9 Consolidated Financial Statements of SBP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the State Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the State Bank of Pakistan (the Bank) and its subsidiaries, SBP Banking Services Corporation, National Institute of Banking and Finance (Guarantee) Limited and Pakistan Security Printing Corporation (Private) Limited (together 'the Group'), which comprise the consolidated balance sheet as at June 30, 2020, and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 these requirements and 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.

A. F. FERGUSON & CO.
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KPMG TASEER HADI & CO.
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Key Audit Matter	How the matter was addressed in our audit
1 Foreign currency accounts and investments (Refer note 10 of the annexed consolidated financial statements)	
The Group maintained certain foreign currency accounts and investments which aggregated to Rs 2,207 billion as at June 30, 2020. This includes balances aggregating to Rs 173.698 billion which were placed through appointed fund managers by the Group under the supervision of a custodian. The existence and valuation of these were assessed by us as a significant risk area and therefore we considered this as a key audit matter.	Our audit procedures, among others, included the following: ▪ We obtained understanding of the processes, assessed the design and implementation and tested operating effectiveness of key controls throughout the year over recognition, derecognition and valuation of investments and related revenue; ▪ Sent direct confirmations to counterparties to confirm the balances of investment holdings; and ▪ We compared the prices to independent sources where quoted market prices were used; Further, in respect of the investment made through fund managers: ▪ We obtained Type-2 report from Custodian to assess that controls were suitably designed by custodian and operated effectively in respect of its activities. ▪ We obtained the monthly statement of changes in net assets provided by the Custodian used by management for recognising income in respect of foreign currency securities and reconciled them with the accounting records of the Group to assess that they are accurately recorded. ▪ We performed substantive audit procedures on year-end balance of portfolio including evaluation of Fund Managers' and Custodian's statements, and re-performance of valuations on the basis of observable data at the year end. We also evaluated the adequacy of the overall disclosures in the consolidated financial statements in respect of the investment portfolio in accordance with the requirements of applicable financial reporting framework.

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Chartered Accountants

Key Audit Matter	How the matter was addressed in our audit
2 Impact of COVID-19 (Refer note 17.6 of the annexed consolidated financial statements)	
During the year, the Group in response to COVID-19 pandemic has launched three new interest free financing facility schemes and disbursed Rs 38,244 million. These facilities have been recorded at their fair value resulting in a fair valuation adjustment of Rs 4,194 million. The disbursement of these loans was a significant event for the Group during the year. Further, the measurement at the fair value involved management judgement with respect to the use of market rate. Accordingly, this was considered as a key audit matter.	Our audit procedures, among others, included the following: ▪ Obtained understanding, evaluated the design and tested the operating effectiveness of controls related to process for disbursements of these loans; ▪ Sent direct confirmations, on a sample basis, to the counterparties to confirm the balances of loans so disbursed; ▪ With respect to the fair valuation of these loans, evaluated the appropriateness of the valuation methodology used and assessed the reasonableness of the assumptions and inputs used to determine the fair value; and ▪ Evaluated the adequacy of the disclosures in the financial statements in respect of the impact of fair valuation adjustment and related balances of these loans.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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Chartered Accountants

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

Those charged with governance are 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 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, 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.

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Chartered Accountants

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Other Matter

The consolidated financial statements of the Group for the year ended June 30, 2019 were audited by EY Ford Rhodes and KPMG Taseer Hadi & Co. who had expressed an unmodified opinion thereon vide their report dated October 24, 2019.

The engagement partners on the audit resulting in this independent auditor’s report are **Salman Hussain** (A. F. FERGUSON & CO.) and **Mohammad Mahmood Hussain** (KPMG TASEER HADI & CO.).

A. F. FERGUSON & CO.
Chartered Accountants

KPMG TASEER HADI & CO.
Chartered Accountants

Dated: October 27, 2020

Karachi

STATE BANK OF PAKISTAN
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2020

	Note	2020	2019
		--------------(Rupees in '000)--------------	
ASSETS			
Cash and bank balances held by subsidiaries	7	**212,825**	304,957
Gold reserves held by the Bank	8	**617,495,037**	468,625,002
Local currency - coins	9	**1,028,584**	1,039,138
Foreign currency accounts and investments	10	**2,206,980,030**	1,375,854,388
Earmarked foreign currency balances	11	**62,010,317**	72,702,673
Special drawing rights of the International Monetary Fund	12	**29,537,127**	55,461,054
Reserve tranche with the International Monetary Fund under quota arrangements	13	**27,555**	26,999
Securities purchased under agreement to resell	14	**917,539,647**	782,918,155
Current accounts of governments	26.2	**30,157,106**	28,200,405
Investments - local	15	**7,412,323,127**	7,906,282,006
Investment in associates	16	**6,488,078**	2,487,053
Loans, advances and bills of exchange	17	**804,752,686**	597,478,668
Taxation - net		**1,045,957**	1,048,075
Assets held with the Reserve Bank of India	18	**11,943,164**	9,580,097
Balances due from the Governments of India and Bangladesh	19	**13,141,164**	12,266,548
Property, plant and equipment	20	**137,165,046**	137,891,773
Investment property	21	**978,608**	-
Intangible assets	22	**106,344**	198,758
Deferred taxation	23	**-**	367,566
Other assets	24	**20,111,313**	14,199,144
Total assets		**12,273,043,715**	11,466,932,459
LIABILITIES			
Banknotes in circulation	25	**6,458,763,106**	5,285,025,504
Bills payable		**1,726,348**	1,146,660
Current accounts of governments	26.1	**748,790,102**	1,101,513,930
Payable to Islamic banking institutions against Bai Muajjal transactions	27	**19,512,958**	124,410,232
Payable under bilateral currency swap agreement	28	**476,722,596**	469,397,756
Deposits of banks and financial institutions	29	**1,171,103,559**	1,246,238,770
Other deposits and accounts	30	**1,093,994,030**	1,116,324,484
Payable to the International Monetary Fund	31	**1,045,944,378**	1,150,064,353
Other liabilities	32	**105,218,885**	182,539,239
Deferred liability - staff retirement benefits	33	**96,370,511**	83,989,607
Deferred taxation	23	**560,356**	-
Endowment fund		**120,984**	109,600
Total liabilities		**11,218,827,813**	10,760,760,135
Net assets		**1,054,215,902**	706,172,324
REPRESENTED BY			
Share capital	34	**100,000**	100,000
Reserves	35	**124,134,119**	69,451,210
Unappropriated profit		**159,739,454**	10,259,308
Unrealised appreciation on gold reserves held by the Bank	36	**613,003,558**	464,180,641
Unrealised appreciation on remeasurement of investments - local	15.7	**61,416,969**	68,490,606
Surplus on revaluation of property, plant and equipment		**95,821,802**	93,690,559
Total equity		**1,054,215,902**	706,172,324
CONTINGENCIES AND COMMITMENTS	37		

Pursuant to the requirements of section 26 (1) of the SBP Act, 1956, the assets of the Group specifically earmarked against the liabilities of the Issue department have been detailed in note 25.1 to these consolidated financial statements.

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir	**Jameel Ahmad**	**Saleemullah**
Governor	Deputy Governor	Executive Director

STATE BANK OF PAKISTAN
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	**2020**	2019
		---------------(Rupees in '000)---------------	
Discount, interest / mark-up and / or profit earned on financial assets measured at;			
- amortised cost	38	**1,208,621,301**	646,009,384
- fair value through profit or loss	38	**10,058,650**	10,943,995
Less: Interest / mark-up expense	39	**(73,346,285)**	(110,763,556)
		1,145,333,666	546,189,823
Fair valuation adjustment on COVID loans	17.6	**(4,193,815)**	**-**
Commission income	40	**4,647,788**	4,136,396
Exchange gain / (loss) - net	41	**66,402,530**	(506,131,054)
Dividend income		**460,688**	390,000
Share of profit from associates	42	**579,908**	702,297
Other operating income - net	43	**8,603,985**	4,346,933
Other income - net	44	**1,424,801**	318,414
		1,223,259,551	49,952,809
Less: Operating expenses			
- banknotes' and prize bonds printing charges	45	**13,325,213**	11,419,149
- agency commission	46	**10,668,548**	10,642,735
- general administrative and other expenses	47	**35,168,241**	27,909,418
(reversal of provision against) / provision for:			
- other doubtful assets	32.3.1.1	**(42,143)**	456,042
- others		**117**	(76)
(reversal) / charge for credit loss allowance on financial instruments - net	48	**(30,875)**	39,622
		(72,901)	495,588
		59,089,101	50,466,890
Profit / (loss) before taxation		**1,164,170,450**	(514,081)
Taxation	49	**737,860**	529,222
Profit / (loss) after taxation		**1,163,432,590**	(1,043,303)

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir	**Jameel Ahmad**	**Saleemullah**
Governor	Deputy Governor	Executive Director

STATE BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		-------------(Rupees in '000)-------------	
Profit / (loss) after taxation		**1,163,432,590**	(1,043,303)
Other comprehensive income			
Items that may be reclassified subsequently to the consolidated profit and loss account:			
Unrealised appreciation on gold reserves held by the Bank	8	**148,822,917**	152,866,872
		148,822,917	152,866,872
Items that will not be reclassified subsequently to the consolidated profit and loss account:			
Unrealised diminution on remeasurement of investments - local	15.7	**(7,073,637)**	(21,618,750)
Remeasurements of property, plant and equipment		**-**	28,206,379
Impact of reclassification of property, plant and equipment to investment property - net of deferred tax	3.3	**(946,293)**	-
Impact of adjustment in remesurement of property, plant and equipment of associate - net of deferred tax	3.3	**3,310,469**	-
Impact of adjustment surplus of property, plant and equipment relating to deferred tax	3.3	**(232,933)**	-
Remeasurements of staff retirement defined benefit plans	47.3.3.1 & 47.4.7	**(10,740,799)**	8,880,378
		(15,683,193)	15,468,007
Total comprehensive income for the year		**1,296,572,314**	167,291,576

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir	Jameel Ahmad	Saleemullah
Governor	Deputy Governor	Executive Director

STATE BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Reserves: Reserve fund	Reserve for building up share capital	Reserve for acquisition of PSPC	Rural credit fund	Industrial credit fund	Export credit fund	Loans guarantee fund	Housing credit fund	Reserve created as a result of acquisition of PSPC	Subtotal	Unappropriated profit	Unrealised appreciation on gold reserves held by the Bank	Unrealised appreciation/ (diminution) on remeasurement of investments - local	Surplus on revaluation of property and equipment	Total
	(Rupees in '000)															
Balance as at July 1, 2018	**100,000**	**33,951,023**	**-**	**65,464,000**	**2,600,000**	**1,600,000**	**1,500,000**	**900,000**	**4,700,000**	**(41,279,353)**	**69,435,670**	**14,954,600**	**311,313,769**	**90,109,356**	**65,484,180**	**551,397,575**
Loss after taxation	-	-	-	-	-	-	-	-	-	-	-	(1,043,303)	-	-	-	(1,043,303)
Other comprehensive income																
Unrealised diminution on remeasurement of investments - local (note 15.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,618,750)	-	(21,618,750)
Unrealised appreciation on gold reserves held by the Bank (note 36)	-	-	-	-	-	-	-	-	-	-	-	-	152,866,872	-	-	152,866,872
Surplus on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,206,379	28,206,379
Remeasurements of staff retirement defined benefit plans (note 47.3.3.1 & 47.4.7)	-	-	-	-	-	-	-	-	-	-	-	8,880,378	-	-	-	8,880,378
	-	-	-	-	-	-	-	-	-	-	-	8,880,378	152,866,872	(21,618,750)	28,206,379	168,334,879
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	7,837,075	152,866,872	(21,618,750)	28,206,379	167,291,576
Appropriations																
Transfer to the reserve fund	-	15,540	-	-	-	-	-	-	-	-	15,540	(15,540)	-	-	-	-
	-	15,540	-	-	-	-	-	-	-	-	15,540	(15,540)	-	-	-	-
Transactions with owners																
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	-	-		-	(12,516,827)	-	-	-	(12,516,827)
	-	-	-	-	-	-	-	-	-		-	(12,516,827)	-	-	-	(12,516,827)
Balance as at June 30, 2019	**100,000**	**33,966,563**	**-**	**65,464,000**	**2,600,000**	**1,600,000**	**1,500,000**	**900,000**	**4,700,000**	**(41,279,353)**	**69,451,210**	**10,259,308**	**464,180,641**	**68,490,606**	**93,690,559**	**706,172,324**
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	1,163,432,590	-	-	-	1,163,432,590
Other comprehensive income																
Unrealised diminution on remeasurement of investments - local (note 15.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,073,637)	-	(7,073,637)
Impact of reclassification of property, plant and equipment to investment property - net of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(946,293)	(946,293)
Impact of adjustment in remeasurement of property, plant and equipment of associate - net of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,310,469	3,310,469
Impact of adjustment surplus of property, plant and equipment of associate - net of deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(232,933)	(232,933)
Unrealised appreciation on gold reserves held by the Bank (note 36)	-	-	-	-	-	-	-	-	-	-	-	-	148,822,917	-	-	148,822,917
Remeasurements of staff retirement defined benefit plans (note 47.3.3.1 & 47.4.7)	-	-	-	-	-	-	-	-	-	-	-	(10,740,799)	-	-	-	(10,740,799)
	-	-	-	-	-	-	-	-	-		-	(10,740,799)	148,822,917	(7,073,637)	2,131,243	133,139,724
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	1,152,691,791	148,822,917	(7,073,637)	2,131,243	1,296,572,314
Appropriations																
Transfer to the reserve fund (note 35.3)	-	9,566	67,673,343	-	-	-	-	-	-	-	67,682,909	(67,682,909)	-	-	-	-
Transfer to unappropriated profit against IDBL loan	-	(13,000,000)	-	-	-	-	-	-	-	-	(13,000,000)	13,000,000	-	-	-	-
Adjustment to recover loan of IDBL (note 17.3.1)	-	-	-	-	-	-	-	-	-	-	-	(13,000,000)	-	-	-	(13,000,000)
	-	(12,990,434)	67,673,343	-	-	-	-	-	-	-	54,682,909	(67,682,909)	-	-	-	(13,000,000)
Transactions with owners																
Dividend	-	-	-	-	-	-	-	-	-	-	-	(10,000)	-	-	-	(10,000)
Profit transferred to the Government of Pakistan	-	-	-	-	-	-	-	-	-	-	-	(935,518,736)	-	-	-	(935,518,736)
	-	-	-	-	-	-	-	-	-	-	-	(935,528,736)	-	-	-	(935,528,736)
Balance as at June 30, 2020	**100,000**	**20,976,129**	**67,673,343**	**65,464,000**	**2,600,000**	**1,600,000**	**1,500,000**	**900,000**	**4,700,000**	**(41,279,353)**	**124,134,119**	**159,739,454**	**613,003,558**	**61,416,969**	**95,821,802**	**1,054,215,902**

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir	**Jameel Ahmad**	**Saleemullah**
Governor	Deputy Governor	Executive Director

STATE BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		------ (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year after non-cash and other items	50	**1,043,589,818**	195,978,797
Taxes refunded / (paid)		**192,178**	(1,009,459)
(Increase) / decrease in assets:			
Foreign currency investments and placements		**(286,135,346)**	340,817,132
Gold reserves held by the Bank		**(47,118)**	-
Reserve tranche with the International Monetary Fund under quota arrangements		**-**	(6,637)
Securities purchased under agreement to resell		**(134,621,472)**	779,391,608
Investments - local		**484,849,258**	(4,087,108,240)
Loans, advances and bills of exchange		**(211,449,885)**	(144,051,789)
Assets held with the Reserve Bank of India and balances due from Governments of India and Bangladesh		**(874,616)**	(4,519,664)
Other assets		**(5,900,031)**	(7,681,894)
		(154,179,210)	(3,123,159,484)
		889,602,786	(2,928,190,146)
Increase / (decrease) in liabilities:			
Banknotes issued - net		**1,173,737,602**	649,878,793
Bills payable		**579,688**	502,208
Current accounts of Governments		**(354,680,529)**	1,016,441,648
Payable to Islamic Banking Institutions against Bai Muajjal transactions		**(104,897,274)**	124,410,232
Payable under bilateral currency swap agreement		**(1,766,789)**	98,988,685
Deposits of banks and financial institutions		**(75,135,211)**	432,289,855
Payment of retirement benefits and employees' compensated absences		**1,640,105**	(7,033,995)
Other deposits and accounts		**(22,330,454)**	915,896,284
Other liabilities		**(76,683,055)**	98,112,716
Endowment fund		**11,384**	6,811
		540,475,467	3,329,493,237
Net cash generated from operating activities		**1,430,078,253**	401,303,091
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		**1,913,514**	950,704
Capital expenditure		**(798,024)**	(3,003,938)
Proceeds from disposal of property, plant and equipment		**57,057**	16,881
Contribution of initial capital in Deposit Protection Corporation		**-**	(500,000)
Net cash generated from / (used in) investing activities		**1,172,547**	(2,536,353)
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit paid to the Federal Government of Pakistan		**(935,518,736)**	(12,516,827)
Net change in balances pertaining to IMF		**(114,594,748)**	237,479,321
Dividend paid		**(10,000)**	-
Net cash (used in) / generated from financing activities		**(1,050,123,484)**	224,962,494
Increase in cash and cash equivalents during the year		**381,127,316**	623,729,232
Cash and cash equivalents at the beginning of the year		**1,504,301,033**	1,065,068,622
Effect of exchange gain / (loss) on cash and cash equivalents		**50,758,771**	(184,496,821)
Cash and cash equivalents at the end of the year	51	**1,936,187,120**	1,504,301,033

The annexed notes from 1 to 59 form an integral part of these consolidated financial statements.

Dr. Reza Baqir	**Jameel Ahmad**	**Saleemullah**
Governor	Deputy Governor	Executive Director

STATE BANK OF PAKISTAN
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF OPERATIONS

1.1 The Group comprises of State Bank of Pakistan (the Bank) as the parent entity and following subsidiaries:

- SBP Banking Services Corporation (BSC)
- National Institute of Banking and Finance (Guarantee) Limited (NIBAF)
- Pakistan Security Printing Corporation (Private) Limited (PSPC)

1.1.1 State Bank of Pakistan is the central bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. The Bank is primarily responsible for monitoring of credit and foreign exchange, management of currency and also acts as the banker to the Government. The activities of the Bank include:

- formulating and implementing the monetary policy;
- facilitating free competition and stability in the financial system;
- licensing and supervision of banks including micro finance banks, development financial institutions and exchange companies;
- organising and managing the inter-bank settlement system and promoting smooth functioning of payment systems;
- providing of loans and advances to governments, banks, financial institutions and local authorities under various facilities;
- purchasing, holding and selling of shares of banks and financial institutions on the directives of the Federal Government; and
- acting as a depository of governments under specific arrangements between governments and certain institutions.

1.1.2 The head office of the Bank is situated at I. I. Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

1.1.3 The subsidiaries and associates of the Bank and the nature of their respective activities are as follows:

a) SBP Banking Services Corporation - wholly owned subsidiary:

SBP Banking Services Corporation was established in Pakistan under the SBP Banking Services Corporation Ordinance, 2001 (the Ordinance) and commenced its operations with effect from January 2, 2002. It is responsible for carrying out certain statutory and administrative functions and activities on behalf of the Bank, as transferred or delegated by the Bank under the provisions of the Ordinance.

The head office is situated at I. I. Chundrigar Road, Karachi, in the province of Sindh, Pakistan.

b) National Institute of Banking and Finance (Guarantee) Limited - wholly owned subsidiary:

National Institute of Banking and Finance (Guarantee) Limited was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a company limited by guarantee having share capital. It is engaged in providing education and training in the field of banking, finance and allied areas.

The head office is situated at NIBAF Building, Street 4, Pitras Bukhari Road, H-8/1, Islamabad, Pakistan.

c) Pakistan Security Printing Corporation (Private) Limited - wholly owned subsidiary

Pakistan Security Printing Corporation (Private) Limited was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is a wholly owned subsidiary of the Bank. PSPC is principally engaged in the printing of currency notes and national prize bonds on behalf of the Bank.

The registered office and the factory of the PSPC are located at Jinnah Avenue, Malir Halt Karachi, in the province of Sindh, Pakistan.

d) SICPA Inks Pakistan (Private) Limited (SICPA) - associate

SICPA is a joint venture of SICPA SA, Switzerland and PSPC, incorporated in 1995. The company operates a facility in Karachi for manufacturing security inks for printing of all denominations of currency notes and other value documents, such as, passports, postage stamps and stamp papers, etc.

e) Security Papers Limited (SPL) - associate

SPL is an associated company of PSPC. It was established in 1965. It became a joint venture company of Iran, Turkey and Pakistan in 1967, under the protocol of regional PSPC of development (now economic PSPC organisation) in 1967. SPL is engaged in manufacturing of paper required by PSPC for printing banknotes, prize bonds, non-judicial stamp paper, share certificates and watermarked certificate / degree papers for various educational institutions of Pakistan.

2 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

3 BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention, except that gold reserves, certain foreign currency accounts and investments, certain local investments, investment property and certain items of property as referred to in their respective notes have been included at revalued amounts and certain staff retirement benefits and provision for employee's compensated absences have been carried at present value of defined benefit obligations.

3.2 These consolidated financial statements are presented in Pakistani Rupees (PKR), which is the Group's functional and presentation currency.

3.3 Adjustments related to PSPC's standalone financial statements

The financial statements of PSPC have been restated during the year due to correction of certain errors and change in accounting policy related to investment property. The amount of restatement is considered as immaterial from the perspective of the consolidated financial statements of the Group, therefore the impact of the errors and change in accounting policy has been incorporated in these consolidated financial statements in the current year figures without restating comparative figures. The impact can be summarised as follows:

Consolidated statement of comprehensive income	**Note**	**June 30, 2020 Rupees in '000'**
- Recognition of surplus relating to property, plant and equipment of SPL - net of deferred tax	16.1	3,310,469
- Reversal of surplus recognised on property, plant and equipment upon reclassification of these assets to investment property	20.1	(946,293)
- Reversal of surplus recognised on property, plant and equipment upon recognition of related deferred tax liability		(232,933)
Consolidated profit and loss account		
- Adjustment arising on account of alingment of reporting period of the associate to the year end of the parent company	16.1 & 16.2	(217,967)
- Recognition of surplus against investment property on account of change in accounting policy	21	978,608
- Others		135,480

3.4 Standards, interpretations of and amendments to the IFRSs that are effective in the current year

3.4.1 Effective from July 1, 2019, the Group has adopted IFRS 16, 'Leases' which replaces IAS 17, 'Leases' and various other interpretations. For the effects of adoption of IFRS 16 on these consolidated financial statements, refer note 4.1 below.

3.4.2 There are certain other new and amended standards and interpretations that became effective during the current year, but are considered not to be relevant or did not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

3.5 Standards, interpretations of and amendments to the IFRSs that are not yet effective

3.5.1 The following standards, interpretations and amendments of the IFRSs would be effective from the dates mentioned below against the respective standards on or interpretations:

Standards	Effective date (annual periods beginning on or after)
- IAS 1, 'Presentation of financial statements' (amendments)	January 1, 2020 and July 1, 2022
- IAS 8, 'Accounting policies, changes in accounting estimates and errors' (amendments)	July 1, 2020
- IAS 16, 'Property, plant and equipment' (amendments)	July 1, 2022
- IAS 37, 'Provisions, contingent liabilities and contingent assets' (amendments)	July 1, 2022
- IFRS 3, 'Business combination' (amendments)	January 1, 2020
- IFRS 16, 'leases' (amendments)	June 1, 2020

The management is in the process of assessing the impact of the above amendments on these consolidated financial statements.

3.5.2 There are certain other new or amended standards and interpretations that are mandatory for the accounting period beginning on or after July 1, 2020, but are considered not to be relevant or will not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

4 CHANGES IN ACCOUNTING POLICIES

4.1 IFRS 16, 'Leases'

Effective from July 1, 2019, the Group has adopted IFRS 16, 'Leases' which replaces IAS 17, 'Leases', IFRIC 4, 'Determining whether an arrangement contains a lease', SIC 15, 'Operating leases - incentives' and SIC 27, 'Evaluating the substance of transactions involving the legal form of lease.' The standard addresses recognition and measurement of leases for both lessor and lessee.

IFRS 16 introduces a single, on consolidated balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exception for short term leases and leases of low value items. Lessor accounting remains similar to the previous standard i.e. lessor continues to classify leases as finance or operating leases.

The Group has various lease arrangements relating to guest houses for its employees and branches of BSC and PSPC. All these lease arrangements have termination clause which gives a right to both the lessor and the lessee to terminate each of these lease arrangements, by giving the other party, a prior notice of one to three months. On adoption of IFRS 16, the Group has applied judgment to determine the lease term for aforementioned lease arrangements and has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

The adoption of IFRS 16, therefore , does not have any impact on the Group's consolidated financial statements except reclassification of leased assets held by PSPC as right-of-use assets. The impacts of reclassifications due to the adoption of IFRS 16 on the opening balances in the statement of financial position are as follows:

Impact on the statement of financial position:	**July 1, 2019 (Rupees in '000)**
- Increase in fixed assets - right of use assets	25,497
- Decrease in fixed assets - motor vehicles	(25,497)
- Increase in lease liabilities against right of use assets	18,580
- Decrease in liabilities against asset subject to finance lease	(18,580)

The new accounting policy, consequent to adoption of the standard, is disclosed in note 5.8.1 to these consolidated financial statements.

4.2 IAS 40, 'Investment property'

During the year ended June 30, 2020, the Group has changed its accounting policy for subsequent recognition of investment properties from cost less accumulated depreciation and accumulated impairment to fair value. This change has been made as the management of the Group considers that the change will result in the better presentation of the consolidated financial statements.

The cumulative impact of this change as at June 30, 2019, being not material to the consolidated financial statements of the Group, has been taken to the consolidated profit and loss account for the year ended June 30, 2020 and comparative figures have not been restated.

The new accounting policy has been disclosed in note 5.9 to these consolidated financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied from year to year, except as stated in note 4 above.

5.1 Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to effect these returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated balance sheet from the date on which control commences until the date when control ceases.

The consolidated financial statements include collectively the financial statements of the Bank and its subsidiaries. Financial statements of the subsidiaries have been consolidated on a line-by-line basis. All intra-group assets and liabilities, equity, income, expenses and cash flow relating to transaction between members of the group are eliminated on consolidation.

5.2 Banknotes in circulation and local currency coins

The liability of the Group towards banknotes issued as a legal tender under the State Bank of Pakistan Act, 1956, is stated at face value and is represented by the specified assets of the Issue department of the Bank as per the requirements stipulated in the State Bank of Pakistan Act, 1956. The cost of printing of notes is charged to the profit and loss account as and when incurred. Any un-issued fresh banknotes lying with the Bank and previously issued notes held by the Bank are not reflected in the consolidated balance sheet.

The Group also issues coins of various denominations on behalf of the Government of Pakistan (GoP). These coins are purchased from the GoP at their respective face values. The coins held by the Bank form part of the assets of the Issue department.

5.3 Financial assets and financial liabilities

Financial instruments carried on the consolidated balance sheet include cash and bank balances held by subsidiaries, local currency - coins, foreign currency accounts and investments, earmarked foreign currency balances, investments - local, loans, advances and bills of exchange, assets held with Reserve Bank of India (other than gold held by Reserve Bank of India), balances due from the governments of India and Bangladesh, certain other assets, banknotes in circulation, bills payable, deposits of banks and financial institutions, balances and securities under repurchase and reverse repurchase transactions, payable to Islamic banking Institutions against Bai Muajjal transactions, current accounts of governments, balances with the International Monetary Fund (IMF), amount payable under bilateral currency swap agreement, other deposits and accounts and certain other liabilities. The particular recognition and measurement methods adopted are disclosed in the individual policy statements associated with each financial instrument.

5.3.1 Financial instruments – initial recognition

All financial assets are initially recognised on the trade date, i.e. the date at which the Group becomes a party to the contractual provisions of the instruments. This includes purchases or sale of financial assets that require delivery of asset within the time frame generally established by regulations in market conventions.

All financial assets and financial liabilities are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost is taken directly to the consolidated profit and loss account. Any difference between the fair value of consideration given and the amount determined using the valuation techniques detailed in note 6.1 is recognised in the consolidated profit and loss account.

5.3.2 Classification and subsequent measurement of financial assets and liabilities

The Group classifies all of its financial assets based on two criteria: a) the Group's business model for managing the assets; and b) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI test'), The financial assets are measured at either:

- amortised cost, as explained in note 5.3.3;
- fair value through other comprehensive income (FVOCI), as explained in notes 5.3.4 and 5.3.5; or
- fair value through profit or loss (FVPL), as explained in note 5.3.6.

a) Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's board / board committees;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and

- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

The Group classifies and measures its derivative and trading portfolio at FVPL as explained in note 5.3.8. The Group may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 5.3.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in notes 5.3.6 and 5.3.7.

5.3.3 Financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

After initial measurement, these financial instruments are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment (if any).

5.3.4 Debt instruments at FVOCI

The Group classifies it's financial instruments at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognised in the consolidated profit and loss account in the same manner as for financial assets measured at amortised cost as explained in note 5.3.3.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated balance sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated comprehensive income. The accumulated loss recognised in OCI is recycled to the consolidated profit and loss account upon derecognition of the assets.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated profit and loss account.

5.3.5 Equity instruments at FVOCI

At initial recognition, the Group elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'equity' under IAS 32 'financial instruments: presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated profit and loss account. Dividends are recognised in consolidated profit and loss account as other operating income when the right of the payment has been established, (except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI). Equity instruments at FVOCI are not subject to an impairment assessment.

5.3.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- the designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- the liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in the consolidated profit and loss account. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount / premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

5.3.7 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the effective interest rate. These include deposits of banks and financial institutions, other deposits and accounts, securities sold under agreement to repurchase, payable under bilateral currency swap agreement, current accounts of governments, payable to Islamic banking institutions against Bai Muajjal transactions, payable to the IMF, banknotes in circulation, bills payable and certain other liabilities.

5.3.8 Derivative financial instruments

The Group uses derivative financial instruments which include forwards, futures and swaps. Derivatives are initially recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are re-measured to fair value on subsequent reporting dates. The resultant gains or losses from derivatives are included in the consolidated profit and loss account. Forwards, futures and swaps are shown under commitments in note 37.2.

5.3.9 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

5.3.10 Derecognition of financial asset and financial liabilities

a) Financial assets

The Group derecognises a financial asset, such as a loan, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired. If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in the respective carrying amount is recognised in the consolidated profit and loss account.

5.3.11 Impairment of financial assets

5.3.11.1 Overview of the expected credit losses (ECL) principles

The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’. Equity instruments are not subject to ECL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, [the lifetime expected credit loss (LTECL)], unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL) as outlined in note 5.3.11.2. The Group’s policies for determining if there has been a significant increase in credit risk are set out in note 53.1.7.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are probable within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 53.1.7.

Based on the above process, the loans are grouped into stage 1, stage 2 and stage 3 as described below:

- stage 1: when loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.
- stage 2: when a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.
- stage 3: loans considered credit-impaired (as outlined in Note 53.1.3). The Group records an allowance for the LTECL.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.3.11.2 The calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- EAD — The *Exposure at default (EAD)* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 53.1.5.
- PD — The *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 53.1.4.
- LGD — The *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 53.1.6.

When estimating the ECL, the Group considers three scenarios (a base case, a best case and a worse case). Each of these is associated with different PD. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

- stage 1: the 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are probable within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- stage 2: when a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- stage 3: for loans considered credit-impaired (as defined in note 53.1.3), the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.
- financial guarantee contracts: the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated profit and loss account, and the ECL provision. For this purpose, the Group estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios.

5.3.11.3 Forward looking information

The Group formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent a range of scenarios linked to various macro-economic factors.

5.3.11.4 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees and demand promissory notes. To the extent possible, the Group uses active market data for valuing financial assets held as collateral.

5.3.12 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount is reported in the consolidated financial statements when the Group currently has a legally enforceable right to set off the recognised amount and it intends either to settle on a net basis or to realise the asset and to settle the liability simultaneously.

5.4 Collateralised borrowings / lending

5.4.1 Repurchase and reverse repurchase agreements

Securities sold subject to a commitment to repurchase them at a pre-determined price, are retained on the consolidated balance sheet and a liability is recorded in respect of the consideration received as securities sold under agreement to repurchase. Conversely, securities purchased under analogous commitment to resell are not recognised on the consolidated balance sheet and an asset is recorded in respect of the consideration paid as securities purchased under agreement to resell. The difference between the sale and repurchase price in the repurchase transaction and the purchase price and resell price in reverse repurchase transaction represents expense and income respectively, and is recognised in the consolidated profit and loss account on time proportion basis. Both repurchase and reverse repurchase transactions are reported at transaction value inclusive of any accrued expense / income.

5.4.2 Payable under bilateral currency swap agreement

Bilateral currency swap agreements with counterpart central banks involve the purchase / sale and subsequent resale / repurchase of local currencies of counterpart central banks against PKR at the applicable exchange rate (determined in accordance with the terms of the agreement). The actual use of facility by the Group / counterpart central bank in the agreement is recorded as borrowing / lending in books of the Group and interest is charged / earned at agreed rates to the consolidated profit and loss account on a time proportion basis from the date of actual use. Any unutilised limit of the counterpart's drawing is reported as commitments in note 37.2.7.

5.4.3 Payable to Islamic banking institutions against Bai Muajjal transactions

The Group purchases Government of Pakistan (GoP) Ijara sukuks on deferred payment basis (Bai Muajjal) from Islamic banks. The deferred price is agreed at the time of purchase and such proceeds are paid to the Islamic banks at the end of the agreed period. The difference between the fair value and deferred price represents financing cost and is recognised in the consolidated profit and loss account on a time proportion basis as mark-up expense. Amount payable to Islamic banking institutions under deferred payment basis on purchase of sukuks is reported at transaction value plus profit payable thereon (i.e. at amortised cost).

5.5 Gold reserves held by the Bank

Gold is recorded at cost, which is the prevailing market rate, at initial recognition. Subsequent to initial measurement, it is revalued at the closing market rate fixed by the London Bullion Market Association on the last working day of the year which is also the requirement of State Bank of Pakistan Act, 1956 and State Bank of Pakistan General Regulation No.42(vi). Appreciation or diminution, if any, on revaluation is taken to equity under the head "unrealised appreciation on gold reserves". Appreciation / diminution realised on disposal of gold is taken to the consolidated profit and loss account. Unrealised appreciation / diminution on gold reserves held with the Reserve Bank of India is not recognised in the consolidated statement of changes in equity pending transfer of these assets to the Group subject to final settlement between the Governments of Pakistan and India. Instead it is shown in other liabilities as provision for other doubtful assets.

5.6 Fair value measurement principles

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotation without any deduction for transaction costs. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arms length transaction, discounted cash flow analysis and other revaluation techniques commonly used by market participants. Investments in securities for which the fair value cannot be determined reliably are carried at cost.

5.7 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances of subsidiaries, foreign currency accounts and investments (other than deposit held with IMF), local currency coins, earmarked foreign currency balances, SDRs, balances in the current and deposit accounts and securities that are realisable in known amounts of cash within three months from the date of original investments and which are subject to insignificant changes in value.

5.8 Property, plant and equipment

Property, plant and equipment except land, buildings and capital work-in-progress (CWIP) are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount. Leasehold land and buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. CWIP is stated at cost less accumulated impairment losses, if any and consists of expenditure incurred and advances made in respect of fixed assets in the course of their acquisition, construction and installation. CWIP assets are capitalised to relevant asset category as and when work is completed.

Depreciation on property, plant and equipment is charged to the consolidated profit and loss account using the straight-line method whereby the cost / revalued amount of an asset is written off over its estimated useful life at the rates specified in note 20.1 to these consolidated financial statements. The useful life of assets is reviewed and adjusted, if appropriate, at each reporting date.

Estimates of useful life and residual value of property, plant and equipment are based on the management's best estimate. The assets' residual value, depreciation method and useful life are reviewed, and adjusted, if appropriate, at each reporting date.

Increase in carrying amount arising on revaluation of land and buildings is recognised in other comprehensive income and credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against surplus on revaluation of property, plant and equipment in equity, while all other decreases are charged to the consolidated profit and loss account. The surplus on revaluation realised on sale of property, plant and equipment is transferred to un-appropriated profit to the extent reflected in the surplus on revaluation of property, plant and equipment account. The amount of sale proceeds exceeding the balance in surplus on revaluation of property, plant and equipment account is taken to the consolidated profit and loss account.

5.8.1 Leasing arrangements

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option (if the Group is reasonably certain to exercise that option) and payments of penalties for terminating the lease (if the lease term reflects that the lessee will exercise that option). The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Group reassesses the reasonable certainty to exercise extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payments. The corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the consolidated profit and loss if the carrying amount of right of use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions, the same is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that commensurate with the standalone price for the increase in scope adjusted to reflect the circumstances of the particular contract, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right of use asset.

The right of use asset is initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right of use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of the future economic benefits. The carrying amount of the right of use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

5.9 Investment property

Investment property is the property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the consolidated profit and loss account.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs, if any.

Where an entity determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

The fair value of investment property, at each year end, is determined by external, independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

A gain or loss arising from a change in the fair value of investment property shall be recognised in the consolidated profit and loss account for the period in which it arises.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group assesses at each reporting date whether there is any indication that investment property may be impaired .If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as income or expense in the consolidated profit and loss account.

5.10 Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over the period of three years. Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount.

5.11 Impairment of non-financial assets

The carrying amounts of the Group’s assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. In assessing the value in use, future cash flows are estimated which are discounted to present value using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. An impairment loss is recognised in the consolidated profit and loss account whenever the carrying amount of an asset or a group of assets exceeds its recoverable amount. Impairment loss on revalued assets is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.12 Stores and spares

Stores and spares held by the Group are valued at the lower of cost determined on weighted average method and net realisable value. Stores and spares in transit are valued at cost incurred up to the reporting date. Local purchases of engineering stores are charged to the consolidated profit and loss account at the time of purchase.

The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

5.13 Stock-in-trade

Raw materials are valued at lower of cost determined on weighted average basis and net realisable value except for items in transit which are stated at cost incurred up to the reporting date.

Work-in-process and finished goods are valued at lower of cost determined on weighted average basis and net realisable value. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the costs necessary to be incurred to make the sale.

5.14 Stock of stationery and consumables

Stock of stationery and consumables are valued at the lower of cost and net realizable value. Cost comprises cost of purchases and other directly attributable costs incurred in bringing the items to their present location and condition. Replacement cost of the items is used to measure the net realisable value. The valuation is done on moving average basis. Provision is made for stocks which are not used for a considerable period of time or stocks which are not expected to be used in future.

5.15 Medical and stationery consumables

Medical and stationery consumables are valued at weighted average cost. Provision for obsolete items is determined based on the management's assessment regarding their future usability. Net realisable value represents estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

5.16 Provisions, contingent liabilities and contingent assets

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

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised until their realisation become virtually certain.

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

5.17 Transactions and balances with the International Monetary Fund

Transactions and balances with the International Monetary Fund (IMF) are recorded on following basis:

- the Government’s contribution for quota with the IMF is recorded by the Group as depository of the Government. Exchange differences arising on these balances are transferred to the Government of Pakistan account.
- exchange gains or losses arising on revaluation of borrowings from the IMF are recognised in the consolidated profit and loss account.
- the cumulative allocation of Special Drawing Rights (SDRs) by the IMF is recorded as a liability and is translated at closing exchange rate for SDRs prevailing at the balance sheet date. Exchange differences on translation of SDRs is recognised in the consolidated profit and loss account.
- service charge is recognised in the consolidated profit and loss account at the time of receipt of the IMF tranches.

All other income or charges pertaining to balances with the IMF are taken to the consolidated profit and loss account, including the following:

- charges on borrowings under credit schemes and fund facilities;
- charges on net cumulative allocation of SDRs;
- exchange gain or loss: and
- return on holdings of SDRs.

5.18 Staff retirement benefits

5.18.1 The Bank operates:

a) an unfunded contributory provident fund (old scheme) for those employees who joined the Bank between July 1, 2005 to May 31, 2007 and opted to remain under the old scheme. Under this scheme, contribution is made both by the Bank and employee at the rate of 6% of the monetised salary. The Bank provided an option to employees covered under old scheme to join the Employer Contributory Provident Fund Scheme - ECPF (new scheme) effective from June 1, 2007. Employees joining the Bank service after June 1, 2007 are covered under the new scheme. Under ECPF (new scheme), contribution is made both by the Bank and employee at the rate of 6% of the monetised salary.

b) an unfunded General Provident Fund (GPF) scheme for all those employees who joined the Bank between May 1, 1977 to June 30, 2005 and opted to remain under this scheme after introduction of the new scheme (ECPF). Under GPF contribution is made by the employee only at the rate of 5% of the monetised salary.

c) following are other staff retirement benefit schemes:

- an unfunded gratuity scheme (old scheme) for those employees who joined the Bank between July 1, 2005 to May 31, 2007 and opted to remain under the old scheme.
- a funded Employees Gratuity Fund (EGF) was introduced by the Bank effective from June 1, 2007 for all its employees other than those who opted to remain in pension scheme or unfunded gratuity scheme (old scheme).
- an unfunded pension scheme for those employees who joined the Bank between May 1, 1977 to June 30, 2005 and opted to remain under this scheme after introduction of the new scheme (NCBS);
- an unfunded benevolent fund scheme;
- an unfunded post retirement medical benefit scheme; and
- six months post retirement benefit facility.

Obligations for contributions to defined contribution provident plans are recognised as an expense in the consolidated profit and loss account as and when incurred.

Annual provisions are made by the Bank to cover the obligations arising under defined benefit schemes based on actuarial recommendations. The actuarial valuations are carried out under the projected unit credit method. The amount arising as a result of remeasurements are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

The above staff retirement benefits are payable on completion of prescribed qualifying period of service.

5.18.2 The BSC operates the following staff retirement benefit schemes for employees:

The Corporation operates the following staff retirement benefit schemes for employees transferred from SBP (transferred employees) and other employees:

a) an un-funded contributory provident fund (the old scheme) for transferred employees who joined the SBP prior to 1975 and opted to remain under the old scheme. The Corporation provided an option to employees covered under the old scheme to join the funded new contributory provident fund scheme - NCPF (new scheme) effective from July 1, 2010. Under this scheme, contribution is made by both the employer and employee at the rate of 6% of the monetised salary. Moreover, employees joining the Corporation service after July 1, 2010 are covered under the new scheme.

b) an un-funded general contributory provident fund (new scheme) for transferred employees who joined SBP after 1975 or who had joined the SBP prior to 1975 but have opted for this new scheme. Under this scheme, contribution is made only by the employee at the rate of 5% of the monetised salary.

c) the following other staff retirement benefit schemes:

- an un-funded gratuity scheme (old scheme) for all employees other than the employees who opted for the new general contributory provident fund scheme or transferred employees who joined SBP after 1975 and are entitled only to pension scheme benefits;
- a funded New Gratuity Fund (NGF) which was introduced by the Corporation effective from July 1, 2010 for all its employees other than those who opted for pension scheme or unfunded gratuity scheme (old scheme);
- an un-funded pension scheme for those employees who joined the SBP after 1975 and before the introduction of NGF which is effective from July 1, 2010;
- an un-funded contributory benevolent fund scheme;
- an un-funded post retirement medical benefit scheme; and
- six months post retirement benefit facility.

Obligations for contributions to defined contribution provident fund plans are recognised as an expense in the consolidated profit and loss account as and when incurred.

Annual provisions are made by the Corporation to cover the obligations arising under defined benefits schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected unit credit method". The most recent valuation in this regard has been carried out as at June 30, 2020. The amount arising as a result of remeasurements are recognised in the consolidated balance sheet immediately, with a charge or credit to other comprehensive income in the period in which they occur.

5.18.3 The PSPC operates following staff retirement benefits scheme for employees:

The Corporation operates an approved defined benefit funded pension scheme for all its permanent employees under the Pakistan Security Printing Corporation (Private) Limited - Employees (Pension and Gratuity) Regulations, 1993 (the Regulations). During the year ended 30 June 2017, as a result of business reorganisation, employees relating to National Security Printing Company (Private) Limited (NSPC) were transferred to NSPC and as per the business transfer agreement dated May 19, 2017, the costs of gratuity or pension are to be borne by transferee company i.e. NSPC, accordingly, the pension fund has become a multi-employer fund. Contribution to the pension fund is made based on the actuarial valuation carried out on annual basis using Projected Unit Credit method. All actuarial gains and losses are recognised in other comprehensive income as they occur. Under the scheme, the employees who have completed the prescribed qualifying period of more than ten years of service and opt for the scheme are entitled to post retirement pension benefit.

5.18.4 Obligations for contributions to defined contribution provident plans are recognised as an expense in the consolidated profit and loss account as and when incurred.

5.18.5 Annual provisions are made by the Group to cover the obligations arising under defined benefit schemes based on actuarial recommendations. The actuarial valuations are carried out under the "Projected Unit Credit Method". The most recent valuation in this regard was carried out as at June 30, 2020. The amount arising as a result of remeasurements are recognised in the consolidated balance sheet immediately, with a charge or credit to the consolidated other comprehensive income in the periods in which they occur.

5.18.6 The above staff retirement benefits are payable on completion of prescribed qualifying period of service.

5.19 Compensated absences

The Group makes annual provision in respect of liability for employees' compensated absences based on actuarial estimates. The liability is estimated using the projected unit credit method.

5.20 Endowment Fund - Deferred grant

The Group has established an Endowment fund effective from July 1, 2011 for utilisation of the amount received. The terms of references / rules and regulations of the Endowment fund have been formulated. The aims and objective of NIBAF Endowment Fund are as under:

a) Capacity building of the Group as well as other banking professionals in realms of Rural Finance, Microfinance, Agriculture and SMEs etc.

b) To encourage, promote, support and undertake academic and scientific investigations, innovative research, inventions and developments in various Banking and Finance related areas.

c) To provide assistance in such activities as field surveys, experiments, collection and dissemination of information, seminars, conferences and trainings etc. aimed at increasing awareness, introducing improvements and enhancing efficiency in areas related to Banking and Finance in general and Rural Finance in particular.

d) To conduct research and trainings to increase awareness of commercial banks regarding possibilities, prospects and risks, to develop demand driven products and services, instituting enhanced portfolio management capability and installing systems and procedures for reducing costs etc.

e) To promote gathering of information on rural finance by collecting and analysing data, conducting survey thereby working as a main training hub.

f) To create linkages with national and international organisations for the strengthening of Rural finance related activities.

g) For any other purpose which the NIBAF's Board of Directors may consider fit for the overall benefit of the NIBAF and its stakeholders.

5.21 Trade and other payables

Liabilities for trade and other amounts payable are carried at amortised cost, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed.

5.22 Mark-up bearing borrowings and borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are incurred.

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in consolidated profit and loss account over the period of borrowings on an effective interest method basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

5.23 Deferred income - Grant

Grants received on account of capital expenditure are recorded as deferred income and are amortised over the useful life of the relevant asset. The grants received on account of revenue expenditures are recorded as and when the expenditure is incurred.

5.24 Revenue recognition

- Discount, interest / mark-up and / or return on loans and advances and investments are recorded on time proportion basis that takes into account the effective yield on the asset. However, income on balances with Bangladesh (former East Pakistan), doubtful loans and advances and overdue return on investments are recognised as income on receipt basis.

- Revenue from sale of goods is recognised when or as performance obligations are satisfied by transferring control (i.e. at the time of transfer of physical possession) of promised goods, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

- Commission income is recognised when related services are rendered.

- Dividend income is recognised when the Group’s right to receive dividend is established.

- Gains / losses on disposal of securities are recognised in the consolidated profit and loss account at trade date.

- Unrealised gains and losses arising on revaluation of securities designated at fair value through profit or loss are included in consolidated profit and loss account in the period in which they arise.

- Unrealised gains and losses arising on revaluation of securities classified as fair value through other comprehensive income are included in consolidated other comprehensive income in the period in which they arise.

- Training, education and hostel services are recognised on accrual basis.

- Rental income from property is accrued on time proportion basis at agreed rates.

- Return on Group's deposits are recognised on accrual basis taking into account the effective yield.

- Scrap sales and miscellaneous income are recognised on receipt basis.

- All other revenues are recognised on a time proportion basis.

5.25 Finances under profit and loss sharing arrangements

The Group provides various finances to financial institutions under profit and loss sharing arrangements. Share of profit / loss under these arrangements is recognised on an accrual basis.

5.26 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the closing rate of exchange prevailing at the reporting date.

Exchange gains and losses are taken to the consolidated profit and loss account except for certain exchange differences on balances with the International Monetary Fund, referred to in note 5.17, which are transferred to the Government of Pakistan account.

Commitments for outstanding foreign exchange forward and swap contracts disclosed in note 37.2 to these consolidated financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in PKR terms at the closing rate of exchange prevailing at the reporting date.

5.27 Investment in associates

Entities in which the Group has significant influence but not control and which are neither its subsidiaries nor joint ventures are classified as associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Group share of profit and loss of associates. Share of post acquisition profit and loss of associates is accounted for in the consolidated profit and loss account. Distribution received from investee reduces the carrying amount of investment. The Group's share of associates' other comprehensive income is recognised in consolidated other comprehensive income of the Group.

The carrying amount of the investment is tested for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount and loss, if any is recognised in the consolidated profit and loss account.

Unrealised gains / losses arising from transactions with associated companies are eliminated against the investment in the associates to the extent of Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

The Group accounts for its share of comprehensive income from associates as at year end on the basis of latest available financial statement of associates but not older than three months.

5.28 Taxation

The income of the Bank and the SBP Banking Services Corporation is exempt from tax under section 49 of the State Bank of Pakistan Act, 1956 and clause 66(xx) of Part I of second schedule to the Income Tax Ordinance, 2001. However, in case of NIBAF, NIBAF is eligible for hundred percent (100%) tax credit on taxes payable by the NIBAF under clause (d) of sub-section 2 of section 100C of the Income Tax Ordinance, 2001, introduced under the Finance Act, 2015.The income of PSPC is subject to tax at applicable rates.

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the consolidated profit and loss account or consolidated statement of comprehensive income to which it relates. Income tax expense is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year.

5.27.1 Current

The charge for current taxation is based on expected taxable income for the year at the current rates of taxation, after taking into consideration available tax credits, rebates, tax losses, etc. The charge for current tax also includes adjustments to tax payable in respect of previous years including those arising from assessments finalised during the year and are separately disclosed.

5.27.2 Deferred

Deferred tax is recognised using the consolidated balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

6 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses that are not readily available from other sources. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of IFRS and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are as follows:

6.1 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates may include items like considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see note 5.6 to these consolidated financial statements.

6.2 Effective interest rate (EIR) method

The Group's EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of financial instruments. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as clubbing of and other determinable fee income / expense to the cost of acquisition of financial instruments that are integral parts of the instrument.

6.3 Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Assumptions regarding the impairment of financial assets are presented in the note 53.1.2 to these consolidated financial statements.

6.4 Retirement benefits

The key actuarial assumptions concerning the valuation of defined benefit plans and the sources of estimation are disclosed in note 47.3.1 to these consolidated financial statements.

6.5 Useful life and residual value of property, plant and equipment

Estimates of useful life and residual value of property and equipment are based on the management's best estimate.

7 CASH AND BANK BALANCES HELD BY SUBSIDIARIES

	Note	**2020**	2019
		---------(Rupees in '000)--------	
With banks in current accounts	7.1	**200,285**	294,916
Cash in hand		**12,540**	10,041
		212,825	304,957

7.1 This includes remunerative accounts carrying mark-up ranging from 3.74% to 7.08% (2019: 5.85% to 11%) per annum.

8 GOLD RESERVES HELD BY THE BANK

	Note	**2020**	2019	**2020**	2019
		Net content in troy ounces		**------------(Rupees in '000)------------**	
Opening balance		**2,078,037**	2,077,397	**468,625,002**	315,610,772
Additions during the year		**160**	640	**47,118**	147,358
Appreciation for the year due to revaluation	36	**-**	-	**148,822,917**	152,866,872
	25.1	**2,078,197**	2,078,037	**617,495,037**	468,625,002

9 LOCAL CURRENCY - COINS

	Note	2020	2019
		----------(Rupees in '000)----------	
Banknotes held by the Banking department		**172,707**	159,748
Coins held as an asset of the Issue department	9.1 & 25.1	**1,028,584**	1,039,138
		1,201,291	1,198,886
Less: banknotes held by the Banking department	25	**(172,707)**	(159,748)
		1,028,584	1,039,138

9.1 As mentioned in note 5.2, the Bank is responsible for issuing coins of various denominations on behalf of the GoP. This balance represents the face value of coins held by the Bank at the year end.

10 FOREIGN CURRENCY ACCOUNTS AND INVESTMENTS

These essentially represent foreign currency reserves held by the Group, the details of which are as follows:

	Note	2020	2019
		----------(Rupees in '000)----------	
At fair value through profit and loss:			
- investments	10.3	**500,826,405**	202,587,281
- unrealised gain on derivative financial instruments		**499,147**	2,803,510
- unrealised (loss) on derivative financial instruments		**(149,270)**	(40,225)
	10.4	**349,877**	2,763,285
		501,176,282	205,350,566
At amortised cost:			
- deposit accounts		**594,390,455**	383,088,658
- current accounts		**1,338,337**	4,000,054
- securities purchased under agreement to resell	10.5	**891,609,264**	336,209,469
- money market placements	10.6	**218,465,780**	447,218,637
		1,705,803,836	1,170,516,818
Less: Credit loss allowance	10.2	**(88)**	(12,996)
		2,206,980,030	1,375,854,388

The above foreign currency accounts and investments are held as follows:

	Note	2020	2019
Issue department	25.1	**218,465,780**	447,218,637
Banking department		**1,988,514,250**	928,635,751
		2,206,980,030	1,375,854,388

10.1 The following table sets out information about the credit quality of foreign currency accounts and investments of the Group measured at amortised cost and maximum exposure to credit risk as at reporting date. Details of the Group's internal grading system are explained in note 53.1.4.

	Note	Stage 1	2020	2019
		----------(Rupees in '000)----------		
Deposit accounts				
High rating		**594,390,455**	**594,390,455**	383,088,658
		594,390,455	**594,390,455**	383,088,658
Current accounts				
High rating		**1,329,030**	**1,329,030**	3,990,941
Standard rating		**9,307**	**9,307**	9,113
		1,338,337	**1,338,337**	4,000,054
Securities purchased under agreement to resell				
High rating	10.5	**891,609,264**	**891,609,264**	336,209,469
		891,609,264	**891,609,264**	336,209,469
Money market placements				
High rating	10.6	**218,465,780**	**218,465,780**	447,218,637
		218,465,780	**218,465,780**	447,218,637
		1,705,803,836	**1,705,803,836**	1,170,516,818

10.2 An analysis of changes in the ECL in relation to foreign currency accounts and investments of the Group measured at amortised cost is as follows:

	2020		
	Nostros	**Money market placements**	**Total**
Stage 1	**(Rupees in '000)**		
Opening balance as of June 30, 2019	32	12,964	**12,996**
Charge / (reversal) of allowance	56	(12,964)	**(12,908)**
Balance as of June 30, 2020	88	-	**88**

	2019		
	Nostros	Money market placements	Total
Stage 1	(Rupees in '000)		
Opening balance as of June 30, 2018	-	-	-
Adjustments on initial recognition of IFRS 9	9	57	66
Restated balance as of July 1, 2018	9	57	66
Charge of allowance	23	12,906	12,929
Balance as of June 30, 2019	32	12,964	**12,996**

10.3 This includes investments made by the Group in international markets and balances maintained, on behalf of the Group, through reputable fund managers. The activities of these fund managers are being monitored through a custodian. The market value of the investments as on June 30, 2020 amounts to Rs. 173,698 million (USD 1033.60 million [2019: Rs. 161,158 million (USD 1006.91 million). These carry interest ranging from 0.175% to 0.5% per annum in USD (2019: 0.12% per annum), and 0% to 3.56% per annum in CNY (2019: 2.23% to 2.28% per annum).

10.4 This represents unrealised gain / (loss) on foreign currency swaps, futures and forward contracts (including transactions executed by the fund managers on behalf of the Group) entered into with various counterparties.

10.5 These represent lending under repurchase agreements and carry mark-up in USD at the rate of 0.00% per annum (2019: 2.51% per annum) and these are due to mature on July 1, 2020 (2019: July 01, 2019).

10.6 These represent money market placements carrying interest ranging from 0.10% to 0.16% per annum in USD (2019: 2.39% to 2.55% per annum) and having maturities ranging from July 3, 2020 to August 7, 2020 (2019: July 2, 2019 to August 22, 2019).

11 EARMARKED FOREIGN CURRENCY BALANCES

These represent foreign currency cash balances held by the Group to meet foreign currency commitments of the Group.

12 SPECIAL DRAWING RIGHTS OF THE INTERNATIONAL MONETARY FUND

Special drawing rights (SDRs) are the foreign reserve assets which are allocated by the International Monetary Fund (IMF) to its member countries in proportion to their quota in the IMF. In addition, the member countries can purchase the SDRs from the IMF and other member countries in order to settle their obligations. The figures given below represent the rupee value of the SDRs held by the Group as at the reporting date. Interest is credited by the IMF on the SDR holding of the Group at weekly interest rates on daily products of SDRs held during each quarter.

	Note	2020	2019
SDRs are held as follows:		**(Rupees in '000)**	
- by the Issue department	25.1	**11,601,465**	34,152,690
- by the Banking department		**17,935,662**	21,308,364
		29,537,127	55,461,054

13 RESERVE TRANCHE WITH THE INTERNATIONAL MONETARY FUND UNDER QUOTA ARRANGEMENTS

	2020	2019
Quota allocated by the International Monetary Fund	**469,862,627**	460,387,623
Liability under quota arrangements	**(469,835,072)**	(460,360,624)
	27,555	26,999

14 SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

This represents collateralised lending made to various financial institutions under resell arrangement carrying mark-up ranging from 7.03% to 12.33% per annum (2019: 12.33% to 12.45% per annum) and are due to mature on July 3, 2020 (2019: July 05, 2019). The fair value of securities collateralised as on June 30, 2020 amounts to Rs. 1,001,208 million (2019: Rs. 782,504 million). The collaterals held by the Group consist of Pakistan Investment Bonds and Market Treasury Bills.

14.1 The following table sets out information about the credit quality of securities purchased under agreement to resell of the Bank measured at amortised cost:

	Stage 1	**2020**	Stage 1	2019
	--------------(Rupees in '000)--------------			
High rating	**917,539,654**	**917,539,654**	777,680,180	777,680,180
Standard rating	**-**	**-**	5,238,002	5,238,002
Less: Credit loss allowance	**(7)**	**(7)**	(27)	(27)
	917,539,647	**917,539,647**	782,918,155	782,918,155

14.2 An analysis of changes in the ECL in relation to securities purchased under agreement to resell of the Group measured at amortised cost is, as follows:

	Stage 1	**2020**
	------------(Rupees in '000)------------	
Opening balance as of July 01, 2019	**27**	**27**
Reversal during the year	**(20)**	**(20)**
Balance as of June 30, 2020	7	**7**

	Stage 1	2019
	------------(Rupees in '000)------------	
Opening balance as of July 01, 2018	-	-
Adjustments on initial recognition of IFRS 9	15	15
Balance as of July 1, 2018	15	15
Charge during the year	12	12
Balance as of June 30, 2019	27	27

15 INVESTMENTS - LOCAL

	Note	**2020**	2019
		------------(Rupees in '000)------------	
At amortised cost			
Government securities			
Market related treasury bills (MRTBs)		**-**	569,202,498
Pakistan investment bonds (PIBs)		**7,270,563,969**	7,189,706,100
Federal government scrips		**2,740,000**	2,740,000
Market Treasury Bills		**2,869,963**	1,163,007
	15.2	**7,276,173,932**	7,762,811,605
Term Deposit Receipts	15.3	**1,072,000**	1,522,000
Zarai Taraqiati Bank Limited (ZTBL) preference shares - unlisted	15.4	**54,539,302**	54,399,134
Term finance certificates		**56,483**	56,483
Certificates of deposits		**22,470**	22,470
		78,953	78,953
Less: Credit loss allowance	15.5	**(78,953)**	(78,953)
		7,331,785,234	7,818,732,739

	Note	**2020**	2019
		-----------(Rupees in '000)-----------	
At fair value through other comprehensive income			
Investments in banks and other financial institutions			
Ordinary shares			
- Listed		**44,235,735**	53,850,807
- Unlisted		**35,101,670**	32,560,301
	15.6	**79,337,405**	86,411,108
At fair value through profit and loss			
Units of open - ended mutual funds	15.8	**1,200,488**	1,138,159
		7,412,323,127	7,906,282,006
The above investments are held as follows:			
Issue department	25.1	**5,598,401,783**	4,324,569,688
Banking department / subsidiaries		**1,813,921,344**	3,581,712,318
		7,412,323,127	7,906,282,006

15.1 The following table sets out information about the credit quality of Government securities of the Group measured at amortised cost as at June 30, 2020.

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	(Rupees in '000)			
High rating	**7,331,785,234**	-	-	**7,331,785,234**
Rating below standard	**-**	-	**78,953**	**78,953**
	7,331,785,234	**-**	**78,953**	**7,331,864,187**
Less: Credit loss allowance	-	-	**(78,953)**	**(78,953)**
	7,331,785,234	**-**	**-**	**7,331,785,234**

	2019			
	Stage 1	Stage 2	Stage 3	Total
	(Rupees in '000)			
High rating	7,818,732,739	-	-	7,818,732,739
Rating below standard	-	-	78,953	78,953
	7,818,732,739	-	78,953	7,818,811,692
Less: Credit loss allowance	-	-	(78,953)	(78,953)
	7,818,732,739	-	-	7,818,732,739

15.2 These represent investments guaranteed / issued by the Government. The profile of return on securities is as follows:

	2020	2019
	% per annum	
Market Related Treasury Bills	**-**	6.83 to 13.13
Pakistan investment bonds	**8.23 to 14.02**	13.72 to 13.88
Federal Government scrips	**3**	3
Market Treasury Bills	**7.48 to 12.82**	10.96 to 12.68

PIBs are created for one to ten years under the instructions of the Federal Government while Federal Government scrips are of perpetual nature.

The Federal Government issued PIBs on June 30, 2019 with maturity of one year to ten years amounting to Rs. 7,187,000 million.

Market Treasury Bills have maturities ranging from September 25, 2020 to March 11, 2021 (2019: August 1, 2019 to August 15, 2019).

15.3 These represent Term Deposit Receipts maturing upto 12 months with various banks bearing mark-up ranging from 6.50% to 14.00% (2019: 5.35% to 14.00%) per annum. Term Deposit Receipt of Rs 22 million (2019: Rs 22 million) with Faysal Bank Limited is marked under lien against bank guarantee (note 37.2.6).

15.4 This represents 5,446.153 million preference shares of Rs. 10 each carrying mark-up at the rate of 7.5% per annum payable semi-annually, issued by Zarai Taraqiati Bank Limited. These preference shares are redeemable on March 7, 2027.

15.5 Credit loss allowance

	2020	2019
	----------- (Rupees in '000) ----------	
Opening balance	**78,953**	817,388
Impact on opening balances on initial recognition of IFRS 9	**-**	(738,435)
Closing balance	**78,953**	78,953

15.6 Investments in banks and other financial institutions

	Note	**2020** Percentage holding	**2020** Cost	**2020** Unrealised (diminution) / appreciation	**2020** Total
		%	**---------------------- (Rupees in '000)**		**----------------------**
Listed					
- National Bank of Pakistan		**75.20**	**1,100,805**	**43,134,930**	**44,235,735**
Unlisted					
More than 50% Shareholding					
- Zarai Taraqiati Bank Limited		**76.23**	**10,199,621**	**(3,082,178)**	**7,117,443**
- House Building Finance Company Limited		**90.31**	**1,482,304**	**606,150**	**2,088,454**
- Deposit Protection Corporation	15.6.2	**100**	**500,000**	**(500,000)**	**-**
Less than or equal to 50% Shareholding					
Other investments			**4,637,706**	**21,258,067**	**25,895,773**
			16,819,631	**18,282,039**	**35,101,670**
			17,920,436	**61,416,969**	**79,337,405**

	Note	2019 Percentage holding	2019 Cost	2019 Unrealised (diminution) / appreciation	2019 Total
		%	---------------------- (Rupees in '000)		----------------------
Listed					
- National Bank of Pakistan		75.20	1,100,805	52,750,001	53,850,807
Unlisted					
More than 50% Shareholding					
- Zarai Taraqiati Bank Limited		76.23	10,199,621	(1,078,035)	9,121,586
- House Building Finance Company Limited		90.31	1,482,304	273,413	1,755,717
- Deposit Protection Corporation	15.6.2	100	500,000	(500,000)	-
Less than or equal to 50% Shareholding					
Other investments			4,637,706	17,045,292	21,682,998
			16,819,631	15,740,670	32,560,301
			17,920,436	68,490,671	86,411,108

15.6.1 Investments in above entities have been made under the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. The Group neither exercises significant influence nor has control over these entities except for any regulatory purposes or control arising as a consequence of any statute which applies to the entire sector to which these entities belong. Accordingly, these entities have not been consolidated as subsidiaries or accounted for as investments in associates or joint ventures.

15.6.2 During the year 2018-19, in accordance with section 9 of the Deposit Protection Corporation Act, 2016 (DPC Act), the Bank has made an initial capital contribution of Rs. 500 million in Deposit Protection Corporation (DPC). This represents 100% of the paid-up portion of the capital of DPC, which was established for the protection of small depositors in order to ensure the financial stability of and maintain public interest in, the financial system, and for matters connected therewith or ancillary thereto. The shareholders of DPC are not entitled to receive any dividend in terms of section 9(5) of DPC Act. The Bank is not exposed, or has rights, to variable returns from its involvement with the DPC and does not have the ability to affect its returns. Consequently, DPC is not treated as a subsidiary in these consolidated financial statements. Considering the substance of this transaction, the capital injection in the DPC was fully provided.

	2020	2019
	----------- (Rupees in '000)	**----------**
15.7 Unrealised appreciation on remeasurement of investments		
Opening balance	**68,490,606**	74,622,824
Impact on opening balances on initial recognition of IFRS 9	**-**	15,486,532
	68,490,606	90,109,356
Diminution during the year - net	**(7,073,637)**	(21,618,750)
Others		-
Closing balance	**61,416,969**	68,490,606

15.8 Investments in mutual funds designated at fair value through profit or loss:

2020	2019	**Name of investee**	**2020**	2019
Number of units			**----------- (Rupees in '000)**	**----------**
827,202	748,554	MCB Cash Management Optimizer Fund	**83,407**	75,263
7,065,637	6,758,035	Meezan Islamic Fund	**329,869**	323,913
812,392	741,447	MCB DCF Income Fund	**86,897**	78,958
6,175,498	6,168,107	ABL Islamic Stock Fund	**75,344**	74,846
143,453	129,909	Atlas Money Market Fund	**72,480**	65,317
7,902,935	7,571,877	NAFA Islamic Asset Allocation Fund	**112,104**	104,045
17,735,243	17,735,243	NAFA Islamic Stock Fund	**167,834**	161,527
1,716	1,550	NAFA Money Market Fund	**17**	15
421,152	417,331	Al-Ameen Shariah Stock Fund	**50,353**	45,702
2,752,499	2,602,512	MSAF Meezan Strategic Allocation Plan I	**101,491**	94,605
2,217,429	2,217,429	Al Hamra Islamic Stock Fund	**19,445**	19,092
2,752,039	2,645,091	MSAF Meezan Strategic Allocation Plan II	**101,247**	94,876
48,807,195	47,737,085		**1,200,488**	1,138,159

	Note	**2020**	2019	**2020**	2019
		Percentage holding		**----------- (Rupees in '000)**	**----------**
		%	%		
16 INVESTMENTS IN ASSOCIATES					
Investments in associates are accounted for using equity method of accounting:					
Security Papers Limited (SPL)	16.1	**40.03**	40.03	**5,996,873**	1,790,164
SICPA Inks Pakistan (Private) Limited (SICPA)	16.2	**47**	47	**491,205**	696,889
				6,488,078	2,487,053

		Note	2020	2019
			----------- (Rupees in '000) ----------	
16.1	**Security Papers Limited - SPL**			
	Cost		**1,613,357**	1,613,357
	Share of post acquisition after tax profits	16.1.1	**1,133,111**	648,961
	Effect of restatement on after tax profits	3.3	**(2,099)**	-
	Effect of first time application of IFRS 9 on after tax profits		**(100,561)**	(100,561)
	Share in after tax other comprehensive income	16.1.2	**(66,912)**	(68,884)
	Effect of restatement due revaluation of land and Building of SPL		**3,894,669**	-
	Effect of first time application of IFRS 9 on other comprehensive income		**100,561**	100,561
	Dividend received		**(575,253)**	(403,270)
			5,996,873	1,790,164

16.1.1 The movement in share of post acquisition after tax profit for SPL is as follows:

	Note	2020	2019
Opening balance		**648,961**	384,124
Share of after tax profit from associate for the year ended June 30	16.1.2	**510,882**	309,045
Effect of restatement on after tax profits		**(996)**	-
Unrealised (gain) / loss on transactions	16.1.3	**(25,736)**	(44,208)
		484,150	264,837
Closing balance		**1,133,111**	648,961

16.1.2 These amounts are based on audited annual financial statements of SPL as at and for the year ended June 30, 2020 except for the impacts of restatements, if any, as disclosed in note 3.3 to these consolidated financial statements.

16.1.3 This represents the effect of elimination of unrealised gain / loss on transactions between the associate i.e. SPL and the Corporation to the extent of its interest in the associate (40.03%).

		Note	2020	2019
			----------- (Rupees in '000) ----------	
16.2	**SICPA Inks Pakistan (Private) Limited - (SICPA)**			
	Cost		**497,655**	497,655
	Share of post acquisition after tax profits	16.2.1	**1,083,999**	770,274
	Effect of restatement on after tax profits	3.3	**(219,049)**	-
	Effect of first time application of IFRS 9 on after tax profits		**3,554**	3,554
	Share in after tax other comprehensive income	16.2.2	**2,992**	1,114
	Effect of restatement on other comprehensive income	3.3	**3,181**	-
	Effect of first time application of IFRS 9 on other comprehensive income		**(3,554)**	(3,554)
	Dividend received		**(877,573)**	(572,154)
			491,205	696,889

16.2.1 The movement in share of post acquisition after tax profit for SICPA is as follows:

	Note	2020	2019
Opening balance		**770,274**	332,814
Share of after tax profit from associate for the year ended June 30	16.2.2	**419,080**	437,460
Effect of restatement on after tax profits		**79,710**	-
Unrealised (gain) / loss on transactions		**(185,065)**	-
		313,725	437,460
Closing balance		**1,083,999**	770,274

16.2.2 These amounts are based on annual audited financial statements of SICPA as at and for the year ended December 31, 2019 which have been adjusted using the unaudited interim financial information for the six months periods ended June 30, 2019 and June 30, 2020, except for the impacts of restatements, if any, as disclosed in note 3.3 to these consolidated financial statements.

16.3 The following is the summarised financial information of the associated companies as at June 30, 2020 based on their financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan, modified for fair value and other adjustments and differences in the accounting policies as stated in note 3.3 to these consolidated financial statements:

	Security Papers		SICPA Inks Pakistan	
	June 30, 2020	June 30, 2019	**June 30, 2020**	March 31, 2019
	----------Rupees '000----------			
Assets	**16,175,255**	6,084,434	**2,289,684**	2,539,949
Liabilities	**1,194,308**	1,146,338	**1,244,567**	937,043

	Year ended June 30, 2020	Year ended June 30, 2019	**Year ended June 30, 2020**	Year ended March 31, 2019
	----------Rupees '000----------			
Revenue	**4,901,284**	4,001,591	**6,383,381**	5,345,618
Profit after tax	**1,276,249**	772,034	**891,660**	930,505
Total other comprehensive (loss) / income	**4,926**	(6,185)	**3,966**	(2,106)

16.4 The market value of SPL as at June 30, 2020 is Rs 141.95 per share (2019: Rs 92.79 per share) i.e. an aggregate amount of Rs 3,367.301 million (2019: Rs 2,201.140 million). The breakup value based on net assets of SICPA as per latest unaudited financial statements as on June 30, 2020 is Rs 350.84 per share (March 31, 2019: Rs 277.97 per share) i.e. an aggregate amount of Rs 1,045.117 million (March 31, 2019: Rs 1,602.906 million).

17 LOANS, ADVANCES AND BILLS OF EXCHANGE

	Note	2020	2019
		---- (Rupees in '000) ----	
Government owned / controlled financial institutions	17.3	**85,114,788**	72,896,028
Private sector financial institutions	17.4	**700,781,998**	504,975,653
		785,896,786	577,871,681
Employees		**21,048,761**	21,817,796
		806,945,547	599,689,477
Less: Credit loss allowance	17.7	**(2,192,861)**	(2,210,809)
		804,752,686	597,478,668

17.1 The following table sets out information about the credit quality of loans advances and bills of exchange of the Group measured at amortised cost:

	2020			
	Stage 1	Stage 2	Stage 3	Total
	---- (Rupees in '000) ----			
Government owned / controlled financial institutions				
High rating	83,334,487	-	-	**83,334,487**
Rating below standard	-	-	1,780,301	**1,780,301**
	83,334,487	**-**	**1,780,301**	**85,114,788**
Private sector financial institutions				
High rating	690,302,476	-	-	**690,302,476**
Standard rating	141,068	-	-	**141,068**
Rating below standard	9,271,257	-	1,067,197	**10,338,454**
	699,714,801	**-**	**1,067,197**	**700,781,998**
Employees				
Performing loans	21,041,999	-	-	**21,041,999**
Non performing loans	-	-	6,762	**6,762**
	21,041,999	**-**	**6,762**	**21,048,761**
	804,091,287	**-**	**2,854,260**	**806,945,547**
Less: Credit loss allowance	**(55,892)**	-	**(2,136,969)**	**(2,192,861)**
	804,035,395	**-**	**717,291**	**804,752,686**

	2019			
	Stage 1	Stage 2	Stage 3	Total
	(Rupees in '000)			
Government owned / controlled financial institutions				
High rating	58,099,146	-	-	58,099,146
Rating below standard	17,567	-	14,779,315	14,796,882
	58,116,713	-	14,779,315	72,896,028
Private sector financial institutions				
High rating	494,433,694	-	-	494,433,694
Standard rating	90,608	-	-	90,608
Rating below standard	9,384,154	-	1,067,197	10,451,351
	503,908,456	-	1,067,197	504,975,653
Employees				
Performing loans	21,811,034	-	-	21,811,034
Non performing loans	-	-	6,762	6,762
	21,811,034	-	6,762	21,817,796
	583,836,203	-	15,853,274	599,689,477
Less: Credit loss allowance	(73,811)	-	(2,136,998)	(2,210,809)
	583,762,392	-	13,716,276	597,478,668

17.2 An analysis of changes in the ECL in relation to loans and advances of the Group measured at amortised cost is, as follows:

	2020			
	Government owned / controlled financial institutions	**Private sector financial institutions**	**Employees**	**Total**
	(Rupees in '000)			
Stage 1				
Opening balance as of July 01, 2019	**46,061**	**26,987**	**763**	**73,811**
Reversal of allowance	**-**	**(17,892)**	**(27)**	**(17,919)**
Balance as of June 30, 2020	**46,061**	**9,095**	**736**	**55,892**
Stage 3				
Opening balance as of July 01, 2019	**1,066,606**	**1,063,630**	**6,762**	**2,136,998**
Charge / (reversal) of allowance	**-**	**-**	**(29)**	**(29)**
Balance as of June 30, 2020	**1,066,606**	**1,063,630**	**6,733**	**2,136,969**
	1,112,667	**1,072,725**	**7,469**	**2,192,861**

	2019			
	Government owned / controlled financial institutions	Private sector financial institutions	Employees	Total
	(Rupees in '000)			
Stage 1				
Opening balance as of July 01, 2018	-	-	-	-
Adjustments on initial recognition of IFRS 9	46,061	284	664	47,009
Balance as of July 1, 2018	46,061	284	664	47,009
Charge / (reversal) of allowance	-	26,703	(22)	26,681
Other charges	-	-	121	121
Balance as of June 30, 2019	46,061	26,987	763	73,811
Stage 3				
Opening balance as of July 01, 2018	1,066,606	1,063,630	7,715	2,137,951
Adjustments on initial recognition of IFRS 9	-	-	-	-
Balance as of July 1, 2018	1,066,606	1,063,630	7,715	2,137,951
Charge/(reversal) of allowance	-	-	-	-
Other recoveries	-	-	(953)	(953)
Balance as of June 30, 2019	1,066,606	1,063,630	6,762	2,136,998
	1,112,667	1,090,617	7,525	2,210,809

17.3 Loans and advances to government owned / controlled financial institutions

	Note	Scheduled banks		Other financial institutions		Total	
		2020	2019	**2020**	2019	**2020**	2019
		(Rupees in '000)					
Agricultural sector		**435,707**	456,870	**-**	-	**435,707**	456,870
Industrial sector	17.3.1	**28,071,472**	17,552,496	**-**	-	**28,071,472**	17,552,496
Export sector		**54,060,479**	40,393,590	**-**	-	**54,060,479**	40,393,590
Housing sector		**-**	-	**-**	-	**-**	-
Others	17.3.2	**1,748,668**	13,734,148	**798,462**	758,924	**2,547,130**	14,493,072
		84,316,326	72,137,104	**798,462**	758,924	**85,114,788**	72,896,028

17.3.1 This includes exposure to Industrial Development Bank Limited (IDBL) under locally manufactured machinery (LMM) credit line amounting to Rs. 1,054 million (2019: Rs. 1,054 million). Furthermore, loans and advances also include loans amounting to Rs. 340.78 million (2019: Rs 340.78 million) to IDBL which are secured by government securities. The Federal Government vide its vesting order dated November 13, 2012 had transferred and vested all assets and liabilities of Industrial Development Bank of Pakistan (IDBP) into the IDBL with effect from November 13, 2012. The Cabinet Committee on Privatisation, in its meeting held on May 07, 2016 approved the inclusion of IDBL in the 'privatisation program for early implementation'. Further, the Cabinet Committee on Privatisation in its meeting held on October 31, 2018 approved to delist IDBL from privatization programme. The Federal Cabinet also ratified the decision of the Cabinet Committee on Privatization. Accordingly, the process of winding up of IDBL is under process. During the year ended June 30, 2020, a loan amounting to Rs. 13 billion, has been settled by utilising the appropriation held in the reserve fund for said purpose.

17.3.2 These balances include Rs. 327.949 million (2019: Rs. 327.949 million) which are recoverable from various financial institutions operating in Bangladesh (former East Pakistan). The realisability of these balances is subject to final settlement between the Governments of Pakistan and Bangladesh.

17.4 Loans and advances to private sector financial institutions

	Note	Scheduled banks		Other financial institutions		Total	
		2020	2019	**2020**	2019	**2020**	2019
		(Rupees in '000)					
Agricultural sector		**1,548,967**	834,426	**214,819**	279,970	**1,763,786**	1,114,396
Industrial sector		**185,912,309**	139,665,544	**14,477,862**	12,525,578	**200,390,171**	152,191,122
Export sector	17.4.1	**452,884,058**	340,315,670	**-**	-	**452,884,058**	340,315,670
Others	17.4.2 & 17.4.3	**36,581,037**	2,970,994	**9,162,946**	8,383,471	**45,743,983**	11,354,465
		676,926,371	483,786,634	**23,855,627**	21,189,019	**700,781,998**	504,975,653

17.4.1 Export sector loans of scheduled banks are fully secured against demand promissory notes.

17.4.2 In the year 2015, the Group in continuation of a scheme of amalgamation of two commercial banks duly sanctioned by the Federal Government under section 47 of the Banking Companies Ordinance, 1962 and under section 17 of the State Bank of Pakistan Act, 1956, extended a 10 year financing facility of Rs.5,000 million with a bullet payment of mark-up and principal at maturity to an Islamic commercial bank (ICB) which is secured against Government of Pakistan Ijara Sukuk. The 10 year facility was provided on the basis of Mudaraba to be remunerated at profit sharing ratio declared by the ICB on its remunerative current accounts on monthly basis (the last declared rate in this respect is 0.01% per annum). In accordance with the requirements of accounting framework of the Group the 10 year financing facility had been recognised at fair value on initial recognition. The amortised cost as of June 30, 2020 is Rs. 3,220 million (2019: Rs. 2,946 million).

17.4.3 Loans to other financial institutions include advances made to microfinance banks under financial inclusion and infrastructure project (FIIP). These loans are fully secured against demand promissory notes.

17.5 The interest / mark-up rate profile of the interest / mark-up bearing loans and advances is as follows:

	Note	2020	2019
		(% per annum)	
Government owned / controlled and private sector financial institutions		**0 to 14.49**	0 to 12.00
Employees loans (where applicable)		**0 to 10.00**	0 to 10.00

17.6 During the year ended June 30, 2020, the Bank in response to the COVID-19 pandemic has launched several new financing facility schemes in line with its mission to maintain financial and monetary stability. The following facilities were introduced via IH&SMEFD circular no. 01 and 03 of 2020 dated March 17, 2020 and IH&SMEFD circular no. 06 of 2020 dated April 10, 2020:

i) temporary economic refinance facility
ii) refinance facility for combating COVID-19 (RFCC)
iii) refinance scheme for payments of wages and salaries to workers and employees of business concerns

Facilities disbursed to banks under the above mentioned schemes aggregated to Rs 38,244 million and were interest free. These facilities have been recorded at fair value and a loss for fair valuation amounting to Rs 4,194 million has been recorded in these consolidated financial statements.

17.7 Credit loss allowance

	Note	2020	2019
		--------- (Rupees in '000) -------	
Opening balance		**2,210,809**	2,137,951
Impact on opening balances due to initial application of IFRS 9		**-**	47,009
		2,210,809	2,184,960
(Reversal of) / charge during the year		**(17,948)**	26,681
Other recoveries - net		**-**	(832)
Closing balance		**2,192,861**	2,210,809

18 ASSETS HELD WITH THE RESERVE BANK OF INDIA

	Note	2020	2019
Gold reserves			
- opening balance		**7,573,743**	5,102,356
- appreciation for the year due to revaluation	32.3.1.1	**2,405,211**	2,471,387
		9,978,954	7,573,743
Sterling securities		**682,421**	670,887
Government of India securities		**318,125**	331,449
Rupee coins		**6,464**	6,726
	18.1	**10,985,964**	8,582,805
Indian notes representing assets receivable from the Reserve Bank of India	18.2	**957,200**	997,292
	25.1	**11,943,164**	9,580,097

18.1 These assets were allocated to the Government of Pakistan as its share of the assets of the Reserve Bank of India under the provisions of Pakistan (Monetary System and Reserve Bank) Order, 1947. The transfer of these assets to the Group is subject to final settlement between the Governments of Pakistan and India (also refer note 32.3.1).

18.2 These represent Pak Rupee equivalent of Indian rupee notes which were in circulation in Pakistan until retirement from circulation under the Pakistan (Monetary System and Reserve Bank) Order, 1947. Realisability of these assets are subject to final settlement between the Governments of Pakistan and India (also refer note 32.3.1).

19 BALANCES DUE FROM THE GOVERNMENTS OF INDIA AND BANGLADESH

	Note	2020	2019
		--------- (Rupees in '000) -------	
India			
Advance against printing of notes		**39,616**	39,616
Receivable from the Reserve Bank of India		**837**	837
		40,453	40,453
Bangladesh			
Inter office balances		**819,924**	819,924
Loans, advances and commercial papers	19.1	**12,280,787**	11,406,171
		13,100,711	12,226,095
	19.2	**13,141,164**	12,266,548

19.1 These represent interest bearing loans and advances (including commercial papers) provided to the Government of Bangladesh.

19.2 The realisability of the above balances is subject to final settlement between the Government of Pakistan and Government of Bangladesh and India (also refer notes 32.1 and 32.3.1).

20 PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		--------- (Rupees in '000) -------	
Operating fixed assets	20.1	**135,278,631**	135,921,588
Capital work-in-progress	20.4	**1,886,415**	1,970,185
		137,165,046	137,891,773

20.1 Operating fixed assets

	2020										
	Freehold land*	**Leasehold land***	**Buildings on freehold land***	**Buildings on leasehold land***	**Plant and Machinery**	**Furniture and fixtures**	**Office equipment**	**Electronic data processing equipment**	**Motor vehicles**	**Right-of-use-assets**	**Total**
	(Rupees in '000)										
As at July 01, 2019 / initial application of IFRS 16											
Cost / revalued amount	71,154,434	54,121,144	3,070,398	4,620,726	8,792,692	244,162	2,424,128	2,682,786	992,379	56,769	148,159,618
Accumulated depreciation	-	-	-	-	7,231,776	148,042	1,741,394	2,470,747	589,300	31,272	12,212,531
Net book value	71,154,434	54,121,144	3,070,398	4,620,726	1,560,916	96,120	682,734	212,039	403,079	25,497	135,947,087
Year ended June 30, 2020											
Opening net book value	71,154,434	54,121,144	3,070,398	4,620,726	1,560,916	96,120	682,734	212,039	403,079	25,497	135,947,087
Transfer to Right of use asset	-	-	-	-	-	-	-	-	(25,497)	-	(25,497)
Additions	606	-	17,486	-	13,956	31,132	136,039	332,702	266,059	44	798,024
Transfers from capital work in progress	-	8,593	16,833	133,041	1,478,233	-	201,685	-	-	-	1,838,385
	606	8,593	34,319	133,041	1,492,189	31,132	337,724	332,702	266,059	44	2,636,409
Disposals											
Cost	-	-	(723)	-	(67,286)	(1,925)	(67,316)	(73,423)	(179,484)	-	(390,157)
Accumulated Depreciation	-	-	-	-	52,039	923	62,989	52,858	167,002	-	335,811
	-	-	(723)	-	(15,247)	(1,002)	(4,327)	(20,565)	(12,482)	-	(54,346)
Reversal on reclassification of freehold land to investment property	(946,293)	-	-	-	-	-	-	-	-	-	(946,293)
Adjustments **	(1,668,215)	1,587,900	(273,973)	354,288	-	-	-	-	-	-	-
Depreciation charge	-	954,871	160,845	288,740	271,425	19,079	201,443	210,782	161,729	9,815	2,278,729
Net book value	68,540,532	54,762,766	2,669,176	4,819,315	2,766,433	107,171	814,688	313,394	469,430	15,726	135,278,631
As at June 30, 2020											
Cost / revalued amount	68,540,532	55,717,637	2,830,021	5,108,055	10,217,595	273,369	2,694,536	2,942,065	1,053,457	56,813	149,434,080
Accumulated depreciation	-	954,871	160,845	288,740	7,451,162	166,198	1,879,848	2,628,671	584,027	41,087	14,155,449
Net book value	**68,540,532**	**54,762,766**	**2,669,176**	**4,819,315**	**2,766,433**	**107,171**	**814,688**	**313,394**	**469,430**	**15,726**	135,278,631
Useful life / rate of depreciation	-	90-99 years	20 years	20 years	10% - 20%	10% - 20%	10% - 33%	33.33%	20%	20%	

	2019										
	Freehold land*	Leasehold land*	Buildings on freehold land*	Buildings on leasehold land*	Plant and Machinery	Furniture and fixtures	Office equipment	Electronic data processing equipment	Motor vehicles	Right of Use Asset	Total
	(Rupees in '000)										
As at July 01, 2018											
Cost / revalued amount	64,107,959	38,505,682	2,973,420	4,328,303	7,910,525	270,522	2,259,325	2,692,340	885,814	-	123,933,890
Accumulated depreciation	-	2,590,461	271,789	501,326	7,081,063	191,852	1,524,601	2,258,928	505,761	-	14,925,781
Net book value	64,107,959	35,915,221	2,701,631	3,826,977	829,462	78,670	734,724	433,412	380,053	-	109,008,109
Year ended June 30, 2019											
Opening net book value	64,107,959	35,915,221	2,701,631	3,826,977	829,462	78,670	734,724	433,412	380,053	-	109,008,109
Additions	-	-	73,642	142,690	873,676	40,890	202,000	173,509	204,288	-	1,710,695
Transfers from capital work in progress	-	-	-	-	-	-	-	-	-	-	-
			73,642	142,690	873,676	40,890	202,000	173,509	204,288	-	
Revaluation during the year	7,046,475	15,610,795	53,891	272,330	-	-	-	-	-	-	22,983,491
Reversal due to revaluation	-	(3,954,813)	(392,053)	(690,516)	-	-	-	-	-	-	(5,037,382)
	7,046,475	19,565,608	445,944	962,846							28,020,873
Disposals											
Cost	-	-	-	(123,993)	-	(67,250)	(37,197)	(183,063)	(100,978)	-	(512,481)
Accumulated Depreciation	-	-	-	23,750	-	60,027	19,296	83,497	78,231	-	264,801
				(100,243)	-	(7,223)	(17,901)	(99,566)	(22,747)	-	(247,680)
Adjustments **	-	4,667	(30,555)	1,396	8,491	-	-	-	3,255	-	(12,746)
	-	-	(1,696)	-	4,853	-	-	470	1,600	-	5,227
	-	4,667	(28,859)	1,396	3,638	-	-	(470)	1,655	-	(17,973)
Depreciation charge		1,364,352	121,960	212,940	145,860	16,217	236,089	294,845	160,169	-	2,552,432
Net book value	71,154,434	54,121,144	3,070,398	4,620,726	1,560,916	96,120	682,733	212,039	403,078	-	135,921,588
As at June 30, 2019											
Cost / revalued amount	71,154,434	54,121,144	3,070,398	4,620,726	8,792,692	244,162	2,424,128	2,682,786	992,379	-	148,102,849
Accumulated depreciation	-	-	-	-	7,231,776	148,042	1,741,394	2,470,747	589,300	-	12,181,259
Net book value	71,154,434	54,121,144	3,070,398	4,620,726	1,560,916	96,120	682,733	212,039	403,078	-	135,921,588
Useful life / Rate of depreciation	-	30-99 years	20 years	20 years	10%	10%	20%	33.33%	20%		

* These represents revalued assets

** Adjustments include reclassification within different categories of assets

20.2 Land and buildings of the Group are carried at revalued amount. The latest revaluation was carried out on June 30, 2019 by an external expert which resulted in a surplus of Rs. 28,021 million. The revaluation was carried out based on the market value assessment being the fair value of the land and buildings. Had there been no revaluation, the carrying value of the revalued assets would have been as follows:

	Note	**2020**	2019
		------------ (Rupees in '000) -----------	
Freehold land		**42,446**	42,446
Leasehold land		**179,380**	194,626
Buildings on freehold land		**408,076**	550,608
Buildings on leasehold land		**736,022**	869,918
		1,365,924	1,657,598

20.3 Depreciation charge for the year has been allocated as follows:

	Note	**2020**	2019
General administrative and other expenses	47	**2,069,415**	2,481,655
Cost of printing banknotes and Prize Bonds	45	**197,596**	64,857
Charged to NSPC		**11,718**	5,920
		2,278,729	2,552,432

20.4 Capital work-in-progress

		2020	2019
Buildings on freehold land		**46,029**	14,738
Buildings on leasehold land		**447,044**	264,620
Office equipment		**321,299**	61,570
Electronic data processing equipment		**195**	195
Plant and machinery		**1,071,848**	1,629,062
		1,886,415	1,970,185

20.5 During the year, the management of the Group has revised the estimate of the useful life of the following assets:

- leasehold land on the basis of extension clause of the lease agreements;

- lifts, chillers, generators, transformers, fire suppression system and banknotes processing and authentication system (BPAS) under the category of office equipment and machinery. Previously, assets under the above categories were depreciated over 5 years and now these are depreciated over the useful life of 10 years.

The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standards (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. Had the revision in useful lives of these assets not been made, the depreciation expense for the year would have been higher by Rs. 1,832.111 million and consequently profit before tax would have been lower by the same amount.

21 INVESTMENT PROPERTY

	Note	**2020**	2019
		------------ (Rupees in '000) -----------	
Balance as at 1 July		**-**	-
Revaluation gain recognised during the year	3.3	**978,608**	-
Balance as at 30 June		**978,608**	**-**

22 INTANGIBLE ASSETS

	Note	**2020**	2019
		------------ (Rupees in '000) -----------	
Software	22.1	**103,280**	198,758
Capital work-in-progress		**3,064**	-
		106,344	198,758

22.1 Intangible assets

		Cost at July 1	Additions during the year	Cost at June 30	Accumulated amortisation at July 1	Amortisation for the year	Accumulated amortisation at June 30	Net book value at June 30	Annual rate of amortisation %
		----	----	----	(Rupees in '000)	----	----	----	
Software	**2020**	**995,000**	**23,108**	**1,018,108**	**796,242**	**118,586**	**914,828**	**103,280**	**20 - 33.33**
Software	2019	810,596	184,404	995,000	668,896	127,346	796,242	198,758	20 - 33.33

	Note	2020	2019
22.2 Amortisation charge for the year has been allocated to:		------------ (Rupees in '000)	-----------
General, administrative and other expenses	47	**118,586**	127,346

23 DEFERRED TAXATION

	2020	2019
Deductible temporary differences		
Stores and spares	**19,139**	10,710
Stock-in-trade	**15,514**	14,856
Trade debts	**-**	-
Loans and advances	**1,611**	1,611
Investments- local	**34,700**	36,311
Other receivables	**8,552**	8,702
Other liabilities	**-**	8,169
Lease liabilities	**826**	-
Deferred liabilities - pension payable	**743,863**	724,173
	824,205	804,532
Taxable temporary differences		
Property, plant and equipment	**(205,875)**	(68,681)
Investment in associates	**(978,718)**	(368,285)
Surplus on revaluation of property, plant and equipment	**(199,968)**	-
	(1,384,561)	(436,966)
Deferred taxation (liability) / asset	**(560,356)**	367,566

24 OTHER ASSETS

	2020	2019
Commission receivable and others	**4,426,491**	3,788,268
Stock-in-trade	**4,102,386**	2,951,232
Unrealised gain on local currency derivatives	**467,045**	-
Other advances, deposits and prepayments	**9,900,893**	6,588,027
Stores and spares	**903,257**	622,715
Medical, stationery consumables and stamps on hand	**311,241**	248,902
	20,111,313	14,199,144

25 BANKNOTES IN CIRCULATION

	Note	2020	2019
Total banknotes issued	25.1	**6,458,935,813**	5,285,185,252
Banknotes held with the Banking department	9	**(172,707)**	(159,748)
Notes in circulation		**6,458,763,106**	5,285,025,504

25.1 The liability for banknotes issued by the Issue department is recorded at its face value in the consolidated balance sheet. In accordance with section 26 (1) of the SBP Act 1956, this liability is supported by the following assets of the Issue department.

	Note	2020	2019
		------------ (Rupees in '000)	-----------
Gold reserves held by the Bank	8	**617,495,037**	468,625,002
Local currency - coins	9	**1,028,584**	1,039,138
Foreign currency accounts and investments	10	**218,465,780**	447,218,637
Special drawing rights of the International Monetary Fund	12	**11,601,465**	34,152,690
Investments - local	15	**5,598,401,783**	4,324,569,688
Assets held with the Reserve Bank of India	18	**11,943,164**	9,580,097
		6,458,935,813	5,285,185,252

		Note	2020	2019
26	**CURRENT ACCOUNTS OF GOVERNMENTS**		**------------ (Rupees in '000) -----------**	
26.1	**Current accounts of governments - payable balances**			
	Federal Government	26.3	**530,892,360**	953,723,619
	Provincial governments			
	- Punjab	26.4	**81,724,341**	71,904,587
	- Sindh	26.5	**65,497,762**	22,340,295
	- Khyber Pakhtunkhwa	26.6	**11,159,840**	18,825,192
	- Baluchistan	26.7	**40,926,370**	20,449,672
	Government of Azad Jammu and Kashmir	26.8	**5,046,863**	97,061
	Gilgit - Baltistan Administration Authority	26.9	**13,542,566**	14,173,504
			217,897,742	147,790,311
			748,790,102	1,101,513,930
26.2	**Current accounts of governments - receivable balance**			
	Railways account	26.10	**30,157,106**	28,200,405
26.3	**Federal Government**			
	Non-food account		**508,391,267**	929,325,959
	Zakat fund accounts		**7,929,167**	9,256,663
	Other accounts		**14,571,926**	15,140,997
			530,892,360	953,723,619
26.4	**Provincial Government - Punjab**			
	Non-food account		**76,274,341**	42,007,486
	Zakat fund account		**154,335**	1,565,166
	Other accounts		**5,295,665**	28,331,935
			81,724,341	71,904,587
26.5	**Provincial Government - Sindh**			
	Non-food account		**59,101,115**	20,279,182
	Zakat fund account		**1,757,082**	1,599,775
	Other accounts		**4,639,565**	461,338
			65,497,762	22,340,295
26.6	**Provincial Government - Khyber Pakhtunkhwa**			
	Non-food account		**97,619**	9,396,814
	Zakat fund account		**8,223,742**	7,585,840
	Other accounts		**2,838,479**	1,842,538
			11,159,840	18,825,192
26.7	**Provincial Government - Baluchistan**			
	Non-food account		**38,330,273**	17,067,872
	Zakat fund account		**1,821,076**	1,377,537
	Other accounts		**775,021**	2,004,263
			40,926,370	20,449,672
26.8	**Government of Azad Jammu and Kashmir**		**5,046,863**	97,061
26.9	**Gilgit - Baltistan Administration Authority**		**13,542,566**	14,173,504

26.10 These balances carry mark-up from 8.41% to 13.80% per annum (2019: 6.83% to 13.13% per annum).

27 PAYABLE TO ISLAMIC BANKING INSTITUTIONS AGAINST BAI MUAJJAL TRANSACTIONS

This represents amount payable to various Islamic Banking Institutions against purchases of Government of Pakistan (GoP) Ijara Sukuks by the Bank on Bai Muajjal basis (deferred payment basis).

28 PAYABLE UNDER BILATERAL CURRENCY SWAP AGREEMENT

28.1 Payable under bilateral currency swap agreement with the People's Bank of China (PBoC)

A bilateral currency swap agreement (CSA) was entered between the Bank and the PBoC on December 23, 2011 in order to promote bilateral trade, finance direct investment, provide short term liquidity support and for any other purpose mutually agreed between the two central banks. The original agreement was renewed on December 23, 2014 for a period of three years with overall limit of CNY 10,000 million and equivalent PKR. The bilateral CSA has been further extended on May 23, 2018 for a period of three years, with amount increased from CNY 10,000 million to CNY 20,000 million and equivalent PKR. The Bank has purchased and utilized CNY 20,000 million (Rs. 475.138 billion) against PKR during the year with the maturity buckets of three months to 1 year (2019: CNY 20,000 million (Rs. 466.280 billion) with maturity bucket of three months to 1 year). These purchases have been fully utilised as at June 30, 2020 and the same amounts are outstanding as on June 30, 2020. Interest is charged on outstanding balance at agreed rates.

29 DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	Note	2020	2019
		(Rupees in '000)	
Foreign currency			
Scheduled banks		**39,655,440**	37,854,192
Held under cash reserve requirement	29.1	**197,323,325**	244,598,533
		236,978,765	282,452,725
Local currency			
Scheduled banks	29.1	**919,385,365**	950,672,620
Financial institutions		**14,653,730**	13,031,466
Others		**85,699**	81,959
		934,124,794	963,786,045
		1,171,103,559	1,246,238,770

29.1 This includes cash deposited with the Bank by scheduled banks under regulatory requirements.

30 OTHER DEPOSITS AND ACCOUNTS

	Note	2020	2019
		(Rupees in '000)	
Foreign currency			
Foreign central banks		**75,676,791**	152,341,810
International organisations		**382,488,753**	364,429,695
Foreign government		**512,412,169**	487,918,827
Others		**13,029,732**	29,067,136
	30.1 & 30.2	**983,607,445**	1,033,757,468
Local currency			
Special debt repayment	30.3	**24,243,841**	24,243,841
Government	30.4	**17,850,348**	17,850,348
Foreign central banks		**2,226**	2,172
International organisations		**6,343,946**	5,788,171
Others		**61,946,224**	34,682,484
		110,386,585	82,567,016
		1,093,994,030	1,116,324,484

30.1 This includes FCY deposits equivalent to Rs.504,152 million (based on exchange rate as of June 30, 2020) (2019: Rs 480,156 million (based on exchange rate of June 30, 2019)), carrying interest at twelve month LIBOR + 1.00% (2019: LIBOR + 1.75%), payable semi-annually. These deposits have been set off against the Rupee counterpart receivable from the Federal Government and have been covered under Ministry of Finance (MoF) Guarantee whereby the MoF has agreed to assume all liabilities and risks arising from these deposits.

		2020	2019
30.2	The interest rate profile of the interest bearing deposits is as follows:	**(% per annum)**	
	Foreign central banks	**0.51 to 2.61**	2.03 to 3.00
	International organisations	**3.00 to 4.53**	3.00 to 4.53
	Foreign government	**3.00**	3.00
	Others	**0.17 to 2.40**	1.98 to 2.51

30.3 These are interest free and represent amounts kept in separate special accounts to meet forthcoming foreign currency debt repayment obligations of the Government of Pakistan.

30.4 These represent rupee counterpart of the foreign currency loan disbursements received from various international financial institutions on behalf of the Government and credited to separate deposit accounts in accordance with the instructions of the GoP.

		Note	2020	2019
31	**PAYABLE TO THE INTERNATIONAL MONETARY FUND**		------------ (Rupees in '000) -----------	
	Borrowings under:			
	- fund facilities	31.1 & 31.3	**816,542,992**	924,568,518
	- allocation of SDRs	31.2	**229,401,334**	225,495,788
			1,045,944,326	1,150,064,306
	Current account for administrative charges		**52**	47
			1,045,944,378	1,150,064,353

31.1 The IMF provides financing to its member countries from general resources account (GRA) held in its general department. GRA credit is normally governed by the IMF's general lending policies (also known as credit tranche policies), which provide financing for balance of payments (BoP) and budgetary support needs.

Under GRA financing, the IMF granted Extended fund facility (EFF) amounting to SDR 4,393 million in FY 2013-14, having repayment period of 4½ – 10 years, with repayments in twelve equal semi-annual instalments. A total amount of SDR 4,393 million has been disbursed under twelve tranches of EFF. The repayment under this facility started from March 2018 and will continue till September 2026. Repayments made during the year amounted to SDR 540 million (2019: SDR 270 million) in 16 different tranches (2019: 8 tranches).

31.2 This represents amount payable against allocation of SDRs. A charge is levied by the IMF on SDR allocation of the Bank at weekly interest rate applicable on daily product of SDR.

		Note	2020	2019
31.3	Interest profile of amount payable to the IMF is as under:		**(% per annum)**	
	Fund facilities	31.3.1	**1.05 to 2.03**	1.89 to 2.16

31.3.1 The IMF levies a basic rate of interest (charges) on loans based on SDR interest rate and imposes surcharges depending on the amount and maturity of the loan and the level of credit outstanding. Interest rates are determined by the IMF on weekly basis. Charges are, however, payable on quarterly basis.

		Note	2020	2019
32	**OTHER LIABILITIES**		------------ (Rupees in '000) -----------	
	Provision against overdue mark-up	32.1	**11,886,685**	11,012,018
	Special reserve provision under FIIP		**10,245,290**	9,140,395
	Remittance clearance account		**4,096,502**	1,591,851
	Exchange loss payable under exchange risk coverage scheme		**477,713**	563,869
	Dividend payable	32.2	**10,000**	-
	Unrealised loss on derivative financial instruments - net		**22,298,736**	112,862,311
	Other accruals and provisions	32.3	**47,489,287**	38,279,113
	Payable to National Security Printing Company (NSPC)		**-**	240,306
	Others	32.4	**8,714,672**	8,849,376
			105,218,885	182,539,239

32.1 This represents suspended mark-up which is recoverable from the Government of Bangladesh (former East Pakistan) subject to the final settlement between the governments of Pakistan and Bangladesh.

32.2 This represent dividend payable on shares held by the Government of Pakistan and government controlled entities amounting to Rs. 10 million (2019: NIL).

		Note	2020	2019
			(Rupees in '000)	
32.3	**Other accruals and provisions**			
	Agency commission		**15,505,814**	14,538,592
	Provision for employees' compensated absences	47.3.9	**9,862,249**	6,946,372
	Provision for other doubtful assets	32.3.1	**13,525,632**	11,162,564
	Trade and other payables		**3,215,376**	2,020,441
	Other provisions	32.3.2	**2,845,378**	2,850,288
	Others		**2,534,838**	760,856
			47,489,287	38,279,113

		Note	2020	2019
32.3.1	**Provision for other doubtful assets**			
	Provision against assets held with / receivable from the Government of India and the Reserve Bank of India			
	- Issue department		**11,943,175**	9,580,107
	- Banking department		**40,483**	40,483
			11,983,658	9,620,590
	Provision against assets receivable from the Government of Bangladesh			
	- Issue department		**-**	-
	- Banking department		**1,541,974**	1,541,974
			1,541,974	1,541,974
		32.3.1.1	**13,525,632**	11,162,564

		2020	2019
32.3.1.1	**Movement of provisions for other doubtful assets**		
	Opening balance	**11,162,564**	8,235,135
	(Reversal) / charge during the year	**(42,143)**	456,042
	Appreciation relating to gold reserves held by the Reserve Bank of India	**2,405,211**	2,471,387
	Closing balance	**13,525,632**	11,162,564

32.3.2 This represent provision against Home Remittance amounting to Rs. 260.363 million (2019: Rs. 260.363 million), specific claims pertaining to provision made against claims under arbitration amounting to Rs. 1,600 million (2019: Rs. 1,600 million) and other provision made in respect of various litigations and claims against the Group amounting to Rs. 985.02 million (2019: Rs. 989.92 million).

32.4 This includes liability maintained against balances due from the Government of Bangladesh amounting to Rs. 778.399 million (2019: Rs. 778.399 million).

		Note	2020	2019
33	**DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS**		(Rupees in '000)	
	Unfunded staff retirement benefits			
	Pension		**58,584,132**	49,924,084
	Gratuity scheme		**97,912**	65,700
	Post retirement medical benefits		**29,879,378**	18,386,278
	Benevolent fund scheme		**1,273,383**	9,797,597
	Six months post retirement facility		**821,779**	678,200
		47.3.3	**90,656,584**	78,851,859
	Provident fund scheme		**738,111**	825,904
			91,394,695	79,677,763
	Funded staff retirement benefits			
	Pension	47.4.3	**4,975,816**	4,311,844
			96,370,511	83,989,607

34 SHARE CAPITAL

2020	2019		2020	2019
---- (Number of shares) --			------------ (Rupees in '000) -----------	
Issued, subscribed and paid-up capital				
1,000,000	1,000,000	Fully paid-up ordinary shares of Rs. 100 each	**100,000**	100,000
Authorised share capital				
1,000,000	1,000,000	Ordinary shares of Rs. 100 each	**100,000**	100,000

The shares of the Bank are held by the Government of Pakistan and certain Government controlled entities except for 200 shares held by the Central Bank of India (held by Deputy Custodian Enemy Property, Banking Policy and Regulations Department, State Bank of Pakistan) and 500 shares held by the State of Hyderabad.

35 RESERVES

35.1 Reserve fund

This represents appropriations made out of the annual profits of the Bank in accordance with the provisions of the State Bank of Pakistan Act, 1956.

35.2 The reserves for acquisition of PSPC

This represents reserves against the Group's exposure in PSPC.

35.3 Reserve for building up share capital

The Board of Directors has approved appropriation of Rs. 67.673 billion for building up of share capital.

35.4 Other funds

These represent appropriations made out of the surplus profits of the State Bank of Pakistan for certain specified purposes in accordance with the provisions of the State Bank of Pakistan Act, 1956.

36 UNREALISED APPRECIATION ON GOLD RESERVES HELD BY THE BANK

	Note	2020	2019
		------------ (Rupees in '000) -----------	
Opening balance		**464,180,641**	311,313,769
Appreciation for the year due to revaluation	8	**148,822,917**	152,866,872
		613,003,558	464,180,641

37 CONTINGENCIES AND COMMITMENTS

37.1 Contingencies

37.1.1 State Bank of Pakistan (the Bank)

	Note	2020	2019
a) Contingent liability in respect of guarantees given on behalf of:			
Federal Government	37.1.1.1	**13,459,912**	16,387,061
Federal Government owned / controlled bodies and authorities		**8,150,080**	9,094,341
		21,609,992	25,481,402
b) Other claims against the Bank not acknowledged as debts	37.1.1.2	**181,583**	89,690

c) In addition to the above these claims, there are several other lawsuits / investigation filed by various parties as a result of the regulatory actions / investigations taken by the Bank in its capacity as regulator and banker to the government, which the Bank is currently contesting in various courts of laws / forum. The management of the Bank believes that the Bank has reasonable position in respect of these litigations and accordingly no provision for any liability may be needed in these consolidated financial statements.

37.1.1.1 Above guarantees are secured by counter guarantees from the Government of Pakistan.

37.1.1.2 These represent various claims filed against the Bank's role as a regulator and certain other cases.

37.1.2 National Institute of Banking and Finance (Guarantee) Limited (NIBAF)

37.1.2.1 During the year 2016, NIBAF received a notice from the tax department dated January 20, 2016 claiming that the services provided by NIBAF fall within the purview of serial numbers 13, 19 and 38 of schedule to the ICTO and accordingly the NIBAF should get itself registered for sales tax, obtain Sales Tax Registration number (STRN), file returns for six months from July 2015 to December 2015 and settle the outstanding liability in respect of sales tax for those six months. The management believes that NIBAF does not fall under the purview of serial numbers 13, 19 and 38 of schedule to the ICTO mainly on the ground that NIBAF is a training institution and is not liable to be registered under sales tax on training services. A reply was sent from the NIBAF's management to the Assistant Commissioner Inland Revenue (ACIR) justifying the non-applicability of serial numbers 13, 19 and 38 of schedule to the ICTO to the NIBAF. However, the ACIR maintained the tax department's view and ordered the compulsory registration of NIBAF with immediate effect through its order dated February 19, 2016.

Moreover, NIBAF received a show cause notice on 10 March 2016 for filing the tax returns for the period from July 2015 to December 2015 and payment of the due amount of sales tax on services. Subsequently, the department passed the following order on 11 April 2016, with following details:

a) Imposition of sales tax amounting to Rs.13,675,649; and

b) Imposition of a penalty under section 33(1) of the Sales Tax Act, 1990 for non-filing amounting to Rs.35,000 along with default surcharge and penalty under section 33(5) of the Sales Tax Act, 1990.

During the year 2017, NIBAF filed an appeal before the Commissioner Inland Revenue Appeals II (CIRA) challenging the compulsory registration of the NIBAF done by the department vide its order dated 19 February 2016. This appeal was disposed off by the CIRA on 9 February 2017 because it was not maintainable under the law (as it was outside its jurisdiction) and the case could now be taken to the Honourable Islamabad High Court. Consequently, NIBAF filed writ petition against the above orders before the Honourable Islamabad High Court (IHC).

IHC passed an order dated 29 January 2018 and directed CIRA to decide the representation of NIBAF expeditiously (preferably within 7 days) after affording an opportunity of being heard. NIBAF filed applications to CIRA for compliance with IHC order. On 12 March 2018, representatives of NIBAF attended a hearing before the tax department and made oral and written submission. On 02 April 2018, Deputy commissioner Inland Revenue passed an order rejecting NIBAF's application for de-registration and passed an order for compulsory registration of NIBAF.

On 06 June 2020, NIBAF received notice from "Office of the Commissioner Inland Revenue, Zone-III, Corporate Regional Tax office, Karachi " for payment of penalty for non / late filing of monthly sales tax returns. NIBAF submitted its response on 26 June 2020 in which the suspension of NIBAF without any legal notice and imposition of penalty was contested; thus citing non-filing of returns beyond the reasonable control of NIBAF. Further, it was requested for activation of NIBAF's account with taxation authorities for submission of sales tax returns.

NIBAF is also in contact with tax authorities on above matter through State Bank of Pakistan, the Parent entity, and no further notices have been received in this regard from tax authorities. Therefore, no provision has been recognised in these consolidated financial statements.

37.1.2.2 In year 2018, NIBAF received a show cause notice for Rs. 8 million from the tax authorities against alleged non-deduction of tax on various payments relating to tax year 2017. NIBAF has submitted the necessary information and thereafter, tax authorities have not proceeded to pass any order. The management is confident of favourable outcome and accordingly no provision has been recognised in these consolidated financial statements.

37.1.2.3 During the year, NIBAF received notice under section 177(1) of the Income Tax Ordinance, 2001 for provision of information / documentation relating to tax year 2017 for the purposes of the tax audit of the said year under section 214(C) of the Income Tax Ordinance, 2001. NIBAF submitted its response and no further notice and / or assessment / order to this effect has been received so far from the taxation authorities.

37.1.3 Pakistan Security Printing Corporation (Private) Limited- (PSPC)

a) PSPC is defending certain cases filed by its ex-employees on account of their reinstatement in the PSPC and compensation for loss of their jobs. Management considers that the probability of any significant liability arising from such cases is remote.

b) In the previous years, certain income tax demands were raised for amount of Rs 34.9 million. PSPC, having paid the aforesaid demand of Rs 34.9 million, had filed appeals before the Commissioner of Inland Revenue (Appeals) [CIR(A)] which were decided against PSPC. PSPC further filed appeal before the Appellate Tribunal Inland Revenue [ATIR] which vide order dated June 29, 2015 partially upheld the action of the Additional Commissioner Inland Revenue [ACIR] for amending the aforesaid assessments. PSPC, being aggrieved of the matters decided in favour of the tax authorities, filed miscellaneous application before ATIR, which were dismissed by the ATIR. A reference before the High Court of Sindh has been filed by PSPC, the adjudication of which is pending to date.

The management is continuing with its view that the demand will eventually be revoked and the amount paid will be refunded / adjusted in favour of PSPC. Therefore no provision has been made in the consolidated financial

c) In the previous year, the tax demands aggregating Rs 515.487 million relating to PSPC's tax years 2013 to 2018 were raised. In relation to the tax year 2017 a rectification application was filed as a result of which the aggregate tax demand was reduced to Rs 343.240 million. Simultaneously, appeals before the CIR(A) were filed which were partially decided in favour of PSPC vide orders dated 28 January 2019 (for tax years 2013 to 2017) and 6 August 2019 (for tax year 2018) thus further reducing the tax demand to Rs 206.772 million mainly on account of apportionment of expenses and disallowance of credit claimed on sales.

Being aggrieved, PSPC has filed appeals before the ATIR for tax years 2013 to 2017 which are pending for adjudication, while appeal for tax year 2018 shall be filed in due course. PSPC has also filed application to the Deputy Commissioner Inland Revenue (DCIR) for giving appeal effect of the aforementioned CIR(A) order.

The management, based on the advice of tax experts, expects a favourable outcome of the aforementioned matters and therefore no provision has been made in the consolidated financial statements.

37.1.4 Contingencies of the associated Company - Security Papers Limited

The aggregate tax contingencies as at 30 June 2020 amounting to Rs 8.903 million in respect of various matters of sales tax and income tax whereby SPL is contesting before various authorities and associated company, expects a favourable outcome of the matters and therefore no provision has been made in the financial statements.

		Note	**2020**	2019
			------------ (Rupees in '000) -----------	
37.2	**Commitments**			
37.2.1	Foreign currency forward and swap contracts - sale		**1,134,906,714**	1,724,182,418
37.2.2	Foreign currency forward and swap contracts - purchase		**177,598,187**	524,896,291
37.2.3	Futures - sale		**9,323,533**	6,478,867
37.2.4	Futures - purchase		**9,056,126**	8,000,504
37.2.5	Capital commitments	37.2.5.1	**2,685,478**	589,437

37.2.5.1 This represent amounts committed by the Group to purchase assets from successful bidders.

		2020	2019
37.2.6	Letter of guarantee / credit	**465,549**	1,555,645

37.2.7 The Bank has a commitment to extend equivalent PKR of CNY 20,000 million (Rs.475.138 million) (2019: CNY 20,000 million (Rs. 466.280 million)) to Peoples Bank of China under bilateral currency swap agreement as disclosed in note 27.1 to these consolidated financial statements.

37.2.8 The Bank has made commitments to extend advance under ways and means limits to the provincial governments of Pakistan, Government of Azad Jammu and Kashmir and Gilgit-Baltistan Administration Authority in the normal course of its operations. The unutilised limits as on June 30, 2020 amounted to Rs. 7,500 million (2019: Rs. 76,900 million).

Effective from June 29, 2020, the extension of direct credit by the Bank to provincial governments has been taken over by the Federal Government and the Bank's commitment to provide ways and means advance to provincial governments is withdrawn.

In case the Government of Azad Jammu and Kashmir and Gilgit-Baltistan Administration Authority exceed their respective ways and means limits, the Bank charges a penal rate of 4% over and above the normal rate of return on the amount exceeding the ways and means limit.

37.2.9 Commitment of the associated Company - Security Papers Limited

The associated Company has car ijarah facility from the Meezan Bank Limited amounting to Rs. 50 million (2019: Rs. 50 million) out of which Rs. 1.131 million (2019: Rs. 1.7 million) were utilised. The ownership of the cars are with Meezan bank Limited during the tenor of the facility of each vehicle. As per requirement of IFAS-2 ljarah financing has been treated as an operating lease.

37.2.10 Import letter of credit (sight / usance)

The associated Company has facilities from the National Bank of Pakistan relating to import letters of credit (sight/ usance) amounting to Rs. 100 million (2019: Rs. 100 million). The arrangement from National Bank of Pakistan is secured by lien on documents of title of goods drawn under letter of credit. The Company has utilised Rs. 57.576 million as at June 30, 2020.

The associated Company has facilities from the Bank Al Habib Limited (BAHL) relating to import letters of credit (sight / usance) amounting to Rs. 100 million (2019: Rs. 100 million). The arrangement from BAHL is secured by lien over T-Bills and PIBs of Rs: 400 million, import documents consigned in favour of BAHL and counter guarantees.

The associated Company has utilised Rs. 68.494 million as at 30 June 2020. The Musharka facility from Meezan Bank Limited would also be used for import letter of credit (sight/ usance) amounting to Rs. 200 million. This arrangement is secured by lien over import documents. The Company has utilised Rs. 12.847 million as at June 30, 2020.

37.2.11 Letter of Guarantee Facility

As at June 30, 2020. the associated Company has facilities from commercial banks amounting to Rs. 120 million out of which 52.09 million was utilized by the associated company. relating to letters of guarantee.

	Note	2020	2019
		------------ (Rupees in '000) -----------	
38 DISCOUNT, INTEREST / MARK-UP AND / OR PROFIT EARNED ON FINANCIAL ASSETS			
At amortised cost			
Discount, interest / mark-up on government transactions:			
- Government securities	38.1	**1,048,156,785**	568,488,867
- Federal Government scrips		**82,200**	82,200
- Loans and advances to and current accounts of governments	38.2	**534,618**	358,435
Securities purchased under agreement to resale		**128,764,269**	43,833,298
Interest income on preference shares		**4,224,784**	4,209,078
Return on loans and advances to financial institutions		**12,837,164**	11,944,817
Foreign currency deposits		**13,603,153**	16,084,959
Profit on Sukuks purchased under Bai Muajjal agreement		**14,398**	142,202
Others		**403,930**	865,528
		1,208,621,301	646,009,384
Fair value through profit or loss			
Foreign currency securities		**10,058,650**	10,943,995

38.1 This represents income earned on Market Related Treasury Bills, Market Treasury Bills and Pakistan Investment Bonds.

			2020	2019
			(% per annum)	
38.2	Interest profile on loans and advances to facilities are as under:			
	Mark-up on facility		**8.41 to 13.80**	6.83 to 13.13
	Additional mark-up (where ways and means facility limit is exceeded)		**4**	4

		Note	2020	2019
			------------ (Rupees in '000) -----------	
39	**INTEREST / MARK-UP EXPENSE**			
	Deposits		**29,581,779**	15,445,340
	Interest on bilateral currency swap		**20,560,492**	21,817,682
	Interest on special drawing rights		**13,718,133**	18,812,906
	Securities sold under agreement to repurchase		**1,499,607**	47,978,340
	Profit on Sukuks purchased under Bai Muajjal agreement		**6,728,246**	4,636,357
	Charges on allocation of special drawing rights of the IMF		**1,255,045**	2,070,227
	Others		**2,983**	2,704
			73,346,285	110,763,556
40	**COMMISSION INCOME**			
	Market Treasury Bills	40.1	**2,503,164**	2,870,683
	Management of public debts	40.1	**1,594,705**	731,831
	Prize bonds and national saving certificates	40.1	**543,056**	526,374
	Draft / payment orders		**6,793**	7,456
	Others		**70**	52
			4,647,788	4,136,396

40.1 These represent commission income earned from services provided to the Federal Government.

		2020	2019
		------------ (Rupees in '000) -----------	
41	**EXCHANGE GAIN / (LOSS) - NET**		
	Gain / (loss) on:		
	- foreign currency placements, deposits, securities and other accounts - net	**83,567,128**	(233,065,048)
	- IMF fund facilities	**(10,474,773)**	(232,359,891)
	- Special drawing rights of the IMF	**(6,682,595)**	(40,486,086)
	Others	**(7,230)**	(220,029)
		66,402,530	(506,131,054)
42	**SHARE OF PROFIT FROM ASSOCIATES**		
	Security Papers Limited	**482,051**	264,837
	SICPA Inks Pakistan (Private) Limited	**97,857**	437,460
		579,908	702,297
43	**OTHER OPERATING INCOME - NET**		
	Penalties levied on banks and financial institutions	**3,933,387**	2,033,174
	License / Credit Information Bureau fee recovered	**1,682,274**	951,784
	Gain / (loss) on disposal of investment - net:		
	- local - at fair value through profit and loss	**246,596**	186,113
	- foreign - at fair value through profit and loss	**673,692**	(2,552,143)
		920,288	(2,366,030)
	Gain on remeasurement of securities at fair value through profit and loss	**1,233,884**	3,511,526
	Revenue from sale of Prize Bonds to Government of Pakistan	**530,652**	192,138
	Others	**303,500**	24,341
		8,603,985	4,346,933

		Note	2020	2019
			------------ (Rupees in '000) -----------	
44	**OTHER INCOME - NET**			
	Gain / loss on disposal of property, plant and equipment		**2,711**	(132,139)
	Liabilities and provisions written back - net		**208,967**	7,493
	Grant income under foreign assistance program		**173,726**	189,271
	Revaluation gain on investment property		**978,607**	-
	Others	44.1	**60,790**	253,789
			1,424,801	318,414

44.1 These include service charges at the rate of 0.12% of the total value of re-issuable cash deposited by various banks with BSC field offices and National Bank of Pakistan's chest branches.

		Note	2020	2019
			------------ (Rupees in '000) -----------	
45	**BANKNOTES' AND PRIZE BOND PRINTING CHARGES**			
	Raw material			
	Opening stock		**660,010**	1,025,080
	Purchases including in transit		**11,705,655**	9,585,440
	Closing stock		**(1,548,374)**	(660,010)
			10,817,291	9,950,510
	Salaries, wages and other benefits		**820,376**	1,567,076
	Pension		**419,733**	-
	Outsourced services		**287,835**	-
	Training		**1,395**	-
	Stores and spares		**752,325**	603,522
	Fuel and power		**135,611**	122,001
	Insurance		**20,799**	10,329
	Rent, rates and taxes		**40,511**	33,001
	Depreciation		**197,596**	64,857
	Provision for obsolete stores and spares - net		**29,062**	5,286
	Provision for slow moving and obsolete stock-in-trade - net		**2,269**	-
	Amortisation of packing boxes		**35,635**	-
	Repairs and maintenance		**26,263**	56,513
	Others		**3,571**	-
			2,772,981	2,462,585
	Manufacturing cost		**13,590,272**	12,413,095
	Opening work-in-process		**2,328,955**	1,344,144
	Closing work-in-process		**(2,604,545)**	(2,328,955)
			(275,590)	(984,811)
	Cost of goods manufactured		**13,314,682**	11,428,284
	Opening stock of finished goods		**13,494**	4,359
	Closing stock of finished goods		**(2,963)**	(13,494)
			10,531	(9,135)
			13,325,213	11,419,149

46 **AGENCY COMMISSION**

Agency commission is mainly payable to National Bank of Pakistan (NBP) under an agreement for providing banking services to Federal and Provincial Governments as an agent of the Group. Furthermore, certain portion of the agency commission also pertains to Bank of Punjab (BOP), which was appointed as agent of the Bank in March 2016, to collect Government of Punjab's taxes and receipts.

47 GENERAL ADMINISTRATIVE AND OTHER EXPENSES

	Note	2020	2019
		------------ (Rupees in '000) -----------	
Salaries and other benefits		**11,447,819**	10,995,879
Retirement benefits and employees' compensated absences	47.1	**16,938,583**	9,796,160
Contribution to Employee Staff Welfare Fund		**177,970**	75,606
Rent and taxes		**98,559**	95,518
Insurance		**83,646**	76,215
Electricity, gas and water		**510,507**	472,969
Depreciation	20.3	**2,069,415**	2,481,655
Amortisation of intangible assets	22.1	**118,586**	127,346
Repairs and maintenance		**851,679**	866,531
Directors' fee		**2,141**	2,190
Auditors' remuneration	47.2	**23,408**	17,860
Legal and professional		**239,616**	92,563
Fund managers / custodian expenses		**298,246**	346,315
Travelling expenses		**157,137**	457,053
Daily expenses		**99,845**	137,885
Fuel		**44,634**	34,698
Conveyance		**337,346**	21,127
Postages, telegram / telex and telephone		**262,914**	229,521
Training		**82,851**	101,121
Stationery		**41,928**	54,895
Remittance of treasure		**180,119**	174,077
Books and newspapers		**45,317**	48,185
Advertisement		**25,134**	36,532
Uniforms		**35,086**	34,436
Board / Board committee expenses		**11,541**	11,000
Recruitment charges		**4,924**	10,525
Others		**979,290**	1,111,556
		35,168,241	27,909,418

47.1 This includes an amount relating to defined contribution plan aggregating Rs. 409.02 million (2019: Rs. 352.266 million) and employee compensated absences amounting to Rs. 4,986.563 million (2019: Rs. 570.086 million).

47.2 Auditors' remuneration

	2020			2019			
	KPMG	A. F. Ferguson	Total	EY Ford Rhodes	KPMG	A. F. Ferguson	Total
	------------------------------- (Rupees in '000)						---------------------------------
State Bank of Pakistan							
Audit fee	**4,285**	**4,285**	**8,570**	**3,241**	**3,241**	**-**	**6,482**
Out of pocket expenses	**715**	**715**	**1,430**	**537**	**537**	**-**	**1,074**
Sindh Sales Tax on services	**400**	**400**	**800**	**302**	**302**	**-**	**604**
	5,400	**5,400**	**10,800**	4,080	4,080	-	8,160
SBP Banking Services Corporation							
Audit fee	**3,570**	**3,570**	**7,141**	2,699	2,699	-	5,398
Out of pocket expenses	**1,430**	**1,430**	**2,859**	1,079	1,079	-	2,158
Sindh Sales Tax on services	**400**	**400**	**800**	302	302	-	604
	5,400	**5,400**	**10,800**	4,080	4,080	-	8,160
National Institute of Banking and Finance							
Audit fee	**431**	**-**	**431**	**-**	**278**	**-**	**278**
Out of pocket expenses	**46**	**-**	**46**	**-**	**40**	**-**	**40**
ICT Sales Tax on services	**38**	**-**	**38**	**-**	**25**	**-**	**25**
	515	**-**	**515**	-	343	-	343
Pakistan Security Printing Corporation							
Audit fee	**980**	**-**	**980**	**-**	**-**	**940**	**940**
Out of pocket expenses	**217**	**-**	**217**	**-**	**-**	**169**	**169**
Sindh Sales Tax on services	**96**	**-**	**96**	**-**	**-**	**88**	**88**
	1,293	0	**1,293**	-	0	1,197	1,197
	12,608	**10,800**	**23,408**	8,160	8,503	1,197	17,860

47.3 Staff retirement benefits-unfunded (Bank and BSC)

47.3.1 During the year the actuarial valuations of the defined benefit obligations were carried out under the projected unit credit method using the following significant assumptions:

	2020	2019
- discount rate for year end obligation	**9.25% p.a**	14.25% p.a
- salary increase rate (where applicable)	**14.00% p.a**	15.00% p.a
- pension indexation rate (where applicable)	**7.25% p.a**	8.50% p.a
- medical cost increase rate	**9.25% p.a**	14.25% p.a
- petrol price increase rate (where applicable)	**25.00% p.a**	15.00% p.a
- personnel turnover		
SBP	**6.51% p.a**	6.40% p.a
SBP-BSC	**6.81 p.a**	6.70% p.a
- normal retirement age	**60 Years**	60 Years

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

47.3.2 Through its unfunded defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Discount rate risk

The risk of changes in discount rate, since discount rate is based on corporate / government bonds, any decrease in bond yields will increase plan liabilities.

Salary increase / inflation risk

The risk that the actual salary increase is higher than the expected salary increase, where benefits are linked with final salary at the time of cessation of service, is likely to have an impact on liability.

Pension Increase

The risk that the actual pension increase is higher than the expected, where benefits are being paid in form of monthly pension, is likely to have an impact on liability.

Mortality risk

The risk that the actual mortality experience is lighter than that of expected i.e. the actual life expectancy is longer from assumed.

Withdrawal risk

The risk of actual withdrawals experience may differ from that assumed in the circulation.

47.3.3 Change in present value of defined benefit obligation

	2020					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
	-----(Rupees in '000)-----					
Present value of defined benefit obligation July 01, 2019	49,924,084	65,700	27,152,937	1,030,938	678,200	78,851,859
Current service cost	842,543	9,137	633,542	3,037	48,373	1,536,632
Interest cost on defined benefit obligation	6,445,351	9,136	3,779,496	136,744	89,829	10,460,556
	7,287,894	18,273	4,413,038	139,781	138,202	11,997,188
Benefits paid	(9,387,103)	(3,168)	(1,260,328)	(142,656)	(95,637)	(10,888,892)
Remeasurements:						
actuarial (gains) / losses from changes in financial assumptions	-	-	-	-	-	-
experience adjustments	10,759,257	17,107	(426,269)	245,320	101,014	10,696,429
	10,759,257	17,107	(426,269)	245,320	101,014	10,696,429
Present value of defined benefit obligation as on June 30, 2020	58,584,132	97,912	29,879,378	1,273,383	821,779	90,656,584

	2019					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
	-----(Rupees in '000)-----					
Present value of defined benefit obligation July 01, 2018	59,531,106	56,885	23,604,207	1,325,941	616,609	85,134,748
Current service cost	922,911	6,068	543,732	6,086	43,330	1,522,127
Interest cost on defined benefit obligation	5,112,439	5,036	2,084,977	113,021	54,776	7,370,249
	6,035,350	11,104	2,628,709	119,107	98,106	8,892,376
Benefits paid	(5,452,453)	(1,856)	(875,611)	(140,298)	(15,970)	(6,486,188)
Remeasurements:						-
actuarial (gains) / losses from changes in financial assumptions	(11,254,507)	(2,333)	766,751	(279,064)	(10,705)	(10,779,858)
experience adjustments	1,064,588	1,900	1,028,881	5,252	(9,840)	2,090,781
	(10,189,919)	(433)	1,795,632	(273,812)	(20,545)	(8,689,077)
Present value of defined benefit obligation as on June 30, 2019	49,924,084	65,700	27,152,937	1,030,938	678,200	78,851,859

47.3.3.1 The break-up of remeasurements recognised during the year in the other comprehensive income are as follows:

Remeasurements recognised in the other comprehensive income

	2020					
	Pension	**Gratuity scheme**	**Post retirement medical benefits**	**Benevolent fund scheme**	**Six months post retirement benefits**	**Total**
	-----(Rupees in '000)-----					
- Actuarial gains / (losses) from changes in financial assumptions	**-**	**-**	**-**	**-**	**-**	**-**
- Experience adjustments	**10,759,257**	**17,107**	**(426,269)**	**245,320**	**101,014**	**10,696,429**
	10,759,257	**17,107**	**(426,269)**	**245,320**	**101,014**	**10,696,429**

	2019					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement benefits	Total
	-----(Rupees in '000)-----					
- Actuarial gains / (losses) from changes in financial assumptions	11,254,507	2,333	(766,751)	279,064	10,705	10,779,858
- Experience adjustments	(1,064,588)	(1,900)	(1,028,881)	(5,252)	9,840	(2,090,781)
	10,189,919	433	(1,795,632)	273,812	20,545	8,689,077

47.3.4 Amount recognised in the consolidated profit and loss account

	2020					
	Pension	**Gratuity scheme**	**Post retirement medical benefits**	**Benevolent fund scheme**	**Six months post retirement facility**	**Total**
	-----(Rupees in '000)-----					
Current service cost	**842,543**	**9,137**	**633,542**	**3,037**	**48,373**	**1,536,632**
Interest cost on defined benefit obligation	**6,445,351**	**9,136**	**3,779,496**	**136,744**	**89,829**	**10,460,556**
	7,287,894	**18,273**	**4,413,038**	**139,781**	**138,202**	**11,997,188**

	2019					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
	-----(Rupees in '000)-----					
Current service cost	922,911	6,068	543,732	6,086	43,330	1,522,127
Interest cost on defined benefit obligation	5,112,439	5,036	2,084,977	113,021	54,776	7,370,249
Contribution made by employees	-	-	-	(13,222)	-	(13,222)
	6,035,350	11,104	2,628,709	105,885	98,106	8,879,154

47.3.5 Movement of present value of defined benefit obligation

	2020					
	Pension	**Gratuity scheme**	**Post retirement medical benefits**	**Benevolent fund scheme**	**Six months post retirement facility**	**Total**
	----(Rupees in '000)----					
Net recognised liabilities at July 1, 2019	**49,924,084**	**65,700**	**27,152,937**	**1,030,938**	**678,200**	**78,851,859**
Amount recognised in the consolidated profit and loss account	**7,287,894**	**18,273**	**4,413,038**	**139,781**	**138,202**	**11,997,188**
Remeasurements	**10,759,257**	**17,107**	**(426,269)**	**245,320**	**101,014**	**10,696,429**
Benefits paid during the year	**(9,387,103)**	**(3,168)**	**(1,260,328)**	**(142,656)**	**(95,637)**	**(10,888,892)**
Net recognised liabilities at June 30, 2020	**58,584,132**	**97,912**	**29,879,378**	**1,273,383**	**821,779**	**90,656,584**

	2019					
	Pension	Gratuity scheme	Post retirement medical benefits	Benevolent fund scheme	Six months post retirement facility	Total
	----(Rupees in '000)----					
Net recognised liabilities at July 1, 2018	59,531,106	56,885	23,604,207	1,325,941	616,609	85,134,748
Amount recognised in the consolidated profit and loss account	6,035,350	11,104	2,628,709	119,107	98,106	8,892,376
Remeasurements	(10,189,919)	(433)	1,795,632	(273,812)	(20,545)	(8,689,077)
Benefits paid during the year	(5,452,453)	(1,856)	(875,611)	(140,298)	(15,970)	(6,486,188)
Employees contribution / amount transferred	-	-	-	-	-	-
Net recognised liabilities at June 30, 2019	49,924,084	65,700	27,152,937	1,030,938	678,200	78,851,859

47.3.6 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - increase / (decrease)		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		------(Rupees in '000)------	
Pension			
Discount rate	1%	(4,278,405)	4,949,837
Future salary increase	1%	1,622,641	(1,374,066)
Future pension increase	1%	4,143,661	(2,074,995)
Expected mortality rates	1 Year	826,719	(747,688)
Gratuity			
Discount rate	1%	(8,420)	9,612
Future salary increase	1%	9,603	(8,577)
Post retirement medical benefit scheme			
Discount rate	1%	(3,329,539)	4,108,405
Future post-retirement medical cost increase	1%	4,066,164	(3,328,014)
Expected mortality rates	1 Year	394,528	(353,662)
Benevolent			
Discount rate	1%	(55,700)	61,716
Six months post retirement facility			
Discount rate	1%	(56,142)	62,992
Future salary increase	1%	79,113	(47,296)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the consolidated balance sheet.

47.3.7 Duration of defined benefit obligation

	Pension	Gratuity scheme	Post retirement medical benefit	Benevolent fund scheme	Six months post retirement facility
Weighted average duration of the defined benefit obligation	**8-9 Years**	**2-10 Years**	**12-13 Years**	**4-6 Years**	**4-8 Years**

47.3.8 Estimated expenses to be charged to the consolidated profit and loss account for the year ending June 30, 2021

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending June 30, 2021 would be as follows:

	Pension	Gratuity scheme	Post retirement medical benefit	Benevolent fund scheme	Six months post retirement facility	Total
	(Rupees in '000)					
Current service cost	930,074	12,071	642,673	7,461	51,989	1,644,268
Interest cost on defined benefit obligation	5,333,056	9,076	2,687,825	109,789	73,938	8,213,684
Amount chargeable to the consolidated profit and loss account	6,263,130	21,147	3,330,498	117,250	125,927	9,857,952

47.3.9 Employees' compensated absences

The Group's liability for employees' compensated absences determined through an actuarial valuation carried out under the Projected unit credit method amounted to Rs. 9,862.249 million (2019: Rs. 6,946.372 million). An amount of Rs. 4,339.457 million (2019: Rs. 570.086 million) has been charged to the consolidated profit and loss account in the current period based on the actuarial advice. Expected charge in respect of the scheme for the year ending June 30, 2021 would be Rs 1,401.240 million. The benefits paid during the year amounted to Rs. 1,423.58 million (2019: Rs 613.73 million). In case of 1% increase / decrease in discount rate the net charge for the year would decrease / increase by Rs. 478.074 million and Rs. 531.727 million respectively and the net liability would also be affected by the same amount. In case of 1% increase / decrease in salary rate the net charge for the year would increase / decrease by Rs. 601.742 million and Rs. 622.156 million respectively and the net liability would also be affected by the same amount. The weighted average duration for the liability against employee's compensated absences is 4-7 years.

47.4 Staff retirement benefits-funded (PSPC)

47.4.1 During the year, the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	2020	2019
- Discount rate	**9.25% p.a**	14.50 % p.a
- Salary increase rate	**8.25% p.a**	12.50% p.a
- Pension increase rate	**4.75% p.a**	10.00% p.a

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with 1 year setback.

47.4.2 Through its funded defined benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The fund believes that due to long-term nature of the plan liabilities and the strength of the PSPC's support, the current investment strategy manages this risk adequately.

Inflation risk
The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, the fund manages plan assets to off set inflationary impacts.

Life expectancy / withdrawal rate
The majority of the plan's obligations are to provide benefits on severance with the PSPC or on achieving retirement. Any change in life expectancy / withdrawal rate would impact plan liabilities.

47.4.3 Amounts recognised in the consolidated balance sheet are determined as follows:

	2020	2019
	-------(Rupees in '000)-------	
Present value of defined benefit obligation	**6,262,360**	5,785,717
Fair value of plan assets	**(1,286,544)**	(1,473,873)
	4,975,816	4,311,844

47.4.4 Movement of present value of defined benefit obligation and fair value of plan assets

	2020	2019
Movement in defined benefit obligation		
Present value at reporting date	**5,785,717**	5,788,238
Current service cost	**56,393**	69,371
Interest cost of defined benefit obligation	**816,214**	564,011
Benefits paid during the year	**(313,314)**	(296,263)
Past service cost	**-**	88,194
Actuarial remeasurement loss / (gain)	**(82,650)**	(427,834)
Present value as at June 30, 2020	**6,262,360**	5,785,717
Movement in fair value of plan assets		
Fair value as reporting date	**1,473,873**	1,689,861
Expected return on plan assets	**196,778**	157,956
Contribution made by employer	**79,753**	75,658
Benefits paid during the year	**(313,314)**	(296,263)
Actuarial remeasurement (loss) / gain	**(150,546)**	(153,339)
Fair value as reporting date	**1,286,544**	1,473,873

47.4.5 Plan assets consist of the following:

	2020		2019	
	(Rupees in '000)	**%**	(Rupees in '000)	**%**
Equity instruments	**73,853**	**4.41**	89,092	4.62
Debt instruments	**1,144,487**	**68.41**	1,083,083	56.19
Cash and cash equivalent	**454,666**	**27.18**	755,540	39.19
	1,673,006	**100.00**	1,927,715	100.00
Less: Pertaining to NSPC (being the multi employer fund)	**(386,462)**		443,842	
	1,286,544		1,483,873	

47.4.6 Amount recognised in the consolidated profit and loss account

	2020	2019
	-------(Rupees in '000)-------	
Current service cost	**56,393**	69,371
Past service cost	**-**	88,194
Net interest cost on defined benefit obligation	**619,436**	406,055
	675,829	563,620

47.4.7 Amount recognised in consolidated other comprehensive income

	2020	2019
Remeasurement gain on obligation		
Actuarial gains from changes in financial assumptions	**(82,650)**	427,834
Remeasurement loss on plan assets		
Actual net loss on plan assets	**150,546**	(153,339)
	67,896	274,495
Share of other comprehensive income of associate	**(3,836)**	(3,590)

47.4.8 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation - increase / (decrease)		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
		---------(Rupees in '000)---------	
Pension			
Discount rate	1%	(5,643,672)	7,008,124
Salary growth rate	1%	6,436,422	(6,101,326)
Pension indexation rate	1%	6,857,719	(5,754,734)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognised within the consolidated balance sheet.

47.4.9 Duration of defined benefit obligation

	Pension
Weighted average duration of defined benefit obligation	11 Years

47.4.10 Estimated expenses to be charged to consolidated profit and loss account for the year ending June 30, 2021

Based on the actuarial advice, the management estimates that charge in respect of defined benefit plans for the year ending June 30, 2021 would be Rs. 519.094 million.

48 (REVERSAL) / CHARGE FOR CREDIT LOSS ALLOWANCE ON FINANCIAL INSTRUMENTS - NET

The following table reconciles the expected credit losses allowance for the year ended June 30, 2020 by classes of financial instruments:

	2020					
	Foreign currency accounts and investments	Investments - Local	Loans, advances and bills of exchange	Current accounts of governments	Securities purchased under agreement to resell	Total
	---------- (Rupees in '000) ----------					
As at June 30, 2019	12,996	78,953	2,210,809	-	27	**2,302,785**
Reversals during the year	(12,908)	-	(17,948)	-	(20)	**(30,876)**
As at June 30, 2020	**88**	**78,953**	**2,192,861**	**-**	**7**	**2,271,909**

	2019					
	Foreign currency accounts and investments	Investments - Local	Loans, advances and bills of exchange	Current accounts of governments	Securities purchased under agreement to resell	Total
	---------- (Rupees in '000) ----------					
As of June 30, 2018 (under IAS 39)	-	817,388	2,137,951	-	-	2,955,339
Adjustments on initial recognition of IFRS 9	66	(738,435)	47,009	-	15	(691,345)
As of July 1, 2018 (under IFRS 9)	66	78,953	2,184,960	-	15	2,263,994
Charge during the year	12,929	-	26,681	-	12	39,622
Other recoveries - net	-	-	(832)	-	-	(832)
As at June 30, 2019	12,996	78,953	2,210,809	-	27	2,302,784

49 TAXATION

	2020	2019
	--------(Rupees in '000)------	
Current - for the year	**653,406**	545,432
Current - prior year	**(42,794)**	1,455
Deferred	**127,248**	(17,665)
	737,860	529,222

50 PROFIT FOR THE YEAR AFTER NON-CASH ITEMS AND OTHER ITEMS

	Note	2020	2019
		(Rupees in '000)	
Profit / (loss) before taxation		**1,164,170,450**	(514,081)
Adjustments for:			
Depreciation	*20.3*	**2,278,729**	2,550,050
Amortisation of intangible assets	*22.2*	**118,586**	127,346
(Reversal) / charge of credit loss on financial instruments		**(30,875)**	26,693
Provision / (reversal) for / write-off:			
- retirement benefits and employees' compensated absences		**16,938,583**	9,796,160
- other doubtful assets	*32.3.1.1*	**(42,143)**	456,042
- others		**-**	(76)
(Gain) / loss on disposal of property, plant and equipment	*44*	**(2,711)**	132,139
(Gain) / loss on disposal of financial assets	*43*	**(920,288)**	-
Dividend income		**(460,688)**	(390,000)
Effect of exchange (gain) / loss on assets and liabilities		**(137,879,917)**	184,496,821
Profit from associate and other non-cash adjustments		**(579,908)**	(702,297)
		1,043,589,818	195,978,797

51 CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash and bank balances held by subsidiaries	7	**212,825**	304,957
Local currency - coins	9	**1,028,584**	1,039,138
Foreign currency accounts and investments		**1,843,398,267**	1,374,793,211
Earmarked foreign currency balances	11	**62,010,317**	72,702,673
Special Drawing Rights of the International Monetary Fund	12	**29,537,127**	55,461,054
		1,936,187,120	1,504,301,033

52 RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties in its normal course of business. Related parties include the Federal Government as major shareholder of the Group, Provincial Governments, Government of Azad Jammu and Kashmir, Gilgit-Baltistan Administration Authority, government controlled enterprises / entities, other related entities, retirement benefit plans, directors and key management personnel of the Group.

52.1 Governments and related entities

The Bank is acting as an agent of the Federal Government and is responsible for functions conferred upon as disclosed in note 1 to these consolidated financial statements. Balances outstanding from and transactions with the Federal and Provincial Governments and related entities not disclosed elsewhere in the consolidated financial statements are given below:

Transactions during the year	2020	2019
	Rupees in '000	
- Creation of MRTBs	**-**	19,225,370,000
- Creation of PIBs	**-**	7,187,000,000
- Retirement / rollover of MRTBs	**569,000,000**	22,250,040,000

- Commission income from sale of Market Treasury Bills, issuance of prize bonds, National Saving Certificates and management of public debt (refer note 40.1)

52.2 Remuneration to key management personnel

Key management personnel of the Group include members of the Board of Directors of the Bank, Governor of the Bank, Deputy Governors of the Group and other executives of the Group who have responsibility for planning, directing and controlling the activities of the Bank. Fee of the non-executive members of the Board of Directors is determined by the Board. According to section 10 of the State Bank of Pakistan Act, 1956, the remuneration of the Governor is determined by the President of Pakistan. Deputy governors are appointed and their salaries are fixed by the Federal Government. Details of remuneration of key management personnel of the Group are as follows:

	2020	2019
	-------------- (Rupees in '000) -------------	
Short-term employee benefit	**1,259,810**	887,962
Post-employment benefit	**108,307**	78,032
Loans disbursed during the year	**44,174**	123,765
Loans repaid during the year	**120,645**	109,194
Directors' fees	**13,857**	12,280
Number of key management personnel	**104**	103

This includes 84 key management personnel pertaining to other subsidiaries of the group

Short-term benefits include salary and benefits, medical benefits and free use of the Group maintained cars in accordance with their entitlements. Post employment benefits include gratuity, pension, benevolent fund, post retirement medical benefits, six months post retirement facility and contributory provident funds.

52.3 Associates of the Group

52.3.1 SICPA Inks Pakistan (Private) Limited (SICPA) - associate

SICPA is a joint venture of SICPA SA, Switzerland and PSPC, incorporated in 1995. The company operates a facility in Karachi for manufacturing security inks for printing of all denominations of currency notes and other value documents, such as, passports, postage stamps and stamp papers, etc.

52.3.2 Security Papers Limited (SPL) - associate

SPL is an associated company of PSPC. It was established in 1965. It became a joint venture company of Iran, Turkey and Pakistan in 1967, under the protocol of regional PSPC of development (now economic PSPC organisation) in 1967. SPL is engaged in manufacturing of paper required by PSPC for printing banknotes, prize bonds, non-judicial stamp paper, share certificates and watermarked certificate / degree papers for various educational institutions of Pakistan.

53 RISK MANAGEMENT POLICIES

The Group is primarily subject to interest / mark-up rate, credit, currency and liquidity risks. The policies and procedures for managing these risks are outlined in notes 53.1 to 53.9 to these consolidated financial statements. The Group has designed and implemented a framework of controls to identify, monitor and manage these risks. The senior management is responsible for advising the Governor on the monitoring and management of these risks.

53.1 Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the Group's portfolio is monitored, reviewed and analysed by the appropriate officials and the exposure is controlled through counterparty and credit limits. Counterparties are allocated to a particular class based mainly on their credit rating. Foreign currency placements are made in approved currencies and government securities. Loans and advances to scheduled banks and financial institutions are usually secured either by government guarantees or by demand promissory notes. Equity exposure based on their nature are not exposed to credit risk. Geographical exposures are controlled by country limits and are updated as and when necessary with all limits formally reviewed on a periodic basis. The Group's exposure to credit risk associated with foreign investments is managed by monitoring compliance with investment limits for counterparties. The Group's credit risk mainly lies with exposure towards government sector and financial institutions.

53.1.1 Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the consolidated balance sheet.

53.1.2 Impairment assessment

The references below show where the Group’s impairment assessment and measurement approach is set out in these consolidated financial statements. It should be read in conjunction with the summary of significant accounting policies.

53.1.3 Definition of default

The Group defines a financial instrument as in default when the financial asset is credit - impaired and meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments are considered default by the Group.

Qualitative criteria

- a breach of contract, such as default or past due event;
- the lenders of the counterparty have granted a concession to the counterparty for economic or contractual reasons;
- relating to the counterparty's financial difficulty that the lender would not otherwise consider;
- the likelihood or probability that the counterparty will enter bankruptcy or other financial reorganisation; or
- the dissolution of an active market for that financial asset due to financial difficulties.

53.1.4 Credit rating and PD estimation process

The Group PD estimation process is based on the probability of default assigned to each counterparty according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information.

Internal rating	2020	2019	External Rating
	12 month PD	12 month PD	
Performing			
High grade	0.0000%	0.0000%	Sovereign
High grade	0.0000%-0.0318%	0.0000%-0.0318%	AAA
High grade	0.0318%-0.0751%	0.0318%-0.0751%	AA+ to AA-
High grade	0.0751%-0.2334%	0.0751%-0.2334%	A+ to A-
Standard grade	0.2334%-0.5574%	0.2334%-0.5574%	BBB+ to BBB-
Standard grade	0.5574%-1.3393%	0.5574%-1.3393%	BB+ to BB-
Standard grade	1.3393%-3.3597%	1.3393%-3.3597%	B+ to B-
Rating below standard	3.3597%-9.6562%	3.3597%-9.6562%	CCC+ to CCC-
Rating below standard	9.6562%-100%	9.6562%-100%	CC
Non performing			
Individually impaired	100%	100%	

53.1.5 Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a stage 1 financial instruments, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For stage 2 and stage 3 the exposure at default is considered for events over the lifetime of the instruments. The Group determines EAD by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. PDs are then assigned to each economic scenario based on the outcome of the Group's models.

53.1.6 Loss given default

Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

53.1.7 Significant increase in credit risk

The Group considers a financial asset to have experienced a significant increase in credit risk when:
- credit rating falls below investment grade in case of investments made in financial assets, or
- the contractual payments are 30 days past due.

53.1.8 Collateral and other credit enhancements

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit / guarantees and demand promissory notes. The collaterals held against financials assets of the Group have been disclosed in their respective notes, where applicable.

53.2 Concentrations of risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. The Bank's significant concentrations arising from financial instruments at the reporting date without taking any collateral held or other credit enhancements is shown below:

53.2.1 Geographical analysis

	2020						
	Pakistan	**Asia (other than Pakistan)**	**America**	**Europe**	**Australia**	**Others**	**Grand total**
	(Rupees in '000)						
Financial assets							
Cash and bank balances held by subsidiaries	212,825	-	-	-	-	-	**212,825**
Local currency - coins	1,028,584	-	-	-	-	-	**1,028,584**
Foreign currency accounts and investments	-	771,653,490	991,293,185	420,343,857	9,994,287	13,695,211	**2,206,980,030**
Earmarked foreign currency balance	62,010,317	-	-	-	-	-	**62,010,317**
Special drawing rights of International Monetary Fund	-	-	29,537,127	-	-	-	**29,537,127**
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	27,555	-	-	-	**27,555**
Securities purchased under agreement to resell	917,539,647	-	-	-	-	-	**917,539,647**
Current accounts of governments	30,157,106	-	-	-	-	-	**30,157,106**
Investments - local	7,412,323,127	-	-	-	-	-	**7,412,323,127**
Investment in associates	6,488,078	-	-	-	-	-	**6,488,078**
Loans, advances and bills of exchange	804,424,737	327,949	-	-	-	-	**804,752,686**
Assets held with the Reserve Bank of India	-	1,964,210	-	-	-	-	**1,964,210**
Balances due from the Governments of India and Bangladesh	-	13,141,164	-	-	-	-	**13,141,164**
Other assets	7,231,994	7,283,358	3,305	6,225	-	-	**14,524,882**
Total financial assets	9,241,416,415	794,370,171	1,020,861,172	420,350,082	9,994,287	13,695,211	11,500,687,338

	2019						
	Pakistan	Asia (other than Pakistan)	America	Europe	Australia	Others	Grand total
	(Rupees in '000)						
Financial assets							
Cash and bank balances held by subsidiaries	304,957	-	-	-	-	-	304,957
Local currency - coins	1,039,138	-	-	-	-	-	1,039,138
Foreign currency accounts and investments	-	597,212,845	348,408,820	352,875,855	94	77,356,774	1,375,854,388
Earmarked foreign currency balance	72,702,673	-	-	-	-	-	72,702,673
Special drawing rights of International Monetary Fund	-	-	55,461,054	-	-	-	55,461,054
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	26,999	-	-	-	26,999
Securities purchased under agreement to resell	782,918,155	-	-	-	-	-	782,918,155
Current accounts of governments	28,200,405	-	-	-	-	-	28,200,405
Investments - local	7,906,282,006	-	-	-	-	-	7,906,282,006
Investment in associates	2,487,053	-	-	-	-	-	2,487,053
Loans, advances and bills of exchange	597,150,719	327,949	-	-	-	-	597,478,668
Assets held with the Reserve Bank of India	-	2,006,354	-	-	-	-	2,006,354
Balances due from the Governments of India and Bangladesh	-	12,266,548	-	-	-	-	12,266,548
Other assets	9,985,168	-	103,253	-	-	-	10,088,421
Total financial assets	9,401,070,274	611,813,696	404,000,126	352,875,855	94	77,356,774	10,847,116,819

The geographical analysis is based on composition of financial assets in the specific continents other than for Pakistan which has been disclosed separately. All continents having significant composition have been presented separately while the remaining have been clubbed under "Others".

53.2.2 Industrial analysis

	2020						
	Sovereign	**Supra-national**	**Public sector entities**	**Corporate**	**Banks & financial institutions**	**Others**	**Grand total**
	(Rupees in '000)						
Financial assets							
Cash and bank balances held by subsidiaries	12,540	-	-	-	200,285	-	**212,825**
Local currency - coins	1,028,584	-	-	-	-	-	**1,028,584**
Foreign currency accounts and investments	1,269,465,668	385,876,467	-	-	551,637,895	-	**2,206,980,030**
Earmarked foreign currency balance	62,010,317	-	-	-	-	-	**62,010,317**
Special drawing rights of International				-			
Monetary Fund	-	29,537,127	-	-	-	-	**29,537,127**
Reserve tranche with the International Monetary				-			
Fund under quota arrangements	-	27,555	-	-	-	-	**27,555**
Securities purchased under agreement to resell	-	-	-	-	917,539,647	-	**917,539,647**
Current accounts of governments	30,157,106	-	-	-	-	-	**30,157,106**
Investments - local	7,276,173,932	-	107,980,934	-	28,168,261	-	**7,412,323,127**
Investment in associates	-	491,205	-	-	-	5,996,873	**6,488,078**
Loans, advances and bills of exchange	327,949	-	85,686,655	-	697,696,790	21,041,292	**804,752,686**
Assets held with the Reserve Bank of India	1,964,210	-	-	-	-	-	**1,964,210**
Balances due from the Governments of India and				-			
Bangladesh	13,141,164	-	-	-	-	-	**13,141,164**
Other assets	11,471,931	9,531	53,625	-	1,041,808	1,947,987	**14,524,882**
Total financial assets	**8,665,753,401**	**415,941,885**	**193,721,214**	**-**	**2,196,284,686**	**28,986,152**	**11,500,687,338**

	2019						
	Sovereign	Supra-national	Public sector entities	Corporate	Banks & financial institutions	Others	Grand total
	(Rupees in '000)						
Financial assets							
Cash and bank balances held by subsidiaries	10,041	-	-	-	294,916	-	304,957
Local currency - coins	1,039,138	-	-	-	-	-	1,039,138
Foreign currency accounts and investments	425,771,043	242,471,231	-	-	707,612,114	-	1,375,854,388
Earmarked foreign currency balance	72,702,673	-	-	-	-	-	72,702,673
Special drawing rights of International				-			
Monetary Fund	-	55,461,054	-	-	-	-	55,461,054
Reserve tranche with the International Monetary				-			
Fund under quota arrangements	-	26,999	-	-	-	-	26,999
Securities purchased under agreement to resell	-	-	-	-	782,918,155	-	782,918,155
Current accounts of governments	28,200,405	-	-	-	-	-	28,200,405
Investments - local	7,762,811,605	-	119,127,244	-	24,343,157	-	7,906,282,006
Investment in associates	-	696,889	-	-	-	1,790,164	2,487,053
Loans, advances and bills of exchange	327,949	-	68,334,074	-	507,033,361	21,783,284	597,478,668
Assets held with the Reserve Bank of India	2,006,354	-	-	-	-	-	2,006,354
Balances due from the Governments of India and							
Bangladesh	12,266,548	-	-	-	-	-	12,266,548
Other assets	8,109,341	103,253	126,330	-	448,487	1,301,010	10,088,421
Total financial assets	8,313,245,097	298,759,426	187,587,648	-	2,022,650,190	24,874,458	10,847,116,819

53.3 CREDIT EXPOSURE BY CREDIT RATING

The credit quality of financial assets is managed by the Group using external credit ratings. The table below shows the credit quality by class of assets for all financial assets that are neither past due nor impaired as at the reporting date and are exposed to credit risk, based on the rating of external rating agencies. The Group uses lower of the credit rating of Moody's, Standard & Poor's and Fitch to categorise its financial assets in foreign currency accounts and investments. For domestic financial assets credit rating of VIS and PACRA are used.

	2020							
	Sovereign (52.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated	Grand Total
	---(Rupees in 000')---							
Financial assets								
Cash and bank balances held by subsidiaries	-	-	-	-	-	-	212,825	**212,825**
Local currency - coins	1,028,584	-	-	-	-	-	-	**1,028,584**
Foreign currency accounts and investments	1,269,406,931	398,541,244	108,441,477	425,450,285	5,140,093	-	-	**2,206,980,030**
Earmarked foreign currency balance	62,010,317	-	-	-	-	-	-	**62,010,317**
Special drawing rights of International Monetary Fund	-	-	-	-	-	-	29,537,127	**29,537,127**
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	27,555	**27,555**
Securities purchased under agreement to resell	-	244,674,800	464,483,712	199,225,964	6,846,463	2,308,708	-	**917,539,647**
Current accounts of governments	30,157,106	-	-	-	-	-	-	**30,157,106**
Investments - local	7,332,985,723	68,120,503	9,128,446	2,088,455	-	-	-	**7,412,323,127**
Investment in associates	6,488,078	-	-	-	-	-	-	**6,488,078**
Loans, advances and bills of exchange	274,836	310,103,108	431,490,408	31,988,290	141,068	115,223	30,639,753	**804,752,686**
Assets held with the Reserve Bank of India	-	-	-	-	1,964,210	-	-	**1,964,210**
Balances due from the Governments of India and Bangladesh	-	-	-	-	40,453	13,100,711	-	**13,141,164**
Other assets	12,392,461	-	467,045	-	-	-	1,665,376	**14,524,882**
Total financial assets	**8,714,744,036**	**1,021,439,655**	**1,014,011,088**	**658,752,994**	**14,132,287**	**15,524,642**	**62,082,636**	**11,500,687,338**

	2019							
	Sovereign (52.3.1)	AAA	AA	A	BBB	Lower than BBB	Unrated	Grand Total
	---(Rupees in 000')---							
Financial assets								
Cash and bank balances held by subsidiaries	-	-	-	-	-	-	304,957	304,957
Local currency - coins	1,039,138	-	-	-	-	-	-	1,039,138
Foreign currency accounts and investments	1,177,140	660,969,824	64,310,345	637,190,089	264,911	11,942,079	-	1,375,854,388
Earmarked foreign currency balance	72,702,673	-	-	-	-	-	-	72,702,673
Special drawing rights of International Monetary Fund	-	-	-	-	-	-	55,461,054	55,461,054
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	-	-	-	26,999	26,999
Securities purchased under agreement to resell	-	523,385,265	233,372,228	20,924,775	-	5,235,887	-	782,918,155
Current accounts of governments	28,200,405	-	-	-	-	-	-	28,200,405
Investments - local	7,819,725,002	53,850,807	-	-	-	-	32,706,197	7,906,282,006
Investment in associates	2,487,053							2,487,053
Loans, advances and bills of exchange	211,159	235,255,045	289,604,403	27,647,659	90,608	19,047	44,650,747	597,478,668
Assets held with the Reserve Bank of India	-	-	-	-	2,006,354	-	-	2,006,354
Balances due from the Governments of India and Bangladesh	-	-	-	-	40,453	12,226,095	-	12,266,548
Other assets	8,497,137	262,440	495,563	98,658	-	-	734,623	10,088,421
Total financial assets	7,934,039,707	1,473,723,381	587,782,539	685,861,181	2,402,326	29,423,108	133,884,577	10,847,116,819

53.3.1 Government securities and balances, pertaining to Pakistan, are rated as sovereign. The international rating of Pakistan is B- (as per Standards & Poor's).

53.3.2 The collateral held as security against financial assets to cover the credit risk are disclosed in the respective notes.

53.4 LIQUIDITY ANALYSIS WITH INTEREST / MARK-UP RATE RISK

53.4.1 Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. The Group has adopted appropriate policies to minimise its exposure to this risk.

	2020						
	Interest / mark-up bearing			Non interest / mark-up bearing			Grand total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Non-derivative assets:							
Cash and bank balances held by subsidiaries	-	-	-	212,825	-	212,825	**212,825**
Local currency - coins				1,028,584	-	1,028,584	**1,028,584**
Foreign currency accounts and investments	1,509,074,108	130,627,178	1,639,701,286	566,621,706	307,161	566,928,867	**2,206,630,153**
Earmarked foreign currency balance	-	-	-	62,010,317	-	62,010,317	**62,010,317**
Special drawing rights of International Monetary Fund	29,537,127	-	29,537,127	-	-	-	**29,537,127**
Reserve tranche with the International Monetary Fund under quota arrangements	-	-	-	27,555	-	27,555	**27,555**
Securities purchased under agreement to resell	916,654,476	-	916,654,476	885,171	-	885,171	**917,539,647**
Current accounts of governments	3,574,338	-	3,574,338	26,582,768	-	26,582,768	**30,157,106**
Investments - local	5,999,580,653	1,331,043,759	7,330,624,412	32,002,965	49,695,750	81,698,715	**7,412,323,127**
Investment in associates	-	-	-	-	6,488,078	6,488,078	**6,488,078**
Loans, advances and bills of exchange	544,693,616	200,078,470	744,772,086	19,920,863	40,059,737	59,980,600	**804,752,686**
Assets held with the Reserve Bank of India	-	-	-	1,964,210	-	1,964,210	**1,964,210**
Balances due from the Governments of India and Bangladesh	-	-	-	13,141,164	-	13,141,164	**13,141,164**
Other assets	-	-	-	14,056,808	1,029	14,057,837	**14,057,837**
	9,003,114,318	**1,661,749,407**	**10,664,863,725**	**738,454,936**	**96,551,755**	**835,006,691**	**11,499,870,416**
Derivative assets							
Foreign currency accounts and investments			-	362,728	(12,851)	349,877	**349,877**
Other assets				467,045	-	467,045	**467,045**
	-	-	-	829,773	(12,851)	816,922	**816,922**
Grand total	**9,003,114,318**	**1,661,749,407**	**10,664,863,725**	**739,284,709**	**96,538,904**	**835,823,613**	**11,500,687,338**
Financial liabilities							
Banknotes in circulation	-	-	-	6,458,763,106	-	6,458,763,106	**6,458,763,106**
Bills payable	-	-	-	1,726,348	-	1,726,348	**1,726,348**
Current accounts of the governments*	-	-	-	748,790,102		748,790,102	**748,790,102**
Payable to Islamic banking institutions against Bai Muajjal transactions	18,533,398	-	18,533,398	979,560	-	979,560	**19,512,958**
Payable under bilateral currency swaps agreements	475,138,000	-	475,138,000	1,584,596	-	1,584,596	**476,722,596**
Deposits of banks and financial institutions	125,055,961	-	125,055,961	1,046,047,598	-	1,046,047,598	**1,171,103,559**
Other deposits and accounts	957,888,420	-	957,888,420	136,105,610	-	136,105,610	**1,093,994,030**
Payable to the International Monetary Fund	229,375,871	815,030,053	1,044,405,924	1,538,454	-	1,538,454	**1,045,944,378**
Other liabilities	-	10,245,290	10,245,290	27,853,125	-	28,105,496	**38,098,415**
Endowment Fund	-	-	-	-	120,984	120,984	**120,984**
	1,805,991,650	825,275,343	2,631,266,993	8,423,388,499	120,984	8,423,761,854	**11,054,776,476**
Derivative liabilities							
Other liabilities		-	-	22,298,736		22,298,736	**22,298,736**
	1,805,991,650	825,275,343	2,631,266,993	8,445,687,235	120,984	8,446,060,590	**11,077,075,212**
On balance sheet gap (a)	**7,197,122,668**	**836,474,064**	**8,033,596,732**	**(7,706,402,526)**	**96,417,920**	**(7,610,236,977)**	**423,612,126**
Foreign currency forward and swap contracts - sale	-	-	-	1,134,906,714	-	1,134,906,714	**1,134,906,714**
Foreign currency forward and swap contracts - purchase	-	-	-	177,598,187	-	177,598,187	**177,598,187**
Futures - sale	-	-	-	9,323,533	-	9,323,533	**9,323,533**
Futures - purchase	-	-	-	9,056,126	-	9,056,126	**9,056,126**
Capital commitments	-	-	-	2,685,478	-	2,685,478	**2,685,478**
Contingent liabilities in respect of guarantees given	-	-	-	-	465,549	465,549	**465,549**
Off balance sheet gap (b)	-	-	-	1,333,570,038	465,549	1,334,035,587	**1,334,035,587**
Total yield / interest risk sensitivity gap (a+b)	**7,197,122,668**	**836,474,064**	**8,033,596,732**	**(9,039,972,564)**	**95,952,371**	**(8,944,272,564)**	**(910,423,461)**
Cumulative yield / interest risk sensitivity gap	**7,197,122,668**	**8,033,596,732**	**16,067,193,464**				

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

* The Group has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

	2019						
	Interest / mark-up bearing			Non interest / mark-up bearing			Grand total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in '000)						
Financial assets							
Non-derivatives assets:							
Cash and bank balances held by subsidiaries	-	-	-	304,957	-	304,957	304,957
Local currency - coins	-	-	-	1,039,138	-	1,039,138	**1,039,138**
Foreign currency accounts and investments	892,741,689	120,092,725	1,012,834,414	349,170,414	10,218,592	359,389,006	**1,372,223,420**
Earmarked foreign currency balance	-	-	-	72,702,673	-	72,702,673	**72,702,673**
Special drawing rights of International Monetary Fund	55,461,054		55,461,054			-	**55,461,054**
Reserve tranche with the International Monetary Fund under quota arrangements		-	-	26,999	-	26,999	**26,999**
Securities purchased under agreement to resell	782,121,699	-	782,121,699	796,456	-	796,456	**782,918,155**
Current accounts of Governments	3,180,892	-	3,180,892	25,019,513	-	25,019,513	**28,200,405**
Investments - local	3,155,065	7,246,985,402	7,250,140,467	569,711,338	86,430,201	656,141,539	**7,906,282,006**
Investment in associates	-	-	-	-	2,487,053	2,487,053	**2,487,053**
Loans, advances and bills of exchange	372,117,616	164,044,832	536,162,448	51,872,204	9,444,016	61,316,220	**597,478,668**
Assets held with the Reserve Bank of India	-	-	-	2,006,354		2,006,354	**2,006,354**
Balances due from the Governments of India and Bangladesh	-	-	-	12,266,548	-	12,266,548	**12,266,548**
Other assets	-	-	-	10,087,392	1,029	10,088,421	**10,088,421**
	2,108,778,015	**7,531,122,959**	**9,639,900,974**	**1,095,003,986**	**108,580,891**	**1,203,584,877**	**10,843,485,851**
Derivatives assets							
Foreign currency accounts and investments	-	-	-	3,630,968	-	3,630,968	**3,630,968**
Grand total	**2,108,778,015**	**7,531,122,959**	**9,639,900,974**	**1,098,634,954**	**108,580,891**	**1,207,215,845**	**10,847,116,819**
Financial liabilities							
Banknotes in circulation	-	-	-	5,285,025,504	-	5,285,025,504	**5,285,025,504**
Bills payable	-	-	-	1,146,660	-	1,146,660	**1,146,660**
Current accounts of the Governments*	-	-	-	1,101,513,930	-	1,101,513,930	**1,101,513,930**
Payable to Islamic banking institutions against Bai Muajjal transactions	119,769,544	-	119,769,544	4,640,688	-	4,640,688	**124,410,232**
Payable under bilateral currency swaps agreements	466,280,000	-	466,280,000	3,117,756	-	3,117,756	**469,397,756**
Deposits of banks and financial institutions	174,095,604	-	174,095,604	1,072,143,166	-	1,072,143,166	**1,246,238,770**
Other deposits and accounts	992,323,020	-	992,323,020	124,001,464	-	124,001,464	**1,116,324,484**
Payable to International Monetary Fund	225,080,856	921,001,932	1,146,082,788	3,981,565	-	3,981,565	**1,150,064,353**
Other liabilities	-	-	-	49,814,323	-	49,814,323	**49,814,323**
Endowment Fund	-	-	-	-	109,600	109,600	**109,600**
	1,977,549,024	921,001,932	2,898,550,956	7,645,385,056	109,600	7,645,494,656	**10,544,045,612**
Derivative liabilities							
Other liabilities	-	-	-	112,862,311	-	112,862,311	**112,862,311**
	1,977,549,024	921,001,932	2,898,550,956	7,758,247,367	109,600	7,758,356,967	**10,656,907,923**
On balance sheet gap (a)	**131,228,991**	**6,610,121,027**	**6,741,350,018**	**(6,659,612,413)**	**108,471,291**	**(6,551,141,122)**	**190,208,896**
Foreign currency forward and swap contracts - sale	-	-	-	1,724,182,418	-	1,724,182,418	**1,724,182,418**
Foreign currency forward and swap contracts - purchase	-	-	-	524,896,291	-	524,896,291	**524,896,291**
Futures - sale	-	-	-	6,478,867	-	6,478,867	**6,478,867**
Futures - purchase	-	-	-	8,000,504	-	8,000,504	**8,000,504**
Capital commitments	-	-	-	589,437	-	589,437	**589,437**
Contingent liabilities in respect of guarantees given	-	-	-	-	1,555,645	1,555,645	**1,555,645**
Off balance sheet gap (b)	-	-	-	2,264,147,517	1,555,645	2,265,703,162	**2,265,703,162**
Total yield / interest risk sensitivity gap (a+b)	**131,228,991**	**6,610,121,027**	**6,741,350,018**	**(8,923,759,930)**	**106,915,646**	**(8,816,844,284)**	**(2,075,494,266)**
Cumulative yield / interest risk sensitivity gap	**131,228,991**	**6,741,350,018**	**13,482,700,036**				

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

* The Group has the contractual right and intention to offset these balances against their respective non-interest bearing deposit balances. Mark-up on these balances is charged only when these balances are in debit

53.4.2 The effective interest / mark-up rate for the monetary financial assets and liabilities are mentioned in their respective notes to the consolidated financial statements.

53.5 Interest rate risk

53.5.1 Cash flow interest rate risk

Cash flow interest rate risk is the risk of loss arising from changes in variable interest rates. The sensitivity analysis below have been determined based on the exposure to interest rates for floating rate assets and liabilities. The analysis is prepared assuming the amount of average assets and liabilities outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 10 basis points higher / lower and all other variables were held constant, the Bank's profit for the year ended June 30, 2020 would increase / decrease by Rs 3,344.02 million (2019: Rs 1,749.27 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate instruments.

53.5.2 Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk on its fixed income securities, classified as financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income. To manage its fair value interest rate risk arising from investments in these securities, the management adopts practices mentioned in note 53.9 to these consolidated financial statements.

As at June 30, 2020, a 10 basis points shift in market value, mainly as a result of change in interest rates with all other variables held constant, would result in profit for the year to increase by Rs 397.179 million (2019: Rs 216.677 million) or decrease by Rs 398.59 million (2019: Rs 218.04 million) mainly as a result of a increase or decrease in the fair value of fixed rate financial assets classified as financial asset at fair value through consolidated profit and loss.

53.6 Currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency activities result mainly from the Group's holding of foreign currency assets under its foreign reserves management function and the overall level of these assets is determined based on the prevailing extent of credit and liquidity risks. In order to avoid losses arising from adverse changes in the rates of exchange, the Group's compliance with the limits established for foreign currency positions is being regularly monitored by the management.

The Group also holds from time to time, foreign currency assets and liabilities that arise from the implementation of domestic monetary policies. Any foreign currency exposure relating to these implementation activities are hedged through the use of foreign currency forwards, swaps and other transactions.

The Group also enters into forward foreign exchange contracts with the commercial banks and financial institutions to hedge against the currency risk on foreign currency transactions.

The sensitivity analysis calculates the effect of reasonably possible movement of the currency rate against Pak Rupee, with all other variables held constant, on the consolidated profit and loss account and equity. If the Rupee had weakened / strengthened 1 percent against the principal currencies to which the Bank had significant exposure as at June 30, 2020 with all other variables constant profit for the year would have been Rs. 9,830.59 million higher / lower (2019: Rs. 14,255.59 million). Net foreign currency exposure of the Bank is as follows:

	2020	2019
	----------- (Rupees in '000)	**----------**
US Dollar	**(295,354,414)**	(972,112,595)
Pound Sterling	**(77,327,599)**	(81,468,161)
Chinese Yuan	**279,547,027**	49,812,533
Euro	**(306,242,263)**	(345,499,790)
Japanese Yen	**(37,738,016)**	(83,450,003)
United Arab Emirates Dirham	**709,707**	3,109,629
Australian Dollar	**10,799**	16,052
Canadian Dollar	**1,805**	346,500
Others	**332,068**	3,686,836
	(436,060,886)	(1,425,558,999)

Net exposure in Special Drawing Rights (SDR) is allocated to its five basket currencies i.e. the US dollar, the Euro, the Chinese Yuan, the Japanese Yen and the British pound sterling in the ratio of their percentage allocated by IMF for SDR basket.

The composition of the Group's financial instruments and the correlation thereof to different variables is expected to change over time. Accordingly, the sensitivity analyses in note 53.6 and 53.7 prepared as of the reporting date are not necessarily indicative of the effects on the Group's consolidated profit and loss of future movements in different variables.

53.7 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity securities price risk because of investment in listed equity securities and mutual fund units by the Group classified as at fair value through other comprehensive income and fair value through profit or loss respectively. These investments are held as per the specific directives of the Government of Pakistan in accordance with the provisions of the State Bank of Pakistan Act, 1956 and other relevant statutes. Accordingly, price risk on listed equity securities and mutual fund units can not be managed by the Group.

In case of 5% increase or decrease in KSE 100 index on June 30, 2020, total comprehensive income would increase or decrease by Rs. 644.941 million (2019: Rs. 655.904 million) and equity of the Group would increase or decrease by the same amount as a result of gains / (losses).

The analysis is based on the assumption that the equity index would increase or decrease by 5% with all other variables held constant and all the Group’s equity instruments move according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index. The composition of the Group's investment portfolio and the correlation thereof to the KSE index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Group's equity instruments of future movements in the level of KSE 100 index.

53.8 Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. In order to reduce the level of liquidity risk arising out of the local currency activities, the Group manages the daily liquidity position of the banking system including advancing and withdrawal of funds from the system for smoothening out daily peaks and troughs.

The risk arising out of the Group's obligations for foreign currency balances or deposits is managed through available reserves generated mainly from borrowings and open market operations. The maturity profile of Group's financial assets and financial liabilities is given in note 53.4.1 to these consolidated financial statements.

53.9 Portfolio risk management

The Group has appointed external managers to invest a part of the foreign exchange reserves in international fixed income securities. The external managers are selected after conducting a thorough due diligence by the Group and externally hired investment consultants and appointed after the approval of the Board. The mandates awarded to the managers require them to outperform the benchmarks which are based on fixed income global aggregate indices. The benchmarks are customised to exclude certain securities, currencies and maturities to bring it to an acceptable level of risk and within the Group's approved risk appetite. Managers are provided investment guidelines within which they have to generate excess returns over the benchmark. Safe custody of the portfolio is provided through carefully selected global custodian who is independent of the portfolio managers. The custodian also provides valuation, compliance, corporate actions and recovery and other value added services which are typically provided by such custodian. The valuations provided by the custodian are reconciled with the portfolio managers and recorded accordingly.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following tables summarises the carrying amounts and fair values of financial assets and liabilities:

	Carrying value		Fair value	
	2020	2019	**2020**	2019
	------------------------------------(Rupees in '000)------------------------------------			
Financial assets				
Cash and bank balances held by subsidiaries	**212,825**	304,957	**212,825**	304,957
Local currency - coins	**1,028,584**	1,039,138	**1,028,584**	1,039,138
Foreign currency accounts and investments	**2,206,980,030**	1,375,854,388	**2,206,980,030**	1,375,854,388
Earmarked foreign currency balances	**62,010,317**	72,702,673	**62,010,317**	72,702,673
Special drawing rights of the International Monetary Fund	**29,537,127**	55,461,054	**29,537,127**	55,461,054
Reserve tranche with the International Monetary Fund under quota arrangements	**27,555**	26,999	**27,555**	26,999
Securities purchased under agreement to resell	**917,539,647**	782,918,155	**917,539,647**	782,918,155
Current accounts of governments	**30,157,106**	28,200,405	**30,157,106**	28,200,405
Investments - local	**7,412,323,127**	7,906,282,006	**7,557,938,734**	7,889,120,722
Investment in associates	**6,488,078**	2,487,053	**6,488,078**	2,487,053
Loans, advances and bills of exchange	**804,752,686**	597,478,668	**804,752,686**	597,478,668
Assets held with the Reserve Bank of India	**1,964,210**	2,006,354	**1,964,210**	2,006,354
Balances due from the Governments of India and Bangladesh	**13,141,164**	12,266,548	**13,141,164**	12,266,548
Other assets	**14,524,882**	10,088,421	**14,524,882**	10,088,421
Financial liability				
Banknotes in circulation	**6,458,763,106**	5,285,025,504	**6,458,763,106**	5,285,025,504
Bills payable	**1,726,348**	1,146,660	**1,726,348**	1,146,660
Current accounts of Governments	**748,790,102**	1,101,513,930	**748,790,102**	1,101,513,930
Payable to Islamic banking institutions against			**-**	-
Bai Muajjal transactions	**19,512,958**	124,410,232	**19,512,958**	124,410,232
Payable under bilateral currency swap agreement	**476,722,596**	469,397,756	**476,722,596**	469,397,756
Deposits of banks and financial institutions	**1,171,103,559**	1,246,238,770	**1,171,103,559**	1,246,238,770
Other deposits and accounts	**1,093,994,030**	1,116,324,484	**1,093,994,030**	1,116,324,484
Payable to the International Monetary Fund	**1,045,944,378**	1,150,064,353	**1,045,944,378**	1,150,064,353
Other liabilities	**60,397,151**	162,676,634	**60,397,151**	162,676,634
Endowment Fund	**120,984**	109,600	**120,984**	109,600

54.1 The table below analyses financial and non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows) (Level 3).

	2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements	------------------------------------(Rupees in '000)------------------------------------			
On balance sheet financial assets				
Foreign currency accounts and investments	-	501,176,282	-	**501,176,282**
Investments - local	44,235,735	35,101,670	-	**79,337,405**
Investment property	-	-	978,608	**978,608**
Non - recurring fair value measurements				
On balance sheet non-financial assets				
Operating fixed assets (land and buildings)	-	-	130,791,789	**130,791,789**
Gold reserves held by the Bank	617,495,037	-	-	**617,495,037**
	661,730,772	**536,277,952**	**131,770,397**	**1,329,779,121**
Recurring fair value measurements				
Off balance sheet financial asset and liabilities				
Foreign currency forward and swap contracts - sale	**-**	**1,156,814,337**	**-**	**1,156,814,337**
Foreign currency forward and swap contracts - purchase	**-**	**1,135,377,863**	**-**	**1,135,377,863**
Futures - sale	**9,374,673**	**-**	**-**	**9,374,673**
Futures - purchase	**9,061,924**	**-**	**-**	**9,061,924**

	2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements	---------------------------------------(Rupees in '000)---------------------------------------			
On balance sheet financial assets				
Foreign currency accounts and investments - held for trading	-	205,350,566	-	205,350,566
Investments - local	53,850,807	32,560,301	-	86,411,108
Investment property	-	-	-	-
Non - recurring fair value measurements				
On balance sheet non-financial assets				
Operating fixed assets (land and buildings)	-	-	130,791,789	130,791,789
Gold reserves held by the Bank	468,625,002	-	-	468,625,002
	522,475,809	237,910,867	130,791,789	891,178,465
Recurring fair value measurements				
Off balance sheet financial asset and liabilities				
Foreign currency forward and swap contracts - sale	-	1,724,182,418	-	1,724,182,418
Foreign currency forward and swap contracts - purchase	-	524,896,291	-	524,896,291
Futures - sale	6,478,867	-	-	6,478,867
Futures - purchase	8,000,504	-	-	8,000,504

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date when the event or change in circumstances require the Group to exercise such transfers.

All financial assets and liabilities except the items disclosed above, have fair value equal to the carrying amount.

There were no transfers between levels 1 and 2 during the year.

54.2 Valuation techniques used in determination of fair values within level 2 and level 3

Item	Valuation approach and input used
Forward foreign exchange contract	The valuation has been determined by interpolating the mid rates announced by Bank.
Operating fixed assets (land and building)	The fair value of land and building are derived using the sale comparison approach. The sales value is determined by physically analysing the condition of land and building and by ascertaining the current market value of similar land, which is selling in near vicinity. Moreover, for buildings, the valuer has also considered prevailing current cost of construction for relevant type of civil work carried out thereon, where ever required. Please refer note 20.1 highlighting the year of valuation.
Foreign currency debt securities	These are measured at fair value using the rates published by the valuation expert portals, such as, Bloomberg, S&P , Reuters etc.
Unquoted equity securities	The value of unquoted equity securities are determined by using the market adjusted price to book ratio of the comparable quoted companies.
Investment Property	These are measured at revalued amount based on the highest and best use concept.

The valuations, mentioned above, are conducted by the valuation experts appointed by the Group which are also on the panel of the Pakistan Banks' Association (PBA). The valuation experts use a market based approach to arrive at the fair value of the Group's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these consolidated financial statements.

55 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2020			
	At fair value through profit or loss	**Amortised cost**	**At fair value through other comprehensive income**	**Total**
	----------(Rupees in '000)----------			
Financial assets				
Cash and bank balances held by subsidiaries	-	212,825	-	**212,825**
Local currency - coins	-	1,028,584	-	**1,028,584**
Foreign currency accounts and investments	501,176,282	1,705,803,748	-	**2,206,980,030**
Earmarked foreign currency balances	-	62,010,317	-	**62,010,317**
Special drawing rights of the International Monetary Fund	-	29,537,127	-	**29,537,127**
Reserve tranche with the International Monetary Fund under quota arrangements	-	27,555	-	**27,555**
Securities purchased under agreement to resell	-	917,539,647	-	**917,539,647**
Current accounts of governments	-	30,157,106	-	**30,157,106**
Investments - local	1,200,488	7,331,785,234	79,337,405	**7,412,323,127**
Long term investment in associates	-	6,488,078	-	**6,488,078**
Loans, advances and bills of exchange	-	804,752,686	-	**804,752,686**
Assets held with the Reserve Bank of India	-	1,964,210	-	**1,964,210**
Balances due from the Governments of India and Bangladesh	-	13,141,164	-	**13,141,164**
Other assets	-	14,524,882	-	**14,524,882**

	2019			
	At fair value through profit or loss	Amortised cost	At fair value through other comprehensive income	Total
	----------(Rupees in '000)----------			
Financial assets				
Cash and bank balances held by subsidiaries	-	304,957	-	304,957
Local currency - coins	-	1,039,138	-	1,039,138
Foreign currency accounts and investments	205,350,566	1,170,503,822	-	1,375,854,388
Earmarked foreign currency balances	-	72,702,673	-	72,702,673
Special drawing rights of the International Monetary Fund	-	55,461,054	-	55,461,054
Reserve tranche with the International Monetary Fund under quota arrangements	-	26,999	-	26,999
Securities purchased under agreement to resell	-	782,918,155	-	782,918,155
Current accounts of governments	-	28,200,405	-	28,200,405
Investments - local	1,138,159	7,818,732,739	86,411,108	7,906,282,006
Long term investment in associates	-	2,487,053	-	2,487,053
Loans, advances and bills of exchange	-	587,644,204	-	587,644,204
Assets held with the Reserve Bank of India	-	2,006,354	-	2,006,354
Balances due from the Governments of India and Bangladesh	-	12,266,548	-	12,266,548
Other assets	-	10,088,421	-	10,088,421

	2020		
	Amortised cost	**At fair value through profit or loss**	**Total**
	----------(Rupees in '000)----------		
Financial liabilities			
Banknotes in circulation	6,458,763,106	-	**6,458,763,106**
Bills payable	1,726,348	-	**1,726,348**
Current accounts of governments	748,790,102	-	**748,790,102**
Payable to Islamic banking institutions against Bai Muajjal transactions	19,512,958	-	**19,512,958**
Payable under bilateral currency swap agreement	476,722,596	-	**476,722,596**
Deposits of banks and financial institutions	1,171,103,559	-	**1,171,103,559**
Other deposits and accounts	1,093,994,030	-	**1,093,994,030**
Payable to the International Monetary Fund	1,045,944,378	-	**1,045,944,378**
Other liabilities	38,098,415	22,298,736	**60,397,151**
Endowment Fund	120,984	-	**120,984**

	2019		
	Amortised cost	At fair value through profit or loss	Total
	--------------------------(Rupees in '000)--------------------------		
Financial liabilities			
Banknotes in circulation	5,285,025,504	-	5,285,025,504
Bills payable	1,146,660	-	1,146,660
Current accounts of Governments	1,101,513,930	-	1,101,513,930
Payable to Islamic banking institutions against Bai Muajjal transactions	124,410,232		
Payable under bilateral currency swap agreement	469,397,756	-	469,397,756
Deposits of banks and financial institutions	1,246,238,770	-	1,246,238,770
Other deposits and accounts	1,116,324,484	-	1,116,324,484
Payable to the International Monetary Fund	1,150,064,353	-	1,150,064,353
Other liabilities	49,814,323	112,862,311	162,676,634
Endowment Fund	109,600	-	109,600

56 NON-ADJUSTING EVENT

The Board of Directors of the Bank in their meeting held on October 26, 2020 have appropriated an amount of Rs. NIL million to "Revenue Reserve". The balance of profit after allocation of such appropriation will be transferred to the Government of Pakistan. The consolidated financial statements of the Group for the year ended June 30, 2020 do not include the effect of above appropriation and transfer of balance profit to the Government of Pakistan, which will be accounted for in the consolidated financial statements of the Group for the year ending June 30, 2021.

57 DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on **October 26, 2020** by the Board of Directors.

58 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current year except for the following:

FROM	TO	2019 Rupees in '000
Foreign currency accounts and investments - current accounts	Foreign currency accounts and investments - deposit accounts	358,836,324
Loans, advances and bills of exchange - Private sector financial institutions	Loans, advances and bills of exchange - Government owned / controlled financial institutions	3,179,720
Other liabilities - others	Other liabilities - other accruals and provisions	778,399
Discount, interest / mark-up and / or profit earned - foreign currency securities	Discount, interest / mark-up and / or profit earned - Profit on Sukuks purchased under Bai Muajjal agreement	142,202
Discount, interest / mark-up and / or profit - foreign currency securities	Discount, interest / mark-up and / or profit earned - others	588,169
Interest / mark-up expense - Deposits	Interest / mark-up expense - Interest on bilateral currency swap	21,817,682
Exchange gain / (loss) - net - forward cover under exchange risk coverage scheme	Exchange gain / (loss) - net - foreign currency placements, deposits, securities and 'other accounts - net	4,101
Exchange gain / (loss) - net - Exchange risk fee income	Exchange gain / (loss) - net - foreign currency placements, deposits, securities and 'other accounts - net	39,672

59 GENERAL

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

Dr. Reza Baqir	**Jameel Ahmad**	**Saleemullah**
Governor	Deputy Governor	Executive Director