqabad)	Farhan Saddique (31304-4559532-5)	Rana Muhammad Saddique	3,891	606	-	4,497	-	1,117	1,000	2,117	

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 written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
23	Shabbir Iqbal (Rohala Tejaka P.O.Khas Tehsil Depalpur Distt.Okara)	Shabbir Iqbal (35301-9731136-5)	Muhammad Iqbal	1,412	2,136	-	3,548	-	2,214	-	2,214
24	Raja Bilal Khan (Chak #3/1 Ra Renala Khurd Renala Khurd Okara)	Raja Bilal Khan (35303-2088964-9)	Raja Muhammad Anwar Khan	3,716	5,416	-	9,132	-	5,650	-	5,650
25	Tariq Ali Bilal (Sardar Farm 9-Km Jabooka Road P/O Baba Farid Mills Okara.)	Tariq Ali Bilal (35302-6912354-5)	Shoukat Ali Chaudhry	2,200	3,712	-	5,912	-	3,836	-	3,836
26	Muhammad Zaid (Maidev P.O. Dina Tehsil Dina Distt. Jhelum.)	Muhammad Zaid (37301-2255737-3)	Mehmood Khan	2,491	3,323	-	5,814	-	3,322	-	3,322
27	Hanaf Bibi (Chak Bunga Hayat Po Same Pak Pattan.)	Hanaf Bibi (36402-1141174-6)	Mian Muhammad Yar Khan Maneka	1,006	894	-	1,900	-	979	-	979
28	Abubakar Cold Storage (5-Km Khudian Depalpur Road Sheikh Ahmed Stop Distt Kasur.)	Muhammad Yousaf (35102-4556885-9) Bashir Ahmed (35102-5336111-1) Muhammad Bashir (35102-0575118-9)	Muhammad Ismail Fateh Muhammad	7,130	11,189	-	18,319	-	11,721	-	11,721
29	Imtiaz Ahmad Iram Saba (House No. 05 Sp Depalpur District Okara.)	Imtiaz Ahmad (35301-1894225-3) Iram Saba (35302-6693296-8)	Sardar Sarfraz Ahmad Khan Bakhtiar Ahmad	3,333	6,021	-	9,354	-	6,238	-	6,238
30	Imtiaz Ahmad Iram Saba (House No. 05 Sp Depalpur District Okara.)	Imtiaz Ahmad (35301-1894225-3) Iram Saba (35302-6693296-8)	Sardar Sarfraz Ahmad Khan Bakhtiar Ahmad	2,644	4,464	-	7,108	-	4,464	-	4,464
31	Imtiaz Ahmad Iram Saba (House No. 05 Sp Depalpur District Okara.)	Imtiaz Ahmad (35301-1894225-3) Iram Saba (35302-6693296-8)	Sardar Sarfraz Ahmad Khan Bakhtiar Ahmad	2,074	3,566	-	5,640	-	3,371	-	3,371
32	Muhammad Mussadaq Naseem Sindhu (74-Garden Villas Sultan Town Raywind Road Lahore.)	Muhammad Mussadaq Naseem Sindhu (35202-7339523-9)	Gulam Mohammed Naseem Sindhu	881	1,228	-	2,109	-	1,280	-	1,280

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Fathers / Husband's name	Outstanding Liabilities at beginning of year				Interest / Mark-up written-off / waived	Other financial relief provided	Total (9+10+11)	
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
45	Syed Ali Haasnain Shah Kirmani (518-Nargis Block Allama Iqbal Town Lahore.)	Syed Ali Haasnain Shah Kirmani (35301-5971873-5)	Syed Muzafar Hussain Kirmani	1,245	1,861	-	3,106	-	1,862	-	1,862
46	Khalid Javed Manika (151-E, Line # 4, Askari 10 Cantt. Lahore.)	Khalid Javed Manika (35202-2949068-7)	Mian Mubarak Hussain Manika	1,236	1,956	-	3,192	-	1,923	-	1,923
47	Muhammad Mansha Ahmad Nawaz Ahmad Hassan (Inyain Post Office Basir Pur Depalpur.)	Muhammad Mansha (35301-3055394-3) Ahmad Nawaz (35301-5569207-7) Ahmad Hassan (35301-6411833-3)	Ahmad Din M. Mansha M. Mansha	67	1,273	-	1,340	-	1,150	-	1,150
48	Nazir Ahmed Shabbir Hussain (Wara Abdullah Manga Hithar P/O Same Tehsil & District Lahore.)	Nazir Ahmed (35202-2934931-9) Shabbir Hussain (35202-6964005-7)	Muhammad Siddique	353	617	-	970	-	641	-	641
49	Muhammad Tayyab (Baqar Kay Mahar Basir Pur.)	Muhammad Tayyab (35301-8463255-7)	Abdul Ghani	2,221	3,008	-	5,229	-	3,236	-	3,236
50	Muhammad Sabir Nawaz (Bhaka Bhattian P.O. Same Hafizabad.)	Muhammad Sabir Nawaz (34301-7851821-3)	Zafar Ullah Khan Bhatti	1,031	865	-	1,896	-	970	-	970
51	Ghulam Muhammad (Street Kapooran Moh Garha Chiniot.)	Ghulam Muhammad (33201-6650592-7)	Haji Kalay Khan	1,550	2,353	-	3,903	-	2,551	-	2,551
52	Mumtaz Hussain Chak # 36Kb Jamiera Teh. Burewala, Dist. Vehari.)	Mumtaz Hussain (36601-7645141-7)	Akbar Ali	701	1,074	-	1,775	-	1,116	-	1,116
53	Akbar Ali (Mouza Thata Manak P/O Lashari Tehsil & Distt. Okara.)	Akbar Ali (35302-3664412-3)	Sakhi Muhammad	2,004	2,428	-	4,432	-	2,566	-	2,566
54	Ali Hasnain (Qila Sobha Singh Teh Depalpur Dist Okara.)	Ali Hasnain (35301-0181097-3)	Mabool Ahmad	1,322	1,871	-	3,193	-	1,968	-	1,968
55	Muhammad Malik (Ward # 9 Kaleke Mandi Teh. & Distt. Hafizabad.)	Muhammad Malik (34301-2296993-7)	Noor Muhammad	1,375	2,643	-	4,018	-	2,782	-	2,782

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 written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total	5				
	2	3	4	5	6	7	8	9	10	11	12	
Rupees in '000												
68	Ghulam Hussain (Chak No. 5/1 R A P/O Khas Tehsil Renala Khurd Okara.)	Ghulam Hussain (35303-9054483-1)	Muhammad Akram	-	1,403	-	1,403	-	1,401	-	1,401	
69	Muhammad Ahmad (Bonga Salah Po Same Tehsil Depalpur District Okara.)	Muhammad Ahmad (35202-7551294-9)	Mohammad Jahangir	-	633	-	633	-	629	-	629	
70	Allah Rakha (House No.474, Mohalia Patwaryan Kehror Pakka.)	Allah Rakha (36202-7387938-1)	Allah Dewaya	-	678	-	678	-	535	-	535	
71	Majid Hussain (V.P.O.Pathanky Cheema,Teh Wazi Ra-bed,Distt Gujranwal.)	Majid Hussain (34104-1528516-9)	Muhammed Nawaz	-	909	-	909	-	909	-	909	
72	Shafi Muhammad (Kot Nawab Din Cheena P.O.Hallah Teh. Pattoki.)	Shafi Muhammad (35103-5596350-9)	Inayat Ali	-	513	-	513	-	509	-	509	
73	Subha Sadiq (Mohalla Chah Bollian Walla Tehsil Fero-zwalla Distt Sheikhpura.)	Subha Sadiq (35401-1855199-9)	Ghulam Khokhar	-	3,420	-	3,420	-	639	2,737	3,376	
74	Subha Sadiq (Mohalla Chah Bollian Walla Tehsil Fero-zwalla Distt Sheikhpura.)	Subha Sadiq (35401-1855199-9)	Ghulam Khokhar	-	961	-	961	-	639	366	1,005	
75	Abdullah Protein Farm (23 Model Town Bahawalpur.)	Muhammad Abdullah (31202-5892790-9)	Malik Manzoor	4,970	682	-	5,652	-	507	140	647	
76	Mehar Khalid Mehmoood (Chack#39/4-L P/O 40-A/4L Teh & Dist.Okara.)	Mehar Khalid Mehmoood (35302-4928006-1)	Mehr Muhammad Bukhsh	-	1,230	-	1,230	-	1,230	-	1,230	
77	Muhammad Bux Saqib (Meet Kot , P/O Chunian Tehsil Chunian Distt Kasur.)	Muhammad Bux Saqib (35101-3220836-3)	Inayat Ullah	-	503	-	503	-	503	-	503	
78	Muhammad Bux Saqib (Meet Kot , P/O Chunian Tehsil Chunian Distt Kasur.)	Muhammad Bux Saqib (35101-3220836-3)	Inayat Ullah	-	560	-	560	-	560	-	560	
79	Muhammad Jehangir (Mauza Kamal Pur Jatyal, Lodhran.)	Muhammad Jehangir (35202-6054434-7)	Muhammad Sid-dique	-	541	-	541	-	538	-	538	

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				Total	Principal written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	5					
Rupees in '000												
95	Irshad Traders (Khalid Paint Store Court Road Opp. Sarwar Gold Plaza Gujrat)	Zulfiqar Ali (34201-7847568-3)	Mirza Salah-ud-Din	6,170	4,248	-	10,418	-	1,056	-	1,056	
96	Tractor House Peshwar (Opp.Eid Ghan Charsada Road Peshwar)	Qamar Zaman (17101-8091742-3)	Muhammad Zaman	13,443	18,069	-	31,512	-	11,151	-	11,151	
97	Bajwa Engineering Works Regd (13/10 Sher Shah Road Naseerabad Shalamar Town Lahore)	Muhammad Yousaf Bajwa (35201-0817818-1)	Muhammad Ismail	763	1,213	-	1,976	-	578	-	578	
98	Miller Flour Mills (Shaheen Abad G.T. Road Gujranwala)	Mirza Muhammad Riaz (34101-5067504-5) Muhammad Imtiaz (34101-0411046-7) Muhammad Hanif (34101-2678848-7)	Fazal Hussain Fazal Hussain Fazal Hussain	3,252	6,592	-	9,844	-	2,920	-	2,920	
99	Bhulla Traders Proprietor Irfan Ras (Bhulla House Old Narang Road Muridke)	Irfan Rasool Bhulla (35401-1832770-1)	Ch. Anayat Ali	2,688	2,122	-	4,810	-	835	-	835	
100	Saadullah Sh (7-New Tollintol Market Shadman Lahore)	Saad Ullah Sheikh (35202-3222140-5)	Masood Ullah Sheikh	2,184	5,521	-	7,705	-	2,333	-	2,333	
101	Sh Masood Ullah (63,64,65 New Tollinton Market Shadman Lahore)	Masud Ullah Sheikh (35202-9275369-9)	Sheikh Muhammad Sharif	1,574	13,696	-	15,270	-	1,882	-	1,882	
102	A-One Color Lab / Studio (82-Allama Iqbal Road Garhi Shahu Lahore)	Aamir Riaz (35202-4803654-9)	Riaz Ahmed	1,642	3,124	-	4,766	-	1,347	-	1,347	
103	Al-Madina Wood Works (Bilal Park Dhubi Gaat Chowk Chah Miran Lahore)	Muhammed Arif (35202-8441841-1)	Ghulam Nabi	503	775	-	1,278	-	826	-	826	
104	Ghafoor Gamer / Brothers (118/W.B.P.O. 122/W.B Teh Mailsi Distt Vehari)	Abdul Ghafoor (36602-3179550-1)	Ashiq Muhammad	1,259	5,239	-	6,498	-	3,103	-	3,103	
105	Arshad Thread Works (H-4 St-3 Mohalla Ibrahim Stret Jia Musa Shadra Lahore)	Arshad Ali (35202-5749559-5)	Chaudhry Ghulam Ali	5,751	9,411	-	15,162	-	3,984	-	3,984	

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					Interest / Mark-up written-off/waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total	Principal written-off			
	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
106	Modern Food Industries(Pvt)Ltd (349-S Township Industrial Estate Lahore)	Nadir Kamal Osman (35200-1499909-7) Fauzia Nadir (35200-1441116-2) Farhat Salahuddin (35201-2267071-8)	Muhammad Osman Nasir Kamal Osman Ahmed Salahuddin	12,831	24,753	-	37,584	-	15,165	-	15,165
107	Khawaja Traders (Grain Market Ahmad Pur East Distt. Bahawalpur)	Khawaja Rahimullah (31201-5150825-3)	Khawaja Muhammad Abdullah	13,642	28,218	-	41,860	-	10,709	-	10,709
108	Magic River Services Ltd (11-B/2 Shami Road Lahore Cantt)	Agha Najeeb Raza Khan (35202-2421604-3) Shahid Pervaiz (32463-1645097-5) Hassan Agha (35202-1330214-7)	Agha Nasir Ali Khan Sultan Ahmed Agha Najeeb Raza Khan	21,775	61,350	-	83,125	-	36,447	-	36,447
109	Ravi Agro Chemicals (Building/Office No.45-Cb, Garden Town, Multan)	Akhtar Majeed Choudhry (36302-8722167-9) Khalida Nasreen (36302-3256134-4)	Choudhry Abdul Majeed Akhtar Majeed Chaudhary	7,609	8,215	-	15,824	-	2,197	-	2,197
110	Usman Goods Transport Company (House - 1, Bhagwan Das Building, Sarai Ratan Chand, Lahore)	Amir Naseer Butt (35202-0965263-1)	Naseer ud Din	3,791	7,156	-	10,947	-	2,867	-	2,867
111	Sharif Chawla Sons (Pvt) Ltd. (Ghalla Mandi Rahim Yar Khan)	Muhammad Afzal Chawala (31303-7748907-3)	Mian Muhammad Sharif Chawla	1,053	1,364	-	2,417	-	605	-	605
112	Al Rehmat CNG Station (Dist Okara Qaid-E-Azam Chowk De-palpur)	Mian Fakhar Masood Bodla (35301-1966639-9) Ghulam Mustafa (35301-5259089-3) Ghulam Murtaza Bodla (35301-2000444-1) Muhammad Aslam (35301-3333390-9) Muhammad Yasin Bodla (35301-1899180-9)	Rehmat Ali Bodla Rehmat Ali Rehmat Ali Bodla Mian Rehmat Ali Mian Rehmat Ali Bodla	4,162	1,148	-	5,310	-	760	-	760
113	Sultan Motors (24/3, Jail Road Lahore)	Tabassum Shafiq (35202-2114013-9)	Sheikh Muhammad Shafiq	22,732	41,859	-	64,591	-	19,426	-	19,426

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 written-off	Interest / Mark-up written-off/ waived	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total					
	2	3	4	5	6	7	8	9	10	11	12	
114	Latif Traders (3018-Akbar Road Multan)	Mirza Amjad Latif (36302-9720612-5) Mirza Muhammad Afzal Latif (36302-7186556-3)	Mirza Abdul Latif Mirza Abdul Latif	4,129	8,431	-	12,560	-	4,620	-	4,620	
115	Mian Garments (Shop -3-5 Hermain Centre Shahalam Market Lahore)	Asmat Ali (35202-2684737-9) Dil Nawaz (35200-1519701-9)	Muhammad Ibrahim Muhammad Ifkhar	10,534	15,011	-	25,545	-	7,345	-	7,345	
116	Ijaz Cheema Bricks Company (Khasray Po. Khas Bharoke Road Wazirabad)	Chaudhary Muhammad Ijaz Cheema (34104-2331088-9)	Chaudhary Mian Khan Cheema	606	1,215	-	1,821	-	516	-	516	
117	Shah Din Sons (15, Sarwar Street Dilkusha Park Sanda Road Lahore)	Chaudhary Muhammad Sarwar (Late) (35202-2410406-1)	Chaudhary Muham- mad Ismail	1,061	1,053	-	2,114	-	699	-	699	
118	Lidol Paint Industry (Plot-1028, E-632, Charar Village Dha, Lahore Cantt)	Shahbaz Ali (35102-0623062-1) Malik Munir Ahmed (35201-9212989-5)	Yasin Malik Jamal Din	2,455	7,378	-	9,833	-	3,669	-	3,669	
119	Hanan Enterprises (Ali Market First Floor Ichhra Lahore)	Atif Aziz (35202-1148421-7)	Abdul Aziz	2,116	3,857	-	5,973	-	1,993	-	1,993	
				948,437	1,497,995	-	-	-	817,499	8,111	-	

Rupees in '000

Relief includes amounts which would be due to the Bank under contractual arrangements whether or not accrued in the books.

ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the December 31, 2020, The Bank is operating 102 Islamic banking branches and 02 sub Islamic banking branches (2019: 98 Islamic banking branches and 02 sub Islamic banking branches).

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	Note	2020 Rupees in '000'	2019
ASSETS			
Cash and balances with treasury banks		5,351,954	3,742,675
Balances with other banks		307,986	3,355,122
Due from financial institutions	1	8,632,000	3,395,000
Investments - net	2	16,996,603	8,936,196
Islamic financing and related assets - net	3	33,201,187	27,270,972
Fixed assets		1,670,801	1,757,599
Intangible assets		6,626	4,428
Due from head office		951,270	2,342,604
Other assets		2,003,185	2,459,344
Total assets		69,121,612	53,263,940
LIABILITIES			
Bills payable		212,448	250,213
Due to financial institutions		607,842	-
Deposits and other accounts	4	61,539,589	46,089,009
Due to head office		-	-
Subordinated debt		-	-
Other liabilities		2,647,285	3,169,627
		65,007,164	49,508,849
NET ASSETS		4,114,448	3,755,091
REPRESENTED BY			
Islamic banking fund		1,500,000	1,500,000
Reserves		735	32,768
(Deficit) / surplus on revaluation of assets		(97,165)	67,698
Unappropriated profit	5	2,710,878	2,154,625
		4,114,448	3,755,091
CONTINGENCIES AND COMMITMENTS	6		

ISLAMIC BANKING BUSINESS PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2020

	Note	2020 Rupees in '000'	2019
Profit / return earned	7	5,057,562	4,824,953
Profit / return expensed	8	2,558,654	2,186,851
Net profit / return		2,498,908	2,638,102
Fee and commission income		108,798	91,077
Dividend income		-	-
Foreign exchange income		4,915	849
Income / (loss) from derivatives		-	-
Loss on securities		-	(634)
Other income		4,278	2,701
		117,991	93,993
Total income		2,616,899	2,732,095
Other expenses			
Operating expenses		1,646,171	1,417,871
Workers welfare fund		-	-
Other charges		150	710
		1,646,321	1,418,581
Profit before provisions		970,578	1,313,514
Provisions and write offs - net		414,325	28,083
Profit before taxation		556,253	1,285,431
Taxation	9	-	-
Profit after taxation		556,253	1,285,431

ISLAMIC BANKING BUSINESS

CASH FLOW STATEMENT

For the year ended December 31, 2020

	2020	2019
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	556,253	1,285,431
Less: dividend income	-	-
	556,253	1,285,431
Adjustments for:		
Depreciation on fixed assets	126,823	90,348
Amortization on intangible assets	1,353	564
Depreciation on ijarah assets under IFAS - 2	162,883	238,279
Depreciation right-of-use assets	158,935	147,208
Markup on lease liability against right-of-use assets	181,732	146,890
Amortization of premium / (discount) on debt securities - net	43,739	(8,232)
Gain on termination of lease liability against right-of-use assets	(17)	(433)
Gain on sale of fixed assets-net	(2,135)	-
Provision and write-offs - net	414,325	28,083
	1,087,638	642,707
	1,643,891	1,928,138
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(5,237,000)	1,955,000
Advances	(6,507,423)	(7,541,708)
Others assets	1,847,493	(3,071,135)
	(9,896,930)	(8,657,843)
Increase / (decrease) in operating liabilities:		
Bills payable	(37,765)	40,451
Due to financial institutions	607,842	-
Deposits and other accounts	15,450,580	9,587,898
Other liabilities	(582,550)	(465,928)
	15,438,107	9,162,421
Net cash flow from operating activities	7,185,068	2,432,716
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(8,269,009)	718,522
Investments in operating fixed assets	(122,916)	(238,917)
Net cash (used in) / flow from investing activities	(8,391,925)	479,605
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(231,000)	(210,698)
Net cash used in financing activities	(231,000)	(210,698)
Net (decrease) / increase in cash and cash equivalents	(1,437,857)	2,701,623
Cash and cash equivalents at beginning of the year	7,097,797	4,396,174
Cash and cash equivalents at end of the year	5,659,940	7,097,797

Annexure II

1. DUE FROM FINANCIAL INSTITUTIONS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Unsecured	8,632,000	-	8,632,000	3,395,000	-	3,395,000

2. INVESTMENTS BY SEGMENTS

	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'							
Federal government securities:								
- Ijarah sukuku	2,249,072	-	1,078	2,250,150	1,985,749	-	(5,749)	1,980,000
- Sukuk - bai muajjal with Government of Pakistan	2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
	5,005,268	-	1,078	5,006,346	4,741,945	-	(5,749)	4,736,196
Non government debt securities								
- Lisited	8,521,689	-	(171,690)	8,349,999	-	-	-	-
- Unlisted	3,640,258	-	-	3,640,258	4,200,000	-	-	4,200,000
Total investments	17,167,215	-	(170,612)	16,996,603	8,941,945	-	(5,749)	8,936,196

	Note	2020	2019
		Rupees in '000'	
3. ISLAMIC FINANCING AND RELATED ASSETS			
Ijarah	3.1	1,988,841	1,737,428
Murabaha	3.2	220,091	1,272,740
Musharaka		9,347,782	10,684,948
Diminishing musharaka		18,353,796	10,599,650
Istisna		3,894,158	3,166,670
Payment against documents		55,304	55,303
Gross islamic financing and related assets		33,859,972	27,516,739
Less: provision against islamic financings			
- Specific		658,785	245,767
- General		-	-
		658,785	245,767
Islamic financing and related assets - net of provision		33,201,187	27,270,972

3.1 Ijarah

	2020								
	Cost				Depreciation				Book value
	As at Jan 01, 2020	Additions	Deletion / adjustment	As at Dec 31, 2020	As at Jan 01, 2020	Deletion / adjustment	Charge for the year	As at Dec 31, 2020	as at Dec 31, 2020
	Rupees in '000'								
Plant and machinery	125,415	-	(29,153)	96,262	48,493	(31,144)	20,821	38,170	58,092
Vehicles	521,933	31,188	(15,443)	537,678	212,044	(11,434)	78,024	278,634	259,044
Equipment	214,523	-	(18,300)	196,223	99,424	(14,537)	64,038	148,925	47,298
Service Ijarah	1,235,518	388,889	-	1,624,407	-	-	-	-	1,624,407
Total	2,097,389	420,077	(62,896)	2,454,570	359,961	(57,115)	162,883	465,729	1,988,841

Annexure II

	2019								
	Cost				Depreciation				Book value
	As at Jan 01, 2019	Additions	Deletion / adjustment	As at Dec 31, 2019	As at Jan 01, 2019	Deletion / adjustment	Charge for the year	As at Dec 31, 2019	as at Dec 31, 2019
	Rupees in '000'								
Plant and machinery	125,415	-	-	125,415	26,770	-	21,723	48,493	76,922
Vehicles	368,933	237,553	(84,553)	521,933	220,050	(75,953)	67,947	212,044	309,889
Equipment	762,428	-	(547,905)	214,523	457,036	(506,221)	148,609	99,424	115,099
Service Ijarah	-	1,235,518	-	1,235,518	-	-	-	-	1,235,518
Total	1,256,776	1,473,071	(632,458)	2,097,389	703,856	(582,174)	238,279	359,961	1,737,428

3.1.1 Future ijarah payments receivable

	2020				2019			
	Not later than 1 year	Later than 1 & less than 5 years	Over five years	Total	Not later than 1 year	Later than one & less than 5 years	Over five years	Total
	Rupees in '000'				Rupees in '000'			
Ijarah rental receivables	425,493	1,145,529	417,817	1,988,839	355,326	1,029,099	353,003	1,737,428

	Note	2020	2019
		Rupees in '000'	
3.2 Murabaha			
Murabaha financing	3.2.1	197,566	1,001,934
Advances for murabaha		22,525	270,806
		220,091	1,272,740
3.2.1 Murabaha receivable - gross	3.2.2	242,516	1,046,741
Less: deferred murabaha income	3.2.4	344	29,784
Profit receivable shown in other assets		44,606	15,023
Murabaha financings		197,566	1,001,934
3.2.2 The movement in murabaha financing during the year is as follows:			
Opening balance		1,046,741	968,565
Sales during the year		859,021	2,001,983
Adjusted during the year		1,663,246	1,923,807
Closing balance		242,516	1,046,741
3.2.3 Murabaha sale price		203,970	1,061,235
Murabaha purchase price		6,404	59,301
		197,566	1,001,934
3.2.4 Deferred murabaha income			
Opening balance		29,784	25,772
Arised during the year		32,506	98,645
Less: recognized during the year		61,946	94,633
Closing balance		344	29,784

3.3 Islamic financing and related assets include Rs. 2,876,933 thousand (2019: Rs. 305,734 thousand) which have been placed under non-performing status.

4. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000'						
Customers						
Current deposits	11,129,196	361,767	11,490,963	9,093,509	330,022	9,423,531
Savings deposits	46,122,394	65,342	46,187,736	33,025,303	98,310	33,123,613
Term deposits	1,967,176	-	1,967,176	1,092,240	-	1,092,240
Others	1,581,404	-	1,581,404	1,125,855	-	1,125,855
	60,800,170	427,109	61,227,279	44,336,907	428,332	44,765,239
Financial institutions						
Current deposits	216,155	-	216,155	200,243	-	200,243
Savings deposits	90,864	5,291	96,155	1,122,998	-	1,122,998
Term deposits	-	-	-	-	-	-
Others	-	-	-	529	-	529
	307,019	5,291	312,310	1,323,770	-	1,323,770
	61,107,189	432,400	61,539,589	45,660,677	428,332	46,089,009

	2020	2019
	Rupees in '000'	
4.1 Composition of deposits		
- Individuals	13,391,543	14,264,657
- Government	24,840,912	21,875,177
- Public sector entities	430,596	224,962
- Banking companies	269,062	258,495
- Non-banking financial institutions	43,248	1,065,275
- Private sector	22,564,228	8,400,443
	61,539,589	46,089,009

4.2 This includes deposits eligible to be covered under insurance arrangements of Deposit Protection Corporation amounting to Rs. 30,735,192 thousand (2019: Rs 20,556,009 thousand).

	2020	2019
	Rupees in '000'	
5. ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT		
Opening balance	2,154,625	869,194
Add: Islamic banking profit for the year	556,253	1,285,431
Closing balance	2,710,878	2,154,625
6. CONTINGENCIES AND COMMITMENTS		
-Guarantees	1,683,665	1,095,316
-Commitments	1,586,274	15,712,318
	3,269,939	16,807,634

	2020	2019
	Rupees in '000'	
7. PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT		
Profit earned on:		
Financing	3,209,835	3,299,327
Investments	1,543,985	1,076,755
Placements	291,047	384,550
Deposits with financial institutions	12,695	64,321
	5,057,562	4,824,953
8. PROFIT ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	2,317,614	2,029,295
Markup on lease liability against right-of-use assets	181,732	146,890
Markup on borrowings from SBP	49	-
Profit on deposits from conventional HO	59,259	10,666
	2,558,654	2,186,851

9. The Bank calculates and files a single corporate tax return as per the requirements of Income Tax Ordinance, 2001. Segmental calculation is not required for filing. However, considering the format requirement of the financial statements to disclose Islamic Banking segment's tax charge separately, a notional net tax charge for Islamic Banking is expected to be Rs. 234,071 thousand (2019: Rs. 530,497 thousand).

	2020	2019
	Rupees in '000'	
10. CHARITY FUND		
Opening balance	40,263	45,844
Additions during the year		
Received from customers on account of delayed payment	11,259	41,052
Profit on charity saving account	982	2,526
	12,241	43,578
Payments / utilization during the year		
Education	-	25,000
Health	48,342	24,159
	48,342	49,159
Closing balance	4,162	40,263

11. POOL MANAGEMENT

11.1 BOP TAQWA islamic banking division is maintaining following pools for profit declaration and distribution.

- i) General pool
- ii) Special pool-I
- iii) Special pool-II
- iv) Special pool-IV
- v) Special pool-VII (PER)
- vi) Special pool-IX
- vii) Special pool-XIII
- viii) Special pool-XIV
- ix) Special pool-XV
- x) Special pool-XVI
- xi) Special pool-XVII
- xii) Special pool-XVIII
- xiii) Special pool-XIX
- xiv) Taqwa Foreign Currency USD Pool
- xv) Taqwa Foreign Currency GBP Pool
- xvi) Taqwa Foreign Currency EURO Pool
- xvii) USD special pool-I

11.2 General pool

The general pool comprises of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from BOP head office. The Bank acts as fund manager (Mudarib) and invests the funds in shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

a) Weightages for distribution of profit in general pool

Profit is calculated on the basis of daily product balance in Mudaraba based depositors' accounts and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

b) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

c) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from principal office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & shariah clearance.

11.3 Special pools

The special pools comprise of depositors' funds, Bank's equity inclusive of current deposits and mudaraba placements from BOP head office. The Bank acts as Fund Manager (Mudarib) and invests the funds in shariah compliant modes of financings, investments and placements (remunerative assets). The profit of the pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-TAQWA as Mudarib.

a) Weightages for distribution of profit in special pools

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

b) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

c) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from principal office, islamic banking institutions and shariah compliant organizations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & shariah clearance.

11.4 Avenues / sectors of economy / business where mudaraba based deposits have been deployed:

	2020	2019
	Rupees in '000'	
Federal and provincial governments	9,602,269	7,836,261
Due from GOP - bai muajjal	2,756,196	2,756,196
Placement with Financial Institutions	8,632,000	3,395,000
Ijara sukuk	2,249,071	1,985,749
Transport, storage, logistics and communication	186,055	245,269
Manufacturing and trading of food items	842,840	713,311
Manufacture of pesticides and other agro-chemical product	68,137	98,944
Power generation	18,131,692	10,954,848
Manufacture of paper, paperboard and products thereof	614,086	640,842
Consumer car Ijarah	16,225	23,074
Textile composite / other	4,328,821	1,138,879
Cement & allied	3,138,939	3,127,597
Iron & steel industry	856,890	647,524
Rubber / plastic products etc.	198,648	199,910
Others	8,054,170	8,841,148
	59,676,039	42,604,552

11.5 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

	2020	2019
	Rupees in '000'	
Provisions		
Murabaha	50,009	47,067
Istisna	10,000	-
Ijarah	186,380	185,000
Diminishing Musharika	412,396	13,700
	658,785	245,767

11.6 Mudarib share (in amount and percentage of distributable income):

	2020		2019	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
	Rupees in '000'			
Rabbul mal	2,250,493	56.74%	1,960,390	60.89%
Mudarib	1,715,683	43.26%	1,259,103	39.11%
Distributable income	3,966,176	100.00%	3,219,493	100.00%

11.7 Amount & percentage of mudarib share transferred to depositors through Hiba:

	2020	2019
	Rupees in '000'	
Mudarib share	1,715,683	1,259,103
Hiba	173,347	60,123
Hiba percentage of mudarib share	10.10%	4.78%

This is not a special hiba as such. This hiba has been distributed across the board to all the investment account holders.

Profit rate earned vs. profit rate distributed to the depositors during the year:

Profit rate earned	9.53%	12.71%
Profit rates distributed to depositors	4.83%	5.27%

Branch Network

Banking Sector	No. of Branches	No. of Sub-Branches
Islamic Banking Group	102	2
Central-I	15	
Central-II	17	1
KHI/BAL	7	
North-I	19	1
North-II	12	
South-I	11	
South-II	10	
South-III	11	
Retail Banking Group	516	16
D.G. Khan	53	
Faisalabad	46	1
Gujranwala Rural	50	1
Gujranwala Urban	41	1
Islamabad	48	2
Karachi	27	1
Lahore-A	37	3
Lahore-B	30	3
Multan	46	1
Peshawar	43	1
PSDD	8	1
Sahiwal	45	1
Sargodha	42	
Grand Total	618	18

Pattern of Shareholding of Shares

As on December 31, 2020

No. of Shareholders			-----Shareholding-----				Total Shares Held			Percentage
Physical	CDC	Total	From	To		Physical	CDC	Total		
1054	1169	2223	FROM	1	TO	100	38,265	44,660	82,925	0.0031
1512	1953	3465	FROM	101	TO	500	396,296	765,292	1,161,588	0.0439
628	1714	2342	FROM	501	TO	1000	465,571	1,581,738	2,047,309	0.0774
945	3818	4763	FROM	1001	TO	5000	2,005,659	10,923,906	12,929,565	0.4891
147	1483	1630	FROM	5001	TO	10000	1,002,424	11,932,093	12,934,517	0.4893
47	580	627	FROM	10001	TO	15000	568,297	7,513,406	8,081,703	0.3057
32	478	510	FROM	15001	TO	20000	565,974	8,818,243	9,384,217	0.3550
17	310	327	FROM	20001	TO	25000	372,516	7,227,539	7,600,055	0.2875
47	245	292	FROM	25001	TO	30000	1,231,891	7,008,638	8,240,529	0.3117
7	139	146	FROM	30001	TO	35000	223,398	4,606,240	4,829,638	0.1827
5	153	158	FROM	35001	TO	40000	189,771	5,914,628	6,104,399	0.2309
2	78	80	FROM	40001	TO	45000	84,016	3,346,388	3,430,404	0.1298
2	194	196	FROM	45001	TO	50000	97,708	9,605,659	9,703,367	0.3670
2	91	93	FROM	50001	TO	55000	103,068	4,812,048	4,915,116	0.1859
1	75	76	FROM	55001	TO	60000	57,936	4,407,098	4,465,034	0.1689
2	34	36	FROM	60001	TO	65000	122,497	2,143,362	2,265,859	0.0857
1	39	40	FROM	65001	TO	70000	65,923	2,672,663	2,738,586	0.1036
	44	44	FROM	70001	TO	75000		3,247,255	3,247,255	0.1228
1	36	37	FROM	75001	TO	80000	79,812	2,833,008	2,912,820	0.1102
	34	34	FROM	80001	TO	85000		2,836,802	2,836,802	0.1073
1	30	31	FROM	85001	TO	90000	89,454	2,651,272	2,740,726	0.1037
1	19	20	FROM	90001	TO	95000	91,457	1,765,172	1,856,629	0.0702
	132	132	FROM	95001	TO	100000		13,168,293	13,168,293	0.4981
	27	27	FROM	100001	TO	105000		2,764,836	2,764,836	0.1046
	32	32	FROM	105001	TO	110000		3,463,693	3,463,693	0.1310
1	24	25	FROM	110001	TO	115000	114,528	2,704,748	2,819,276	0.1066
	22	22	FROM	115001	TO	120000		2,604,939	2,604,939	0.0985
	20	20	FROM	120001	TO	125000		2,472,710	2,472,710	0.0935
1	18	19	FROM	125001	TO	130000	127,406	2,320,577	2,447,983	0.0926
	8	8	FROM	130001	TO	135000		1,068,000	1,068,000	0.0404
	13	13	FROM	135001	TO	140000		1,801,552	1,801,552	0.0681
	6	6	FROM	140001	TO	145000		856,864	856,864	0.0324
	32	32	FROM	145001	TO	150000		4,784,809	4,784,809	0.1810
	4	4	FROM	150001	TO	155000		618,000	618,000	0.0234
	15	15	FROM	155001	TO	160000		2,374,128	2,374,128	0.0898
	11	11	FROM	160001	TO	165000		1,799,381	1,799,381	0.0681
	7	7	FROM	165001	TO	170000		1,174,807	1,174,807	0.0444
	9	9	FROM	170001	TO	175000		1,568,500	1,568,500	0.0593
	4	4	FROM	175001	TO	180000		708,917	708,917	0.0268
	8	8	FROM	180001	TO	185000		1,472,866	1,472,866	0.0557
1	6	7	FROM	185001	TO	190000	189,640	1,128,000	1,317,640	0.0498
	4	4	FROM	190001	TO	195000		773,363	773,363	0.0293
	54	54	FROM	195001	TO	200000		10,791,530	10,791,530	0.4082
	10	10	FROM	200001	TO	205000		2,037,100	2,037,100	0.0771
	4	4	FROM	205001	TO	210000		829,000	829,000	0.0314
	3	3	FROM	210001	TO	215000		639,600	639,600	0.0242
	6	6	FROM	215001	TO	220000		1,316,000	1,316,000	0.0498
	3	3	FROM	220001	TO	225000		674,500	674,500	0.0255
	10	10	FROM	225001	TO	230000		2,281,368	2,281,368	0.0863
	4	4	FROM	230001	TO	235000		931,187	931,187	0.0352
	6	6	FROM	235001	TO	240000		1,428,123	1,428,123	0.0540
	4	4	FROM	240001	TO	245000		971,279	971,279	0.0367
	19	19	FROM	245001	TO	250000		4,741,358	4,741,358	0.1793

No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage	
Physical	CDC	Total		From	To	Physical	CDC	Total		
		3	FROM	250001	TO	255000		765,000	765,000	0.0289
		5	FROM	255001	TO	260000		1,297,000	1,297,000	0.0491
		3	FROM	260001	TO	265000		783,500	783,500	0.0296
		4	FROM	265001	TO	270000		1,068,159	1,068,159	0.0404
		2	FROM	270001	TO	275000		550,000	550,000	0.0208
		5	FROM	275001	TO	280000		1,392,500	1,392,500	0.0527
		4	FROM	280001	TO	285000		1,124,000	1,124,000	0.0425
		7	FROM	285001	TO	290000		2,014,591	2,014,591	0.0762
		1	FROM	290001	TO	295000		294,000	294,000	0.0111
		16	FROM	295001	TO	300000		4,792,474	4,792,474	0.1813
		5	FROM	300001	TO	305000		1,517,440	1,517,440	0.0574
		1	FROM	305001	TO	310000		308,000	308,000	0.0117
		2	FROM	310001	TO	315000		627,000	627,000	0.0237
		2	FROM	315001	TO	320000		636,000	636,000	0.0241
		2	FROM	320001	TO	325000		646,241	646,241	0.0244
		2	FROM	325001	TO	330000		658,269	658,269	0.0249
		3	FROM	330001	TO	335000		1,000,468	1,000,468	0.0378
		3	FROM	340001	TO	345000		1,027,500	1,027,500	0.0389
		3	FROM	345001	TO	350000		1,050,000	1,050,000	0.0397
		4	FROM	350001	TO	355000		1,413,197	1,413,197	0.0535
		2	FROM	355001	TO	360000		717,500	717,500	0.0271
		4	FROM	360001	TO	365000		1,452,216	1,452,216	0.0549
		4	FROM	365001	TO	370000		1,475,000	1,475,000	0.0558
		2	FROM	370001	TO	375000		745,500	745,500	0.0282
		1	FROM	380001	TO	385000		385,000	385,000	0.0146
		1	FROM	385001	TO	390000		390,000	390,000	0.0148
		4	FROM	390001	TO	395000		1,573,157	1,573,157	0.0595
		11	FROM	395001	TO	400000		4,400,000	4,400,000	0.1664
		5	FROM	400001	TO	405000		2,009,000	2,009,000	0.0760
		2	FROM	405001	TO	410000		819,053	819,053	0.0310
		1	FROM	410001	TO	415000		412,500	412,500	0.0156
		3	FROM	415001	TO	420000		1,252,500	1,252,500	0.0474
		1	FROM	420001	TO	425000		421,000	421,000	0.0159
		1	FROM	430001	TO	435000		433,000	433,000	0.0164
		4	FROM	435001	TO	440000		1,752,000	1,752,000	0.0663
		2	FROM	440001	TO	445000		888,000	888,000	0.0336
		3	FROM	445001	TO	450000		1,345,500	1,345,500	0.0509
		1	FROM	450001	TO	455000		455,000	455,000	0.0172
		3	FROM	455001	TO	460000		1,374,500	1,374,500	0.0520
		1	FROM	460001	TO	465000		465,000	465,000	0.0176
		2	FROM	465001	TO	470000		936,792	936,792	0.0354
		3	FROM	470001	TO	475000		1,418,907	1,418,907	0.0537
		3	FROM	475001	TO	480000		1,439,000	1,439,000	0.0544
		1	FROM	480001	TO	485000		483,500	483,500	0.0183
		2	FROM	485001	TO	490000		975,727	975,727	0.0369
		2	FROM	490001	TO	495000		988,000	988,000	0.0374
		17	FROM	495001	TO	500000		8,500,000	8,500,000	0.3215
		2	FROM	500001	TO	505000		1,001,604	1,001,604	0.0379
		2	FROM	520001	TO	525000		1,046,251	1,046,251	0.0396
		1	FROM	525001	TO	530000		527,000	527,000	0.0199
		1	FROM	535001	TO	540000		540,000	540,000	0.0204
		3	FROM	545001	TO	550000		1,650,000	1,650,000	0.0624
		2	FROM	560001	TO	565000		1,125,993	1,125,993	0.0426
		2	FROM	570001	TO	575000		1,149,000	1,149,000	0.0435
		9	FROM	595001	TO	600000		5,400,000	5,400,000	0.2043
		1	FROM	600001	TO	605000		601,000	601,000	0.0227
		1	FROM	605001	TO	610000		608,500	608,500	0.0230
		1	FROM	615001	TO	620000		620,000	620,000	0.0235
		2	FROM	620001	TO	625000		1,246,500	1,246,500	0.0471

No. of Shareholders			-----Shareholding-----				Total Shares Held			Percentage
Physical	CDC	Total	From	To		Physical	CDC	Total		
1	1	1	FROM	630001	TO	635000		634,000	634,000	0.0240
1	1	1	FROM	635001	TO	640000		636,500	636,500	0.0241
1	1	1	FROM	645001	TO	650000		650,000	650,000	0.0246
1	1	1	FROM	665001	TO	670000		666,818	666,818	0.0252
1	1	1	FROM	670001	TO	675000		673,955	673,955	0.0255
1	1	1	FROM	675001	TO	680000		680,000	680,000	0.0257
3	3	3	FROM	695001	TO	700000		2,096,000	2,096,000	0.0793
1	1	1	FROM	700001	TO	705000		703,500	703,500	0.0266
1	1	1	FROM	705001	TO	710000		709,500	709,500	0.0268
1	1	1	FROM	715001	TO	720000		720,000	720,000	0.0272
2	2	2	FROM	720001	TO	725000		1,446,303	1,446,303	0.0547
1	1	1	FROM	725001	TO	730000		728,600	728,600	0.0276
1	1	1	FROM	735001	TO	740000		740,000	740,000	0.0280
1	1	1	FROM	745001	TO	750000		750,000	750,000	0.0284
2	2	2	FROM	765001	TO	770000		1,537,000	1,537,000	0.0581
1	1	1	FROM	775001	TO	780000		779,500	779,500	0.0295
7	7	7	FROM	795001	TO	800000		5,599,500	5,599,500	0.2118
2	2	2	FROM	815001	TO	820000		1,638,000	1,638,000	0.0620
1	1	1	FROM	820001	TO	825000		825,000	825,000	0.0312
3	3	3	FROM	845001	TO	850000		2,550,000	2,550,000	0.0965
1	1	1	FROM	865001	TO	870000		870,000	870,000	0.0329
1	1	1	FROM	870001	TO	875000		875,000	875,000	0.0331
1	1	1	FROM	875001	TO	880000		875,500	875,500	0.0331
1	1	1	FROM	890001	TO	895000		892,500	892,500	0.0338
1	1	1	FROM	910001	TO	915000		915,000	915,000	0.0346
1	1	1	FROM	915001	TO	920000		920,000	920,000	0.0348
1	1	1	FROM	920001	TO	925000		924,287	924,287	0.0350
2	2	2	FROM	935001	TO	940000		1,875,458	1,875,458	0.0709
1	1	1	FROM	965001	TO	970000		967,000	967,000	0.0366
1	1	1	FROM	980001	TO	985000		981,000	981,000	0.0371
2	2	2	FROM	990001	TO	995000		1,984,000	1,984,000	0.0750
8	8	8	FROM	995001	TO	1000000		8,000,000	8,000,000	0.3026
3	3	3	FROM	1000001	TO	1005000		3,005,052	3,005,052	0.1137
1	1	1	FROM	1015001	TO	1020000		1,020,000	1,020,000	0.0386
2	2	2	FROM	1020001	TO	1025000		2,046,062	2,046,062	0.0774
1	1	1	FROM	1035001	TO	1040000		1,035,500	1,035,500	0.0392
1	1	1	FROM	1045001	TO	1050000		1,048,512	1,048,512	0.0397
1	1	1	FROM	1050001	TO	1055000		1,054,000	1,054,000	0.0399
1	1	1	FROM	1055001	TO	1060000		1,060,000	1,060,000	0.0401
1	1	1	FROM	1070001	TO	1075000		1,075,000	1,075,000	0.0407
1	1	1	FROM	1085001	TO	1090000		1,090,000	1,090,000	0.0412
1	1	1	FROM	1125001	TO	1130000		1,127,500	1,127,500	0.0426
1	1	1	FROM	1130001	TO	1135000		1,132,605	1,132,605	0.0428
2	2	2	FROM	1155001	TO	1160000		2,319,000	2,319,000	0.0877
1	1	1	FROM	1170001	TO	1175000		1,175,000	1,175,000	0.0444
1	1	1	FROM	1195001	TO	1200000		1,200,000	1,200,000	0.0454
1	1	1	FROM	1200001	TO	1205000		1,200,500	1,200,500	0.0454
1	1	1	FROM	1215001	TO	1220000		1,217,000	1,217,000	0.0460
1	1	1	FROM	1225001	TO	1230000		1,227,000	1,227,000	0.0464
1	1	1	FROM	1245001	TO	1250000		1,250,000	1,250,000	0.0473
1	1	1	FROM	1255001	TO	1260000		1,257,500	1,257,500	0.0476
1	1	1	FROM	1270001	TO	1275000		1,272,500	1,272,500	0.0481
1	1	1	FROM	1285001	TO	1290000		1,288,000	1,288,000	0.0487
1	1	1	FROM	1295001	TO	1300000		1,300,000	1,300,000	0.0492
1	1	1	FROM	1300001	TO	1305000		1,300,500	1,300,500	0.0492
1	1	1	FROM	1315001	TO	1320000		1,319,000	1,319,000	0.0499
1	1	1	FROM	1345001	TO	1350000		1,350,000	1,350,000	0.0511
1	1	1	FROM	1405001	TO	1410000		1,409,500	1,409,500	0.0533
1	1	1	FROM	1430001	TO	1435000		1,432,500	1,432,500	0.0542
1	1	1	FROM	1450001	TO	1455000		1,452,000	1,452,000	0.0549

No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage	
Physical	CDC	Total		From	To	Physical	CDC	Total		
		3		FROM	1495001	TO	1500000	4,500,000	4,500,000	0.1702
		1		FROM	1515001	TO	1520000	1,518,500	1,518,500	0.0574
		1		FROM	1530001	TO	1535000	1,531,334	1,531,334	0.0579
		1		FROM	1535001	TO	1540000	1,540,000	1,540,000	0.0583
		1		FROM	1565001	TO	1570000	1,566,000	1,566,000	0.0592
		1		FROM	1575001	TO	1580000	1,580,000	1,580,000	0.0598
		1		FROM	1590001	TO	1595000	1,595,000	1,595,000	0.0603
		1		FROM	1595001	TO	1600000	1,596,566	1,596,566	0.0604
		1		FROM	1605001	TO	1610000	1,608,500	1,608,500	0.0608
		1		FROM	1640001	TO	1645000	1,642,561	1,642,561	0.0621
		1		FROM	1665001	TO	1670000	1,666,336	1,666,336	0.0630
		2		FROM	1695001	TO	1700000	3,400,000	3,400,000	0.1286
		1		FROM	1725001	TO	1730000	1,730,000	1,730,000	0.0654
		1		FROM	1735001	TO	1740000	1,737,000	1,737,000	0.0657
		1		FROM	1780001	TO	1785000	1,785,000	1,785,000	0.0675
		1		FROM	1795001	TO	1800000	1,800,000	1,800,000	0.0681
		1		FROM	1870001	TO	1875000	1,875,000	1,875,000	0.0709
		1		FROM	1885001	TO	1890000	1,887,000	1,887,000	0.0714
		1		FROM	1945001	TO	1950000	1,950,000	1,950,000	0.0738
		1		FROM	1980001	TO	1985000	1,985,000	1,985,000	0.0751
		1		FROM	1985001	TO	1990000	1,987,789	1,987,789	0.0752
		5		FROM	1995001	TO	2000000	10,000,000	10,000,000	0.3783
		1		FROM	2035001	TO	2040000	2,038,500	2,038,500	0.0771
		1		FROM	2185001	TO	2190000	2,190,000	2,190,000	0.0828
		3		FROM	2195001	TO	2200000	6,596,998	6,596,998	0.2495
		1		FROM	2220001	TO	2225000	2,224,500	2,224,500	0.0841
		1		FROM	2270001	TO	2275000	2,271,500	2,271,500	0.0859
		1		FROM	2305001	TO	2310000	2,309,000	2,309,000	0.0873
		1		FROM	2315001	TO	2320000	2,315,500	2,315,500	0.0876
		1		FROM	2325001	TO	2330000	2,327,000	2,327,000	0.0880
		1		FROM	2360001	TO	2365000	2,363,000	2,363,000	0.0894
		1		FROM	2370001	TO	2375000	2,375,000	2,375,000	0.0898
		1		FROM	2495001	TO	2500000	2,499,000	2,499,000	0.0945
		1		FROM	2535001	TO	2540000	2,539,500	2,539,500	0.0961
		1		FROM	2595001	TO	2600000	2,600,000	2,600,000	0.0983
		1		FROM	2770001	TO	2775000	2,772,000	2,772,000	0.1049
		1		FROM	2940001	TO	2945000	2,945,000	2,945,000	0.1114
		1		FROM	2950001	TO	2955000	2,951,850	2,951,850	0.1117
		3		FROM	3495001	TO	3500000	10,495,500	10,495,500	0.3970
		1		FROM	3645001	TO	3650000	3,650,000	3,650,000	0.1381
		1		FROM	3695001	TO	3700000	3,697,000	3,697,000	0.1398
		1		FROM	3780001	TO	3785000	3,784,064	3,784,064	0.1431
		1		FROM	3835001	TO	3840000	3,835,376	3,835,376	0.1451
		1		FROM	3915001	TO	3920000	3,919,025	3,919,025	0.1482
		2		FROM	3995001	TO	4000000	8,000,000	8,000,000	0.3026
		2		FROM	4495001	TO	4500000	9,000,000	9,000,000	0.3404
		1		FROM	4870001	TO	4875000	4,873,000	4,873,000	0.1843
		2		FROM	4995001	TO	5000000	10,000,000	10,000,000	0.3783
		1		FROM	5170001	TO	5175000	5,174,500	5,174,500	0.1957
		1		FROM	5690001	TO	5695000	5,693,000	5,693,000	0.2153
		1		FROM	5810001	TO	5815000	5,811,000	5,811,000	0.2198
		1		FROM	5925001	TO	5930000	5,925,500	5,925,500	0.2241
		1		FROM	6640001	TO	6645000	6,641,500	6,641,500	0.2512
		1		FROM	6825001	TO	6830000	6,827,787	6,827,787	0.2583
		1		FROM	6895001	TO	6900000	6,900,000	6,900,000	0.2610
		1		FROM	7035001	TO	7040000	7,039,000	7,039,000	0.2663
		1		FROM	7600001	TO	7605000	7,604,000	7,604,000	0.2876
		1		FROM	7950001	TO	7955000	7,952,500	7,952,500	0.3008
		1		FROM	7995001	TO	8000000	8,000,000	8,000,000	0.3026
		1		FROM	8310001	TO	8315000	8,312,000	8,312,000	0.3144

No. of Shareholders			-----Shareholding-----				Total Shares Held			Percentage
Physical	CDC	Total	From	To	Physical	CDC	Total			
	1	1	FROM 8925001	TO 8930000		8,928,383	8,928,383		0.3377	
	1	1	FROM 9995001	TO 10000000		10,000,000	10,000,000		0.3783	
	1	1	FROM 10310001	TO 10315000		10,315,000	10,315,000		0.3902	
	1	1	FROM 11745001	TO 11750000		11,750,000	11,750,000		0.4445	
	1	1	FROM 11840001	TO 11845000		11,844,000	11,844,000		0.4480	
	1	1	FROM 12530001	TO 12535000		12,534,434	12,534,434		0.4741	
	1	1	FROM 15285001	TO 15290000		15,287,500	15,287,500		0.5783	
	1	1	FROM 18900001	TO 18905000		18,901,000	18,901,000		0.7149	
	1	1	FROM 19105001	TO 19110000		19,108,500	19,108,500		0.7228	
	1	1	FROM 19125001	TO 19130000		19,130,000	19,130,000		0.7236	
	1	1	FROM 20050001	TO 20055000		20,053,231	20,053,231		0.7585	
	1	1	FROM 21465001	TO 21470000		21,466,000	21,466,000		0.8120	
	1	1	FROM 22065001	TO 22070000		22,070,000	22,070,000		0.8348	
	1	1	FROM 28095001	TO 28100000		28,096,500	28,096,500		1.0628	
	1	1	FROM 31835001	TO 31840000		31,839,500	31,839,500		1.2044	
	1	1	FROM 39685001	TO 39690000		39,688,500	39,688,500		1.5013	
	1	1	FROM 47595001	TO 47600000		47,600,000	47,600,000		1.8005	
	1	1	FROM 70695001	TO 70700000		70,697,465	70,697,465		2.6742	
	1	1	FROM 118335001	TO 118340000		118,335,500	118,335,500		4.4761	
1		1	FROM 1519400001	TO 1519405000	1,519,404,845		1,519,404,845		57.4728	
4458	13610	18068			1,527,688,352	1,116,004,028	2,643,692,380		100.0000	

Categories of Shareholders

As on December 31, 2020

Shareholder Category	No. of Shareholders			Total No. of Shares Held			%Age
	Physical	CDC	Total	Physical	CDC	Total	
DIRECTORS	0	2	2	0	17,995	17,995	0.0007%
PROVINCIAL GOVERNMENT	1	0	1	1,519,404,845	0	1,519,404,845	57.4728%
ASSOCIATED COMPANIES	0	0	0	0	0	0	0.0000%
FOREIGN FUNDS	29	4	33	63,134	10,092,313	10,155,447	0.3841%
INDIVIDUALS (FOREIGN)	0	12	12	0	363,495	363,495	0.0137%
INDIVIDUALS (LOCAL)	4,394	13,334	17,728	8,064,226	693,088,992	701,153,218	26.5217%
BANK/NBFI/FIN.INST./INSURANCE CO./ MODARABAS MUTUAL FUNDS	18	64	82	87,741	247,290,957	247,378,698	9.3573%
LEASING COMPANIES	0	2	2	0	3,175	3,175	0.0001%
CHARITABLE TRUSTS	0	5	5	0	320,587	320,587	0.0121%
COOPERATIVE SOCIETIES	0	0	0	0	0	0	0.0000%
NIT	0	3	3	0	1,769,500	1,769,500	0.0669%
ICP	1	0	1	975	0	975	0.0000%
JOINT STOCK COMPANIES	15	150	165	67,431	85,093,703	85,161,134	3.2213%
OTHERS	0	34	34	0	77,963,311	77,963,311	2.9490%
TOTAL	4,458	13,610	18,068	1,527,688,352	1,116,004,028	2,643,692,380	100.0000%

Catagories of Shareholding

As on December 31, 2020

Sr. No.	Name	No. of Shares Held	Percentage
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies and Mutual Funds:			
1	BEAR STEARNS JAHANGIR SIDDIQUI LTD.	378	0.0000%
2	KARACHI INVESTMENT COMPANY(PVT)LTD	32,417	0.0012%
3	SECRETARY THE BANK OF PUNJAB	1,953	0.0001%
4	FIDELITY INVESTMENT BANK LTD	1,385	0.0001%
5	SECURITY INVESTMENT BANK LTD.	612	0.0000%
6	NATIONAL DEVELOPMENT FINANCE CORP (INVESTOR)	9,528	0.0004%
7	ALTOWFEEK INVESTMENT BANK LTD.	213	0.0000%
8	CRESCENT INVESTMENT BANK LTD.	15,525	0.0006%
9	INDUS BANK LTD.	12,956	0.0005%
10	TRUST INVESTMENT BANK LTD.	4,372	0.0002%
11	THE BANK OF KHYBER	20	0.0000%
12	NATIONAL BANK OF PAKISTAN INVESTOR A/C (FORMER NDFC)	1,242	0.0000%
13	SILVER STAR INSURANCE CO.LTD.	14	0.0000%
14	PRIME INSURANCE CO LTD	4,406	0.0002%
15	TRUST MODARABA	2,668	0.0001%
16	SECOND PRODNENTIAL MODARABA	2	0.0000%
17	FIRST PAK MODARABA	42	0.0000%
18	GUARDIAN LEASING MODARABA	8	0.0000%
19	ASKARI BANK LIMITED	20,053,231	0.7585%
20	BANK ALFALAH LIMITED	2,772,000	0.1049%
21	ESCORTS INVESTMENT BANK LIMITED	1,844	0.0001%
22	FAYSAL BANK LIMITED	18,901,000	0.7149%
23	HABIB BANK LIMITED - LSE BRANCH	36	0.0000%
24	INVEST CAPITAL INVESTMENT BANK LIMITED	200,000	0.0076%
25	NATIONAL BANK OF PAKISTAN	47,600,000	1.8005%
26	NATIONAL BANK OF PAKISTAN	12	0.0000%
27	PAIR INVESTMENT COMPANY LIMITED	185,000	0.0070%
28	SAMBA BANK LIMITED	7,039,000	0.2663%
29	SAMBA BANK LIMITED - MT	2,038,500	0.0771%
30	SECURITY INVESTMENT BANK LIMITED	1	0.0000%
31	SONERI BANK LIMITED - ORDINARY SHARES	11,750,000	0.4445%
32	SUMMIT BANK LIMITED	19,108,500	0.7228%
33	THE BANK OF KHYBER	2,000,000	0.0757%
34	SAUDI PAK INDUSTRIAL & AGRICULTURAL INVESTMENT CO. LTD.-PMD	22,070,000	0.8348%
35	FIRST CREDIT & INVESTMENT BANK LIMITED	22,000	0.0008%
36	PAK-OMAN INVESTMENT COMPANY LTD. - MT	1,887,000	0.0714%
37	SECURITY INVESTMENT BANK LIMITED	4,467	0.0002%
38	ADAMJEE LIFE ASSURANCE CO.LTD-DGF	260,000	0.0098%
39	ADAMJEE LIFE ASSURANCE COMPANY LIMITD- NUIL FUND	709,500	0.0268%
40	ADAMJEE LIFE ASSURANCE COMPANY LIMITD-IMF	6,641,500	0.2512%
41	ALFALAH INSURANCE COMPANY LIMITED	1,200,500	0.0454%
42	CENTURY INSURANCE COMPANY LTD.	66,769	0.0025%
43	EFU LIFE ASSURANCE LTD	1	0.0000%
44	JUBILEE GENERAL INSURANCE COMPANY LIMITED	1,175,000	0.0444%
45	JUBILEE LIFE INSURANCE COMPANY LIMITED	28,096,500	1.0628%
46	PROGRESSIVE INS.C.L.FORMERLY PRIME INS.	1,700	0.0001%
47	STATE LIFE INSURANCE CORP. OF PAKISTAN	8,928,383	0.3377%
48	THE CRESCENT STAR INSURANCE CO. LTD.	250	0.0000%
49	TPL INSURANCE LIMITED	7,731	0.0003%
50	CDC - TRUSTEE ABL STOCK FUND	3,500	0.0001%
51	CDC - TRUSTEE AKD INDEX TRACKER FUND	265,659	0.0100%

Sr. No.	Name	No. of Shares Held	Percentage
52	CDC - TRUSTEE AKD OPPORTUNITY FUND	5,000,000	0.1891%
53	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,785,000	0.0675%
54	CDC - TRUSTEE ALFALAH GHP STOCK FUND	3,497,000	0.1323%
55	CDC - TRUSTEE ALFALAH GHP VALUE FUND	991,000	0.0375%
56	CDC - TRUSTEE APF-EQUITY SUB FUND	720,000	0.0272%
57	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	130,000	0.0049%
58	CDC - TRUSTEE ATLAS STOCK MARKET FUND	5,174,500	0.1957%
59	CDC - TRUSTEE FAYSAL MTS FUND - MT	328,500	0.0124%
60	CDC - TRUSTEE FIST CAPITAL MUTUAL FUND	10,000	0.0004%
61	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	308,000	0.0117%
62	CDC - TRUSTEE FIRST HABIB STOCK FUND	340,500	0.0129%
63	CDC - TRUSTEE GOLDEN ARROW STOCK FUND	250,000	0.0095%
64	CDC - TRUSTEE HBL - STOCK FUND	2,315,500	0.0876%
65	CDC - TRUSTEE HBL MULTI - ASSET FUND	117,000	0.0044%
66	CDC - TRUSTEE HBL PF EQUITY SUB FUND	342,000	0.0129%
67	CDC - TRUSTEE LAKSON INCOME FUND - MT	6,000	0.0002%
68	CDC - TRUSTEE LAKSON EQUITY FUND	1,987,789	0.0752%
69	CDC - TRUSTEE LAKSON TACTICAL FUND	238,584	0.0090%
70	CDC - TRUSTEE NBP BALANCED FUND	112,500	0.0043%
71	CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1,432,500	0.0542%
72	CDC - TRUSTEE NBP FINANCIAL SECTOR INCOME FUND - MT	345,000	0.0130%
73	CDC - TRUSTEE NBP INCOME OPPORTUNITY FUND - MT	50,000	0.0019%
74	CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT	2,945,000	0.1114%
75	CDC - TRUSTEE NBP SAVING FUND - MT	281,500	0.0106%
76	CDC - TRUSTEE NBP STOCK FUND	5,925,500	0.2241%
77	CDC - TRUSTEE PICIC GROWTH FUND	1,875,000	0.0709%
78	CDC - TRUSTEE PICIC INVESTMENT FUND	1,452,000	0.0549%
79	CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	4,873,000	0.1843%
80	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1,409,500	0.0533%
81	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	48,500	0.0018%
82	TRUSTEE-BMA CHUNDRIGAR ROAD SAVINGS FUND	10,000	0.0004%
		247,378,698	9.3573%
NIT			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	495,000	0.0187%
2	CDC - TRUSTEE NIT INCOME FUND - MT	17,000	0.0006%
3	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,257,500	0.0476%
		1,769,500	0.0669%
ICP			
1	INVESTMENT CORPORATION OF PAK	975	0.0000%

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No.	Name	Holding	Percentage
1	GOVERNMENT OF THE PUNJAB	1,519,404,845	57.4728%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	Name	Sale	Purchase
------	------	------	----------

NIL

Form of Proxy

I/We _____
(Name and Folio No./Participant Account No. & Sub-Account No.)

of _____
(Place)
being a member(s) of THE BANK OF PUNJAB hereby appoint

(Name and Folio No./Participant Account No. & Sub-Account No.)

of _____
(Place)

another member of the Bank as my / our proxy to attend, speak and vote on my / our behalf at the 30th Annual General Meeting of the Bank to be held on **Tuesday, 30th March, 2021 at 12:30 p.m. through Zoom Application/Video Link** at Lahore and at any adjournment thereof.

Signed this _____ Day _____ 2021.

In local

Signature of
Member(s)

Five Rupees
Revenue Stamp

WITNESSES:

1. Signature: _____

2. Signature: _____

Name: _____

Name: _____

Address: _____

Address: _____

CNIC or
Passport No. _____

CNIC or
Passport No. _____

NOTE:

This form of proxy duly completed must be deposited at Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore by not less than 48 hours before the time fixed for the Meeting.

The Company Secretary

THE BANK OF PUNJAB

BOP Tower, 10-B, Block-E-II,
Main Boulevard, Gulberg-III,
Lahore.
Ph: 35783700-10

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میں/ہم _____ ساکن _____
 بمطابق شیئرز رجسٹر فوئیو نمبر/CDC اکاؤنٹ نمبر/ذیلی اکاؤنٹ نمبر _____
 بحیثیت ممبر دی بینک آف پنجاب محترم/محترمہ _____
 فوئیو نمبر/CDC اکاؤنٹ نمبر/ذیلی اکاؤنٹ نمبر _____ کو اپنے/اپنی ایما پر بطور مختار
 (پراکسی) مقرر کرتا/کرتی/کرتے ہوں/ہیں تاکہ میری/ہماری جگہ میری/ہماری طرف سے بینک کے اجلاس عام جو مورخہ 30 مارچ 2021ء
 بروز منگل دوپہر 12:30 بجے لاہور میں مختار (پراکسی) شرکت کرے، بولے اور حق رائے وہی استعمال کرے۔

دستخط بتاریخ _____ 2021ء

گواہ نمبر 1:

دستخط:

نام:

پتہ:

شناختی کارڈ نمبر:

پانچ روپے
کار یونیوسٹمپ

دستخط بینک میں رجسٹرڈ نمونہ
سے مطابقت رکھنے چاہئیں

گواہ نمبر 2:

دستخط:

نام:

پتہ:

شناختی کارڈ نمبر:

نوٹ: باضابطہ طور پر پُر شدہ اور دستخط شدہ پراکسی فارم بینک کے رجسٹرڈ آفس واقع کارپوریٹ افیئرز ڈیپارٹمنٹ، BOP ٹاور، 10-B،
 بلاک E-2، مین بلیوارڈ، گلبرگ-3، لاہور کے رجسٹرڈ دفتر میں سالانہ اجلاس عام کے انعقاد سے 48 گھنٹے قبل لازمی طور پر موصول ہو جانی
 چاہیے۔



The Company Secretary

THE BANK OF PUNJAB
BOP Tower, 10-B, Block-E-II,
Main Boulevard, Gulberg-III,
Lahore.
Ph: 35783700-10

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