

هَذَا مِنْ فَضْلِ رَبِّي



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CORPORATE INFORMATION

| | | |
|--|------------------------|---------------------------|
| Board of Directors | Abbas D. Habib | <i>Chairman</i> |
| | Anwar Haji Karim | |
| | Farhana Mowjee Khan | |
| | Syed Mazhar Abbas | |
| | Qumail R. Habib | <i>Executive Director</i> |
| | Safar Ali Lakhani | |
| | Syed Hasan Ali Bukhari | |
| | Murtaza H. Habib | |
| | Arshad Nasar | |
| | Adnan Afridi | |
| Audit Committee | Mansoor Ali Khan | <i>Chief Executive</i> |
| | Safar Ali Lakhani | <i>Chairman</i> |
| | Syed Mazhar Abbas | <i>Member</i> |
| | Anwar Haji Karim | <i>Member</i> |
| | Syed Hasan Ali Bukhari | <i>Member</i> |
| Human Resource & Remuneration Committee | Arshad Nasar | <i>Member</i> |
| | Syed Hasan Ali Bukhari | <i>Chairman</i> |
| | Syed Mazhar Abbas | <i>Member</i> |
| | Abbas D. Habib | <i>Member</i> |
| | Farhana Mowjee Khan | <i>Member</i> |
| Credit Risk Management Committee | Arshad Nasar | <i>Member</i> |
| | Syed Mazhar Abbas | <i>Chairman</i> |
| | Safar Ali Lakhani | <i>Member</i> |
| | Qumail R. Habib | <i>Member</i> |
| | Syed Hasan Ali Bukhari | <i>Member</i> |
| Risk Management Committee | Murtaza H. Habib | <i>Member</i> |
| | Adnan Afridi | <i>Chairman</i> |
| | Qumail R. Habib | <i>Member</i> |
| | Farhana Mowjee Khan | <i>Member</i> |
| | Anwar Haji Karim | <i>Member</i> |
| IT Committee | Safar Ali Lakhani | <i>Member</i> |
| | Abbas D. Habib | <i>Chairman</i> |
| | Qumail R. Habib | <i>Member</i> |
| | Arshad Nasar | <i>Member</i> |
| | Syed Mazhar Abbas | <i>Member</i> |
| Company Secretary | Mansoor Ali Khan | <i>Member</i> |
| | Mohammad Taqi Lakhani | |



| | |
|--------------------------------|--|
| Chief Financial Officer | Ashar Husain |
| Statutory Auditors | EY Ford Rhodes Chartered Accountants |
| Legal Advisor | LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants |
| Registered Office | 126-C, Old Bahawalpur Road, Multan |
| Principal Office | 2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi |
| Share Registrar | CDC Share Registrar Services Limited CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400. |
| Website | www.bankalhabib.com |



DIRECTORS' REVIEW

It is our pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiary AL Habib Capital Markets (Private) Limited for the nine months ended September 30, 2019.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 862.3 billion as compared to Rs. 796.9 billion on December 31, 2018. In the same period, advances increased to Rs. 492.5 billion from Rs. 478.2 billion, while investments increased to Rs. 622.8 billion from Rs. 414.6 billion. The pre-tax profit of the Bank for the nine months period ended September 30, 2019 was Rs. 12.88 billion as compared to Rs. 9.92 billion during the corresponding period last year. The profit after tax for the period ended September 30, 2019 was Rs. 7.01 billion compared with Rs. 5.90 billion during 2018.

By the Grace of Allah, the Bank now has a network of 751 offices, comprising 710 branches, 37 sub-branches, and 4 Representative Offices. Our branch network includes 78 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2019.

Alhamdulillah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The ratings of our unsecured, subordinated Term Finance Certificates (TFCs) are **AA** (Double A) for TFC-2016 and TFC-2018, and **AA-** (Double A minus) for TFC-2017 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

We wish to thank our customers, for their continued trust and support, local & foreign correspondents for their confidence and cooperation, and the State Bank of Pakistan for their guidance. We also thank all our staff members for their sincerity, dedication and hard work.

Mansoor Ali Khan
Chief Executive

Abbas D. Habib
Chairman
Board of Directors

Karachi: October 24, 2019



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 30 ستمبر 2019 کو ختم ہونے والے نو ماہ کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنی الحیب کینیڈا مارکیٹس (پرائیویٹ) لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 30 ستمبر 2019 کو ختم ہونے والی مدت میں ڈپازٹس بڑھ کر 862.3 بلین روپے ہو گئے، جو کہ 31 دسمبر 2018 کو 796.9 بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز 478.2 بلین روپے سے بڑھ کر 492.5 بلین روپے ہو گئے اور سرمایہ کاری 414.6 بلین روپے سے بڑھ کر 622.8 بلین روپے ہو گئی۔ 30 ستمبر 2019 کو ختم ہونے والے نو ماہ کے لئے آپ کے بینک کا قبل از ٹیکس منافع 12.88 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 9.92 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 30 ستمبر 2019 کو ختم ہونے والی مدت کے لئے 7.01 بلین روپے رہا جبکہ گزشتہ سال یہ 5.90 بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 751 دفاتر پر مشتمل ہے، جس میں 710 برانچز، 37 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے براؤنچ نیٹ ورک میں اب 178 اسلامی بینکاری برانچز اور 3 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال 2019 میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

الحمد للہ، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کے لئے بینک کی AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) ریٹنگز برقرار رکھی ہیں۔ ہمارے انسٹیٹیوٹ، سبارڈینیڈ ٹرم فنانس سرٹیفکیٹس کی ریٹنگز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA- (ڈبل اے مائنس) برائے TFC-2017 (پریچپول) ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داروں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے ان کی رہنمائی پر، بے حد مشکور ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

عباس ڈی۔ حبیب
چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی ۲۳ اکتوبر ۲۰۱۹ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|---|--------------------------------------|----------------------------------|
| Note | (Rupees in '000) | |
| ASSETS | | |
| Cash and balances with treasury banks | 6 77,130,917 | 74,432,172 |
| Balances with other banks | 7 5,303,809 | 7,989,939 |
| Lendings to financial institutions | 8 1,812,907 | - |
| Investments | 9 622,800,697 | 414,605,406 |
| Advances | 10 492,529,829 | 478,214,578 |
| Fixed assets | 11 35,769,227 | 26,183,149 |
| Intangible assets | 12 383,524 | 166,930 |
| Deferred tax assets | - | - |
| Other assets | 13 56,118,167 | 46,646,829 |
| | 1,291,849,077 | 1,048,239,003 |
| LIABILITIES | | |
| Bills payable | 14 14,619,405 | 20,603,682 |
| Borrowings | 15 281,675,066 | 119,038,358 |
| Deposits and other accounts | 16 862,309,260 | 796,900,525 |
| Liabilities against assets subject to finance lease | - | - |
| Subordinated debt | 17 14,993,600 | 14,996,000 |
| Deferred tax liabilities | 18 735,063 | 1,350,203 |
| Other liabilities | 19 62,422,898 | 45,798,555 |
| | 1,236,755,292 | 998,687,323 |
| NET ASSETS | 55,093,785 | 49,551,680 |
| REPRESENTED BY: | | |
| Share capital | 11,114,254 | 11,114,254 |
| Reserves | 16,107,378 | 14,757,530 |
| Surplus on revaluation of assets | 20 3,879,351 | 3,268,202 |
| Unappropriated profit | 23,992,802 | 20,411,694 |
| | 55,093,785 | 49,551,680 |
| CONTINGENCIES AND COMMITMENTS | 21 | |

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Note | Nine months period ended | | Three months period ended | |
|---|------|--------------------------|-------------------|---------------------------|-------------------|
| | | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| | | (Rupees in '000) | | | |
| Mark-up / return / interest earned | 22 | 73,732,787 | 42,824,116 | 28,684,837 | 15,448,181 |
| Mark-up / return / interest expensed | 23 | (43,718,245) | (20,327,183) | (18,193,877) | (7,866,010) |
| Net mark-up / interest income | | 30,014,542 | 22,496,933 | 10,490,960 | 7,582,171 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee and commission income | 24 | 4,205,933 | 3,342,182 | 1,342,797 | 1,126,000 |
| Dividend income | | 349,087 | 333,744 | 164,575 | 157,813 |
| Foreign exchange income | | 1,472,717 | 1,034,004 | 394,042 | 388,818 |
| Income / (loss) from derivatives | | - | - | - | - |
| (Loss) / gain on securities - net | 25 | (65,030) | 19,795 | 756 | (3,704) |
| Other income | 26 | 443,386 | 299,232 | 152,143 | 85,802 |
| Total non mark-up / interest income | | 6,406,093 | 5,028,957 | 2,054,313 | 1,754,729 |
| Total income | | 36,420,635 | 27,525,890 | 12,545,273 | 9,336,900 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Operating expenses | 27 | (20,338,655) | (17,214,617) | (7,414,735) | (6,147,826) |
| Workers welfare fund | | (321,054) | (205,432) | (103,941) | (57,624) |
| Other charges | 28 | (86,495) | (2,561) | (52,014) | (10) |
| Total non mark-up / interest expenses | | (20,746,204) | (17,422,610) | (7,570,690) | (6,205,460) |
| PROFIT BEFORE PROVISIONS | | 15,674,431 | 10,103,280 | 4,974,583 | 3,131,440 |
| Provisions and write offs - net | 29 | (2,798,996) | (181,347) | (644,786) | (293,541) |
| Extra ordinary / unusual items | | - | - | - | - |
| PROFIT BEFORE TAXATION | | 12,875,435 | 9,921,933 | 4,329,797 | 2,837,899 |
| Taxation | 30 | (5,869,774) | (4,019,285) | (1,785,249) | (1,136,263) |
| PROFIT AFTER TAXATION | | 7,005,661 | 5,902,648 | 2,544,548 | 1,701,636 |
| | | (Rupees) | | | |
| Basic and diluted earnings per share | 31 | 6.30 | 5.31 | 2.29 | 1.53 |

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Nine months period ended | | Three months period ended | |
|---|--------------------------|----------------------|---------------------------|----------------------|
| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| | (Rupees in '000) | | | |
| Profit after taxation for the period | 7,005,661 | 5,902,648 | 2,544,548 | 1,701,636 |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified to profit and loss account in subsequent periods:</i> | | | | |
| Effect of translation of net investment in foreign branches | 649,282 | 479,160 | (168,792) | 93,277 |
| Movement in deficit on revaluation of investments - net of tax | 665,726 | (1,116,972) | 1,008,745 | (436,881) |
| | 1,315,008 | (637,812) | 839,953 | (343,604) |
| <i>Items that will not be reclassified to profit and loss account in subsequent periods</i> | - | - | - | - |
| Total comprehensive income | 8,320,669 | 5,264,836 | 3,384,501 | 1,358,032 |

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Note | 30 September 2019 | 30 September 2018 |
|---|------|----------------------|----------------------|
| (Rupees in '000) | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 12,875,435 | 9,921,933 |
| Less: Dividend income | | (349,087) | (333,744) |
| | | 12,526,348 | 9,588,189 |
| Adjustments: | | | |
| Depreciation | | 1,836,198 | 1,587,543 |
| Depreciation on right-of-use assets | | 1,011,323 | - |
| Amortisation | | 147,322 | 99,724 |
| Provisions and write-offs | 29 | 2,798,996 | 181,347 |
| Gain on sale of fixed assets | | (232,228) | (83,474) |
| Charge for defined benefit plan | | 306,000 | 234,000 |
| Loss / (gain) on securities - net | | 65,030 | (19,795) |
| Charge for compensated absences | | 73,201 | 65,839 |
| Mark-up expense on lease liability against right-of-use assets | | 536,283 | - |
| | | 6,542,125 | 2,065,184 |
| | | 19,068,473 | 11,653,373 |
| (Increase) / decrease in operating assets | | | |
| Lendings to financial institutions | | (1,812,907) | (6,473,738) |
| Held-for-trading securities | | 197,562 | 289,594 |
| Advances | | (15,732,841) | (110,053,651) |
| Other assets (excluding advance taxation) | | (9,963,403) | (4,974,358) |
| | | (27,311,589) | (121,212,153) |
| (Decrease) / increase in operating liabilities | | | |
| Bills payable | | (5,984,277) | 372,727 |
| Borrowings from financial institutions | | 160,795,619 | (69,630,927) |
| Deposits | | 65,408,735 | 76,229,031 |
| Other liabilities | | 8,540,231 | 7,963,987 |
| | | 228,760,308 | 14,934,818 |
| | | 220,517,192 | (94,623,962) |
| Income tax paid | | (6,311,187) | (5,075,526) |
| Net cash generated from / (used in) operating activities | | 214,206,005 | (99,699,488) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in available for sale securities | | (128,844,340) | 80,828,101 |
| Net investments in held to maturity securities | | (79,982,092) | 34,071,139 |
| Net investments in associates | | - | (21,000) |
| Dividends received | | 297,798 | 294,685 |
| Investments in operating fixed assets | | (4,080,736) | (4,698,677) |
| Proceeds from sale of fixed assets | | 285,759 | 101,637 |
| Exchange differences on translation of net investment in foreign branches | | 649,282 | 479,160 |
| Net cash (used in) / generated from investing activities | | (211,674,329) | 111,055,045 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Payments of subordinated debt | | (2,400) | (1,600) |
| Dividend paid | | (2,761,778) | (3,242,216) |
| Reduction in lease liabilities | | (1,595,972) | - |
| Net cash used in financing activities | | (4,360,150) | (3,243,816) |
| | | (1,828,474) | 8,111,741 |
| (Decrease) / increase in cash and cash equivalents | | 82,075,690 | 64,604,599 |
| Cash and cash equivalents at beginning of the period | | 82,075,690 | 64,604,599 |
| Cash and cash equivalents at end of the period | | 80,247,216 | 72,716,340 |

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 710 branches (31 December 2018: 684 branches), 37 sub-branches (31 December 2018: 37 sub-branches), 04 representative offices (31 December 2018: 04 representative offices) and 01 booth (31 December 2018: NIL). The branch network of the Bank includes 03 overseas branches (31 December 2018: 03 overseas branches) and 78 Islamic Banking branches (31 December 2018: 71 Islamic Banking branches).

2. BASIS OF PRESENTATION

- 2.1** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated 22 March 2019 and International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2018.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade - related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark - up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** The financial results of the Islamic Banking branches have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 36 to these unconsolidated condensed interim financial statements.

2.4 Statement of Compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;



- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- Directives issued by SBP and the Securities and Exchange Commission of Pakistan (SECP).

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

SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018 and BPRD Circular Letter 05 of 2019, as amended from time to time.

- 2.5 These are unconsolidated condensed interim financial statements of the Bank in which investments in subsidiary and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2018 except as disclosed below.

- 3.1 During the period, SBP, vide its BPRD Circular Letter No. 05 dated March 22, 2019, issued the revised format for the preparation of the interim financial statements of the banks. New format is applicable for quarterly / half yearly periods beginning on or after January 01, 2019. The implementation of the revised format has resulted in certain changes to the presentation and disclosures of various elements of the interim financial statements.

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

The following new and amended standards, interpretations and amendments became effective during the period and do not have impact on Bank's unconsolidated condensed interim financial statements except for IFRS 16 'Leases'.



Effective date (annual periods beginning on or after)

Standard, Interpretation or Amendment

| | |
|---|------------------|
| IFRIC 23 - Uncertainty over Income Tax Treatments | January 01, 2019 |
| IFRS 15 - Revenue from contracts with customers | July 01, 2018 |
| IFRS 16 - Leases | January 01, 2019 |
| Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures | January 01, 2019 |
| Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement | January 01, 2019 |
| - Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards: | |
| - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement | |
| - IAS 12 Income Taxes | |
| - IAS 23 Borrowing Costs | |

3.2.1 IFRS 16 Leases supersedes 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 a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Bank has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which have been applied by the Bank.



Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

| | As at September 30, 2019 | As at January 01, 2019 |
|--|-------------------------------------|---------------------------|
| | (Rupees in '000) | |
| Impact on Statement of Financial Position | | |
| Increase in fixed assets - right-of-use assets | 7,748,190 | 8,139,524 |
| Decrease in other assets - advances, deposits, advance rent and other prepayments | (475,595) | (672,886) |
| Increase in other assets - advance taxation | 184,509 | - |
| Increase in total assets | 7,457,104 | 7,466,638 |
| Increase in other liabilities - lease liability against right-of-use assets / other payable | (7,745,695) | (7,466,638) |
| Decrease in net assets | <u>(288,591)</u> | <u>-</u> |
| Nine months period ended September 30, 2019 (Rupees in '000) | | |
| Impact on Profit and Loss account | | |
| Increase in mark-up expense - lease liability against right-of-use assets | | (536,283) |
| (Increase) / decrease in administrative expenses | | |
| - Depreciation on right-of-use assets | | (1,011,323) |
| - Rent expense | | 1,074,506 |
| | | 63,183 |
| Decrease in profit before tax | | (473,100) |
| Decrease in tax | | 184,509 |
| Decrease in profit after tax | | <u>(288,591)</u> |



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

The following new and amended standards, interpretations and amendments will become effective from the dates mentioned below against the respective standard, interpretation or amendment and do not have any significant impact except for IFRS 9 'Financial Instruments'.

| | Effective date (annual periods beginning on or after) |
|---|--|
| Standard, Interpretation or Amendment | |
| IFRS 3 - Business Combinations | January 01, 2020 |
| IAS 1 Presentation of Financial Statements | January 01, 2020 |
| IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | January 01, 2020 |
| | Effective date (periods ending on or after) |
| IFRS 9 - Financial Instruments | June 30, 2019 |

SECP, through SRO 229 (I) / 2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, SBP has clarified that IFRS 9 is not applicable for banks for period ending September 30, 2019. Accordingly, the requirements of IFRS 9 have not been considered for domestic operations of the Bank in preparation of these unconsolidated condensed interim financial statements.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. The Bank has already adopted IFRS 9 in respect of overseas branches.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of this unconsolidated condensed interim financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2018.



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 6. CASH AND BALANCES WITH TREASURY BANKS | | |
| In hand: | | |
| Local currency | 20,571,875 | 16,653,027 |
| Foreign currencies | 1,889,344 | 1,566,662 |
| | 22,461,219 | 18,219,689 |
| In transit: | | |
| Local currency | 1,122,350 | 106,914 |
| Foreign currencies | 397,623 | 26,856 |
| | 1,519,973 | 133,770 |
| With State Bank of Pakistan in: | | |
| Local currency current account | 27,961,386 | 31,352,756 |
| Local currency current account - Islamic Banking | 2,193,691 | 2,556,444 |
| Foreign currency deposit account | | |
| Cash reserve account | 3,361,856 | 2,916,100 |
| Cash reserve / special cash reserve account | | |
| - Islamic Banking | 231,343 | 148,166 |
| Special cash reserve account | 10,085,568 | 8,757,757 |
| Local US Dollar collection account | 33,073 | 84,470 |
| | 43,866,917 | 45,815,693 |
| With National Bank of Pakistan in: | | |
| Local currency current account | 8,775,780 | 10,220,736 |
| Prize bonds | 507,028 | 42,284 |
| | 77,130,917 | 74,432,172 |
| 7. BALANCES WITH OTHER BANKS | | |
| In Pakistan: | | |
| In current account | 355,051 | 335,200 |
| In deposit account | 2,966,432 | 5,361,894 |
| | 3,321,483 | 5,697,094 |
| Outside Pakistan: | | |
| In current account | 1,956,813 | 2,254,412 |
| In deposit account | 25,515 | 38,435 |
| | 1,982,328 | 2,292,847 |
| | 5,303,811 | 7,989,941 |
| Less: impairment against IFRS 9 in overseas branches | (2) | (2) |
| | 5,303,809 | 7,989,939 |
| 8. LENDINGS TO FINANCIAL INSTITUTIONS | | |
| Bai Muajjal receivable | | |
| - with the State Bank of Pakistan | 1,812,907 | - |



9. INVESTMENTS

| | Note | 30 September 2019 (Un-audited) | | | | 31 December 2018 (Audited) | | | |
|--------------------------------------|------|--------------------------------|--------------------------|---------------------|------------------------------------|----------------------------|--------------------------|---------------------|----------------|
| | | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value (Rupees in '000) | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying Value |
| 9.1 Investments by type: | | | | | | | | | |
| Held-for-trading securities | | | | | | | | | |
| Shares | | - | - | - | - | 285,368 | - | (21,920) | 263,448 |
| Available-for-sale securities | | | | | | | | | |
| Federal Government Securities | | 481,672,418 | (10,242) | (641,279) | 481,020,897 | 354,604,674 | (21,616) | (1,276,704) | 353,306,354 |
| Shares | | 4,700,945 | (1,553,442) | (147,480) | 3,000,023 | 4,675,040 | (487,788) | (494,239) | 3,693,013 |
| Non Government Debt Securities | | 5,674,595 | - | (134,255) | 5,540,340 | 4,901,380 | - | 8,370 | 4,909,750 |
| Foreign Securities | | 2,681,188 | (11,638) | 20,392 | 2,689,942 | 1,548,752 | (8,041) | (45,710) | 1,495,001 |
| Units of mutual funds | | 2,025,000 | (373,876) | (41,660) | 1,609,464 | 2,175,000 | (34,906) | (160,193) | 1,979,901 |
| | | 496,754,146 | (1,949,198) | (944,282) | 493,860,666 | 367,904,846 | (552,351) | (1,968,476) | 365,384,019 |
| Held-to-maturity securities | 9.3 | | | | | | | | |
| Federal Government Securities | | 127,577,499 | (4,803) | - | 127,572,696 | 48,049,798 | (6,418) | - | 48,043,380 |
| Foreign Securities | | 472,512 | (694) | - | 471,818 | - | - | - | - |
| Non Government Debt Securities | | 67,171 | - | - | 67,171 | 86,213 | - | - | 86,213 |
| | | 128,117,182 | (5,497) | - | 128,111,685 | 48,136,011 | (6,418) | - | 48,129,593 |
| Associates | | 628,346 | - | - | 628,346 | 628,346 | - | - | 628,346 |
| Subsidiary | | 200,000 | - | - | 200,000 | 200,000 | - | - | 200,000 |
| Total Investments | | 625,699,674 | (1,954,695) | (944,282) | 622,800,697 | 417,154,571 | (558,769) | (1,990,396) | 414,605,406 |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|---|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 9.1.1 Investments given as collateral | | |
| Market Treasury Bills | | |
| Carrying value | 220,927,216 | 56,804,498 |
| Deficit | (1,932) | (31,410) |
| | <u>220,925,284</u> | <u>56,773,088</u> |
| 9.2 Provision for diminution in the value of investments | | |
| Available for sale investments: | | |
| Opening balance | 558,769 | 190,242 |
| Exchange adjustments against IFRS 9 in overseas branches | 3,182 | 13,721 |
| Charge / reversals | | |
| Charge for the period / year | 1,407,205 | 385,867 |
| Reversal of impairment as per IFRS 9 in overseas branches for the period / year | (14,461) | (31,061) |
| | 1,392,744 | 354,806 |
| Closing Balance | <u>1,954,695</u> | <u>558,769</u> |

9.3 The market value of securities classified as held to maturity at 30 September 2019 amounted to Rs. 129,111 million (31 December 2018: Rs. 47,754 million).



10. ADVANCES

| | Performing | | Non-Performing | | Total | |
|---|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
| | (Rupees in '000) | | | | | |
| Loans, cash credits, running finances, etc. | 419,813,869 | 408,233,880 | 6,784,917 | 5,059,552 | 426,598,786 | 413,293,432 |
| Islamic financing and related assets | 47,613,228 | 49,708,261 | 83,777 | 8,724 | 47,697,005 | 49,716,985 |
| Bills discounted and purchased | 27,333,446 | 22,767,224 | 188,181 | 167,116 | 27,521,627 | 22,934,340 |
| Advances - gross | 494,760,543 | 480,709,365 | 7,056,875 | 5,235,392 | 501,817,418 | 485,944,757 |
| Provision against advances | | | | | | |
| - Specific | - | - | 5,799,803 | 4,351,895 | 5,799,803 | 4,351,895 |
| - General as per regulations | 263,293 | 238,099 | - | - | 263,293 | 238,099 |
| - General | 3,000,000 | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| - As per IFRS 9 in overseas branches | 224,493 | 140,185 | - | - | 224,493 | 140,185 |
| | 3,487,786 | 3,378,284 | 5,799,803 | 4,351,895 | 9,287,589 | 7,730,179 |
| Advances - net of provision | 491,272,757 | 477,331,081 | 1,257,072 | 883,497 | 492,529,829 | 478,214,578 |
| | | | (Un-audited) | | (Audited) | |
| | | | 30 September | | 31 December | |
| | | | 2019 | | 2018 | |
| | (Rupees in '000) | | | | | |

10.1 Particulars of advances (Gross)

| | | |
|-----------------------|--------------------|--------------------|
| In local currency | 434,194,755 | 428,995,512 |
| In foreign currencies | 67,622,663 | 56,949,245 |
| | 501,817,418 | 485,944,757 |

10.2 Advances include Rs. 7,056.875 million (31 December 2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

| Category of Classification | 30 September 2019 (Un-audited) | | 31 December 2018 (Audited) | |
|-----------------------------------|--------------------------------|------------------|----------------------------|------------------|
| | Non Performing Loans | Provision | Non Performing Loans | Provision |
| | (Rupees in '000) | | | |
| Domestic | | | | |
| Other Assets Especially Mentioned | 90,461 | 480 | 10,715 | 998 |
| Substandard | 702,401 | 175,564 | 44,963 | 10,869 |
| Doubtful | 706,077 | 334,714 | 1,621,874 | 796,947 |
| Loss | 3,685,167 | 3,674,308 | 2,496,394 | 2,481,635 |
| | 5,184,106 | 4,185,066 | 4,173,946 | 3,290,449 |
| Overseas | | | | |
| Overdue by: | | | | |
| 91 to 180 days | 688,085 | 430,053 | - | - |
| > 365 days | 1,184,684 | 1,184,684 | 1,061,446 | 1,061,446 |
| | 1,872,769 | 1,614,737 | 1,061,446 | 1,061,446 |
| Total | 7,056,875 | 5,799,803 | 5,235,392 | 4,351,895 |



10.3 Particulars of provision against advances

| Note | 30 September 2019 (Un-audited) | | | 31 December 2018 (Audited) | | |
|---|--------------------------------|-----------|-----------|----------------------------|-----------|-----------|
| | Specific | General | Total | Specific | General | Total |
| | (Rupees in '000) | | | | | |
| Opening balance | 4,351,895 | 3,378,284 | 7,730,179 | 4,399,564 | 3,337,610 | 7,737,174 |
| Exchange adjustments | 122,277 | 18,693 | 140,970 | 218,348 | 26,933 | 245,281 |
| Charge for the period / year | | | | | | |
| - Specific provision | 1,586,399 | - | 1,586,399 | 354,961 | - | 354,961 |
| - General provision as per regulations 10.3.1 | - | 25,193 | 25,193 | - | 5,003 | 5,003 |
| - As per IFRS 9 in overseas branches 10.3.2 | - | 66,676 | 66,676 | - | 8,738 | 8,738 |
| Reversals | | | | | | |
| - Specific provision | (259,618) | - | (259,618) | (445,270) | - | (445,270) |
| - As per IFRS 9 in overseas branches | - | (1,060) | (1,060) | - | - | - |
| | 1,326,781 | 90,809 | 1,417,590 | (90,309) | 13,741 | (76,568) |
| Amounts written off | (1,150) | - | (1,150) | (175,708) | - | (175,708) |
| Closing balance | 5,799,803 | 3,487,786 | 9,287,589 | 4,351,895 | 3,378,284 | 7,730,179 |

10.3.1 General provision represents provision amounting to Rs. 263.293 million (31 December 2018: Rs. 238.099 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 224.493 million (31 December 2018: Rs. 140.185 million).

10.3.3 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 30 September 2019 amounts to Rs. 3,000 million (31 December 2018: Rs. 3,000 million).

10.3.4 For the purposes of determining provision against non - performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non - performing advances.



| | Note | (Un-audited) 30 September 2019 (Rupees in '000) | (Audited) 31 December 2018 |
|---|------|--|----------------------------------|
| 11. FIXED ASSETS | | | |
| Capital work-in-progress | 11.1 | 2,857,488 | 1,433,875 |
| Property and equipment | 11.2 | 32,911,739 | 24,749,274 |
| | | <u>35,769,227</u> | <u>26,183,149</u> |
| 11.1 Capital work-in-progress | | | |
| Civil works | | 861,486 | 498,060 |
| Advance payment towards suppliers, contractors and property | | 1,979,087 | 914,905 |
| Consultants' fee and other charges | | 16,915 | 20,910 |
| | | <u>2,857,488</u> | <u>1,433,875</u> |
| 11.2 | | | |
| This includes right-of-use assets amounting to Rs 7,748.190 million (31 December 2018: NIL) due to adoption of IFRS 16 as detailed in note 3.2.1. | | | |
| 11.3 Additions to fixed assets | | | |
| The following additions have been made to operating fixed assets during the period: | | | |
| | | (Un-audited) Nine months period ended | |
| | | 30 September 2019 | 30 September 2018 |
| | | (Rupees in '000) | |
| Capital work-in-progress | | 1,423,613 | 760,001 |
| Property and equipment | | | |
| Leasehold land | | 597,059 | 887,133 |
| Buildings on leasehold land | | 216,978 | 828,927 |
| Furniture and fixture | | 169,064 | 179,058 |
| Electrical, office and computer equipment | | 650,891 | 1,162,416 |
| Vehicles | | 456,200 | 493,990 |
| Improvement to leasehold buildings | | 208,721 | 172,274 |
| | | <u>2,298,913</u> | <u>3,723,798</u> |
| Total | | <u>3,722,526</u> | <u>4,483,799</u> |
| 11.4 Disposal of fixed assets | | | |
| The net book value of fixed assets disposed off during the period is as follows: | | | |
| Furniture and fixture | | 2,548 | 2,606 |
| Electrical, office and computer equipment | | 9,030 | 4,231 |
| Vehicles | | 39,644 | 5,273 |
| Improvement to leasehold buildings | | 2,309 | 6,053 |
| Total | | <u>53,531</u> | <u>18,163</u> |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--|----------------------------------|
| | (Rupees in '000) | |
| 12. INTANGIBLE ASSETS | | |
| Computer software | <u>383,524</u> | <u>166,930</u> |
| | (Un-audited) Nine months period ended | |
| | 30 September 2019 | 30 September 2018 |
| | (Rupees in '000) | |
| 12.1 Additions to intangible assets | | |
| Directly purchased | <u>358,210</u> | <u>214,878</u> |
| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
| | Note | |
| | (Rupees in '000) | |
| 13. OTHER ASSETS | | |
| Income / mark-up accrued in local currency - net of provision | 14,672,888 | 10,391,678 |
| Income / mark-up accrued in foreign currencies - net of provision | 1,040,925 | 390,718 |
| Advances, deposits, advance rent and other prepayments | 587,563 | 1,209,722 |
| Advance taxation (payments less provisions) | 925,676 | 1,457,872 |
| Non-banking assets acquired in satisfaction of claims | 876,395 | 800,040 |
| Mark to market gain on forward foreign exchange contracts | 1,250,945 | 1,133,980 |
| Acceptances | 33,700,439 | 28,771,029 |
| Stationery and stamps on hand | 225,635 | 218,772 |
| Receivable from SBP | 614,732 | 325,478 |
| Non - refundable deposits | 37,748 | 43,455 |
| ATM settlement account | 1,239,241 | 965,926 |
| Others | 918,311 | 909,030 |
| | <u>56,090,498</u> | <u>46,617,700</u> |
| Less: Provision held against other assets | 13.1 (7,294) | (7,279) |
| Other Assets (Net of Provision) | <u>56,083,204</u> | <u>46,610,421</u> |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 34,963 | 36,408 |
| Other Assets - total | <u>56,118,167</u> | <u>46,646,829</u> |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| Note | (Rupees in '000) | |
| 13.1 Provision held against other assets | | |
| Receivable against consumer loans | 13.1.1 <u>7,294</u> | <u>7,279</u> |
| 13.1.1 Movement in provision held against other assets | | |
| Opening balance | 7,279 | 6,486 |
| Charge for the period / year | 1,582 | 1,485 |
| Reversals for the period / year | (1,221) | (605) |
| | 361 | 880 |
| Amount written off | (346) | (87) |
| Closing balance | <u>7,294</u> | <u>7,279</u> |
| 14. BILLS PAYABLE | | |
| In Pakistan | <u>14,619,405</u> | <u>20,603,682</u> |
| 15. BORROWINGS | | |
| Secured | | |
| Borrowings from the State Bank of Pakistan | | |
| Under export refinance scheme | 35,366,031 | 33,445,797 |
| Under renewable energy | 3,906,898 | 3,885,244 |
| Under long term financing for imported and locally manufactured plant and machinery | 18,303,290 | 13,444,746 |
| Under modernisation of small and medium enterprises | 218,025 | 116,354 |
| Under women entrepreneurship | 15,526 | 8,476 |
| Under financing facility for storage of agricultural produce | 5,731 | 26,967 |
| | 57,815,501 | 50,927,584 |
| Repurchase agreement borrowings | 220,672,055 | 56,714,334 |
| Total secured | <u>278,487,556</u> | <u>107,641,918</u> |
| Unsecured | | |
| Call borrowings | - | 1,500,000 |
| Borrowings from financial institutions | 1,000,000 | 9,550,019 |
| Overdrawn nostro accounts | 2,187,510 | 346,421 |
| Total unsecured | <u>3,187,510</u> | <u>11,396,440</u> |
| | <u>281,675,066</u> | <u>119,038,358</u> |



16. DEPOSITS AND OTHER ACCOUNTS

| | 30 September 2019 (Un-audited) | | | 31 December 2018 (Audited) | | |
|---------------------------------|--------------------------------|--------------------------|-------------|----------------------------|--------------------------|-------------|
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| (Rupees in '000) | | | | | | |
| Customers | | | | | | |
| Current deposits | 273,581,954 | 33,235,265 | 306,817,219 | 259,924,538 | 27,655,719 | 287,580,257 |
| Savings deposits | 211,872,987 | 39,795,882 | 251,668,869 | 190,726,381 | 35,939,386 | 226,665,767 |
| Term deposits | 139,099,341 | 34,883,816 | 173,983,157 | 128,918,633 | 27,556,178 | 156,474,811 |
| Current deposits - remunerative | 97,500,143 | 729,624 | 98,229,767 | 82,817,947 | 550,054 | 83,368,001 |
| Others | 10,376,373 | 9,663,765 | 20,040,138 | 10,802,035 | 8,189,454 | 18,991,489 |
| | 732,430,798 | 118,308,352 | 850,739,150 | 673,189,534 | 99,890,791 | 773,080,325 |
| Financial institutions | | | | | | |
| Current deposits | 1,344,749 | 1,361,047 | 2,705,796 | 1,284,400 | 358,311 | 1,642,711 |
| Savings deposits | 2,133,901 | 16 | 2,133,917 | 11,836,148 | 15 | 11,836,163 |
| Term deposits | 665,000 | 113,052 | 778,052 | 289,001 | 454,768 | 743,769 |
| Current deposits - remunerative | 3,388,523 | 2,563,722 | 5,952,245 | 7,226,357 | 2,285,052 | 9,511,409 |
| Others | 100 | - | 100 | 86,148 | - | 86,148 |
| | 7,532,273 | 4,037,837 | 11,570,110 | 20,722,054 | 3,098,146 | 23,820,200 |
| | 739,963,071 | 122,346,189 | 862,309,260 | 693,911,588 | 102,988,937 | 796,900,525 |

| | Note | (Un-audited) | (Audited) |
|---|------|----------------------|---------------------|
| | | 30 September 2019 | 31 December 2018 |
| (Rupees in '000) | | | |
| 17. SUBORDINATED DEBT - Unsecured | | | |
| Term Finance Certificates (TFCs) - V - (Unquoted) | 17.1 | 3,994,400 | 3,996,000 |
| Term Finance Certificates (TFCs) - VI - (Unquoted) | 17.2 | 7,000,000 | 7,000,000 |
| Term Finance Certificates (TFCs) - VII - (Unquoted) | 17.3 | 3,999,200 | 4,000,000 |
| | | <u>14,993,600</u> | <u>14,996,000</u> |



17.1 Term Finance Certificates - V (Unquoted)

| | |
|--------------------------|--|
| Issue amount | Rupees 4,000 million |
| Issue date | March 2016 |
| Maturity date | March 2026 |
| Rating | AA |
| Profit payment frequency | six monthly |
| Redemption | 6th - 108th month: 0.36%; 114th and 120th month: 49.82% each |
| Mark-up | Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap |
| Call option | On or after five years with prior SBP approval |
| Lock-in-clause | Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR"). |
| Loss absorbency clause | The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). |

17.2 Term Finance Certificates - VI (Unquoted)

| | |
|--------------------------|--|
| Issue amount | Rupees 7,000 million |
| Issue date | December 2017 |
| Maturity date | Perpetual |
| Rating | AA- |
| Profit payment frequency | semi-annually |
| Redemption | No fixed or final redemption date |
| Mark-up | Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default. |
| Call option | On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality. |
| Lock-in-clause | No profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR"). |
| Loss absorbency clause | The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). |



17.3 Term Finance Certificates - VII (Unquoted)

| | |
|--------------------------|--|
| Issue amount | Rupees 4,000 million |
| Issue date | December 2018 |
| Maturity date | December 2028 |
| Rating | AA |
| Profit payment frequency | semi-annually |
| Redemption | 6th - 108th month: 0.02% each; 114th and 120th month: 49.82% each |
| Mark-up | 6-Months KIBOR (ask side) + 1.00% per annum. |
| Call option | On or after five years |
| Lock-in-clause | Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR"). |
| Loss absorbency clause | The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). |

| | |
|-------------------------|--------------------|
| (Un-audited) | (Audited) |
| 30 September | 31 December |
| 2019 | 2018 |
| (Rupees in '000) | |

18. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

| | | |
|---|------------------|-----------|
| Accelerated tax depreciation | 929,991 | 1,042,090 |
| Surplus on revaluation of fixed assets / non - banking assets | 994,257 | 1,023,644 |
| Remeasurement of defined benefit plan | 246,397 | 246,397 |
| | 2,170,645 | 2,312,131 |

Deductible Temporary Differences on:

| | | |
|---|--------------------|-----------|
| Provision against diminution in the value of investments | (673,137) | (181,518) |
| Provision against loans and advances, off balance sheet, etc. | (337,934) | (5,555) |
| Impairment as per IFRS 9 in overseas branches | (94,012) | (78,217) |
| Surplus on revaluation of held for trading investments | - | (7,671) |
| Surplus on revaluation of available for sale investments | (330,499) | (688,967) |
| | (1,435,582) | (961,928) |
| | 735,063 | 1,350,203 |



| | (Un-audited) 30 September Note 2019 | (Audited) 31 December 2018 |
|---|---|----------------------------------|
| | (Rupees in '000) | |
| 19. OTHER LIABILITIES | | |
| Mark-up / return / interest payable in local currency | 3,471,785 | 2,973,219 |
| Mark-up / return / interest payable in foreign currencies | 270,489 | 231,537 |
| Unearned commission income | 223,456 | 204,609 |
| Accrued expenses | 1,742,554 | 1,026,805 |
| Acceptances | 33,700,439 | 28,771,029 |
| Unclaimed dividends | 432,433 | 415,647 |
| Mark to market loss on forward foreign exchange contracts | 1,270,166 | 614,896 |
| Branch adjustment account | 913,091 | 717,339 |
| Payable to defined benefit plan | 1,009,992 | 703,992 |
| Charity payable | 37,138 | 14,218 |
| Provision against off - balance sheet items | 19.1 114,930 | 116,600 |
| Security deposits against leases / ijarah | 6,340,497 | 5,940,336 |
| Provision for compensated absences | 660,479 | 585,739 |
| Special exporters' accounts in foreign currencies | 104,562 | 41,936 |
| Other security deposits | 578,765 | 506,331 |
| Workers' welfare fund | 1,624,216 | 1,303,162 |
| Payable to SBP / NBP | 425,389 | 223,763 |
| Payable to supplier against murabaha | 339,963 | 44,886 |
| Payable against purchase of securities | - | 22,083 |
| Insurance payable | 490,530 | 490,757 |
| Lease liability against right-of-use assets | 7,699,824 | - |
| Others | 972,200 | 849,671 |
| | <u>62,422,898</u> | <u>45,798,555</u> |
| 19.1 Provision against off-balance sheet obligations | | |
| Opening balance | 116,600 | 160,838 |
| Exchange adjustment against IFRS 9 in overseas branches | 10,029 | 12,263 |
| Charge for the period / year | 29,449 | 13,827 |
| Reversals for the period / year | (41,148) | (70,328) |
| | (11,699) | (56,501) |
| Closing balance | <u>114,930</u> | <u>116,600</u> |



| | (Un-audited) 30 September Note 2019 | (Audited) 31 December 2018 |
|--|---|----------------------------------|
| | (Rupees in '000) | |
| 20. SURPLUS ON REVALUATION OF ASSETS | | |
| Surplus / (deficit) on revaluation of: | | |
| - Available for sale securities | 9.1 (944,282) | (1,968,476) |
| - Fixed Assets | 5,522,775 | 5,605,295 |
| - Non-banking assets acquired in satisfaction of claims | 34,963 | 36,408 |
| | 4,613,456 | 3,673,227 |
| Deferred tax on surplus / (deficit) on revaluation of: | | |
| - Available for sale securities | (330,499) | (688,967) |
| - Fixed Assets | 1,058,896 | 1,087,778 |
| - Non-banking assets acquired in satisfaction of claims | 5,708 | 6,214 |
| | 734,105 | 405,025 |
| | 3,879,351 | 3,268,202 |
| 21. CONTINGENCIES AND COMMITMENTS | | |
| Guarantees | 21.1 74,040,874 | 66,873,212 |
| Commitments | 21.2 225,052,360 | 217,907,165 |
| Other contingent liabilities | 21.3 4,669,685 | 4,716,420 |
| | 303,762,919 | 289,496,797 |
| 21.1 Guarantees: | | |
| Financial guarantees | 12,048,867 | 9,633,948 |
| Performance guarantees | 61,992,007 | 57,239,264 |
| | 74,040,874 | 66,873,212 |
| 21.2 Commitments: | | |
| Documentary credits and short-term trade-related transactions | | |
| - letters of credit | 121,192,726 | 109,275,067 |
| Commitments in respect of: | | |
| - forward foreign exchange contracts | 21.2.1 99,165,910 | 103,620,742 |
| - forward lending | 21.2.2 3,716,226 | 3,916,624 |
| Commitments for acquisition of: | | |
| - Fixed assets | 977,498 | 1,094,732 |
| | 225,052,360 | 217,907,165 |
| 21.2.1 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | 67,947,744 | 70,584,095 |
| Sale | 31,218,166 | 33,036,647 |
| | 99,165,910 | 103,620,742 |
| The maturities of above contracts are spread over the periods upto one year. | | |
| 21.2.2 Commitments in respect of forward lending | | |
| | 3,716,226 | 3,916,624 |
| 21.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. | | |



| | |
|-------------------------|--------------------|
| (Un-audited) | (Audited) |
| 30 September | 31 December |
| 2019 | 2018 |
| (Rupees in '000) | |

| | | |
|---|------------------|------------------|
| 21.3 Claims against the Bank not acknowledged as debts | 4,669,685 | 4,716,420 |
| 21.4 Other contingent liabilities | | |

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2017 (Tax Year 2018). The income tax assessments of the Bank are completed upto tax year 2016.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 797.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 662.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 305.179 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue has passed order for the period January 2013 to December 2015 levying Federal Excise Duty on certain items resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. The Bank has filed an appeal before Appellate Tribunal (Punjab Revenue Authority).

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before ITAT against the above referred orders.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2018 by disallowing certain expenses resulting in an impact of Rs. 93.443 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favourable outcome of the above matters.



| | | (Un-audited) | |
|---|--|--------------------------|-------------------|
| | | Nine months period ended | |
| | | 30 September | 30 September |
| Note | | 2019 | 2018 |
| | | (Rupees in '000) | |
| 22. MARK - UP / RETURN / INTEREST EARNED | | | |
| | On loans and advances | 36,335,323 | 19,247,083 |
| | On investments | 35,478,437 | 23,273,050 |
| | On deposits with financial institutions | 471,316 | 199,112 |
| | On securities purchased under resale agreements | 1,221,894 | 104,576 |
| | On call money lendings | 225,817 | 295 |
| | | <u>73,732,787</u> | <u>42,824,116</u> |
| 23. MARK-UP / RETURN / INTEREST EXPENSED | | | |
| | Deposits | 34,583,790 | 16,801,983 |
| | Borrowings from SBP | 837,757 | 670,288 |
| | Subordinated debt | 1,388,377 | 635,588 |
| | Cost of foreign currency swaps | 1,207,067 | 354,341 |
| | Repurchase agreement borrowings | 4,969,090 | 1,628,956 |
| | Mark-up expense on lease liability against right-of-use assets | 536,283 | - |
| | Other borrowings | 195,881 | 236,027 |
| | | <u>43,718,245</u> | <u>20,327,183</u> |
| 24. FEE AND COMMISSION INCOME | | | |
| | Branch banking customer fees | 813,436 | 454,928 |
| | Consumer finance related fees | 31,832 | 33,334 |
| | Card related fees (debit and credit cards) | 238,213 | 392,047 |
| | Credit related fees | 113,470 | 143,604 |
| | Commission on trade | 2,520,401 | 1,886,915 |
| | Commission on guarantees | 292,172 | 274,235 |
| | Commission on cash management | 146,190 | 127,867 |
| | Commission on home remittances | 39,789 | 23,330 |
| | Others | 10,430 | 5,922 |
| | | <u>4,205,933</u> | <u>3,342,182</u> |
| 25. (LOSS) / GAIN ON SECURITIES - NET | | | |
| | Realised | 25.1 (65,030) | 19,795 |
| 25.1 Realised gain on: | | | |
| | Federal Government Securities | 100 | (1,897) |
| | Shares | (65,886) | 21,542 |
| | Non Government Debt Securities | - | 150 |
| | Mutual funds | 756 | - |
| | | <u>(65,030)</u> | <u>19,795</u> |
| 26. OTHER INCOME | | | |
| | Rent on property | 1,575 | 1,575 |
| | Gain on sale of fixed assets - net | 232,228 | 83,474 |
| | Recovery of expenses from customers | 199,720 | 206,027 |
| | Lockers rent | 7,498 | 5,530 |
| | Others | 2,365 | 2,626 |
| | | <u>443,386</u> | <u>299,232</u> |



(Un-audited)
Nine months period ended
30 September 2019 **30 September 2018**
(Rupees in '000)

27. OPERATING EXPENSES

| | | |
|---|-------------------|------------------|
| Total compensation expenses | 9,325,515 | 7,808,430 |
| Property expenses | | |
| Rent & taxes | 317,728 | 1,147,287 |
| Insurance | 12,846 | 16,609 |
| Utilities cost | 762,701 | 638,346 |
| Security (including guards) | 637,165 | 630,632 |
| Repair & maintenance (including janitorial charges) | 172,823 | 146,208 |
| Depreciation | 1,610,076 | 514,375 |
| Amortisation | 5,707 | 5,707 |
| | 3,519,046 | 3,099,164 |
| Information technology expenses | | |
| Software maintenance | 3,909 | 1,192 |
| Hardware maintenance | 310,412 | 281,054 |
| Depreciation | 218,853 | 192,865 |
| Amortisation | 141,615 | 94,017 |
| Network charges | 294,236 | 230,613 |
| | 969,025 | 799,741 |
| Other operating expenses | | |
| Directors' fees and allowances | 34,600 | 29,825 |
| Fees and allowances to Shariah Board | 7,333 | 4,914 |
| Insurance | 245,165 | 187,649 |
| Legal & professional charges | 126,660 | 105,159 |
| Outsourced services costs | 1,156,163 | 928,121 |
| Traveling & conveyance | 174,981 | 154,444 |
| NIFT & other clearing charges | 97,332 | 83,136 |
| Depreciation | 1,018,592 | 880,303 |
| Repair and maintenance | 840,288 | 851,928 |
| Training & development | 35,320 | 39,253 |
| Postage & courier charges | 155,577 | 138,217 |
| Communication | 203,661 | 185,064 |
| Stationery & printing | 575,816 | 371,464 |
| Marketing, advertisement & publicity | 220,341 | 223,532 |
| Donations | 58,700 | 86,128 |
| Auditors Remuneration | 2,978 | 2,368 |
| Commission and brokerage | 166,265 | 123,527 |
| Entertainment and staff refreshment | 207,884 | 193,013 |
| Vehicle running expenses | 626,766 | 449,483 |
| Subscriptions and publications | 103,186 | 74,564 |
| CNIC verification charges | 107,718 | 45,286 |
| Security charges | 192,662 | 173,382 |
| Others | 167,081 | 176,522 |
| | 6,525,069 | 5,507,282 |
| | 20,338,655 | 17,214,617 |



| | | (Un-audited) | |
|--|--------|--------------------------|----------------------|
| | | Nine months period ended | |
| | Note | 30 September 2019 | 30 September 2018 |
| (Rupees in '000) | | | |
| 28. OTHER CHARGES | | | |
| Penalties imposed by the State Bank of Pakistan | | 86,495 | 2,561 |
| 29. PROVISIONS / (REVERSALS) & WRITE OFFS - NET | | | |
| Provision for diminution in value of investments | 9.2 | 1,392,744 | 397,810 |
| Provision / (reversal) against loans and advances - net | 10.3 | 1,417,590 | (197,182) |
| Reversal against off - balance sheet items | 19.1 | (11,699) | (43,850) |
| Provision against other assets | 13.1.1 | 361 | 24,569 |
| | | <u>2,798,996</u> | <u>181,347</u> |
| 30. TAXATION | | | |
| Current | | 6,271,476 | 4,066,904 |
| Prior years | | 571,907 | - |
| Deferred | | (973,609) | (47,619) |
| | | <u>5,869,774</u> | <u>4,019,285</u> |

30.1 The Finance Supplementary (Second Amendment) Act 2019 has reversed the phase-wise reduction in rate of Super Tax for banking companies from 4% to 3% and further levied an additional Super Tax charge at 4% for Tax Year 2018 (Accounting Year 2017), which was previously not chargeable resulting in additional Super Tax charge of Rs. 571.907 million in the current period. The aggregate Super Tax charge for the nine months period ended September 30, 2019 is Rs. 1,215.136 million.

| | | (Un-audited) | |
|---|--|--------------------------|----------------------|
| | | Nine months period ended | |
| | | 30 September 2019 | 30 September 2018 |
| (Rupees in '000) | | | |
| 31. BASIC AND DILUTED EARNINGS PER SHARE | | | |
| Profit for the period | | 7,005,661 | 5,902,648 |
| | | (Number) | |
| Weighted average number of ordinary shares | | 1,111,425,416 | 1,111,425,416 |
| | | (Rupees) | |
| Basic and diluted earnings per share | | 6.30 | 5.31 |



32. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

| | |
|--------------------------------|--|
| Federal Government Securities | PKRV rates (Reuters page) |
| Non Government Debt Securities | Market prices |
| Foreign Securities | Market prices / Mashreqbank PSC |
| Listed securities | Market prices |
| Mutual funds | Net asset values |
| Unlisted equity investments | Break - up value as per latest available audited financial statements. |

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies, as disclosed in the unconsolidated financial statements for the year ended December 31, 2018.

32.1 Fair value of financial assets

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

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

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:



30 September 2019 (Un-audited)

| | Level 1 | Level 2 (Rupees in '000) | Level 3 | Total |
|---|-----------|-----------------------------|---------|-------------|
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments | | | | |
| Federal Government Securities | - | 481,031,139 | - | 481,031,139 |
| Shares | 4,449,229 | - | - | 4,449,229 |
| Non-Government Debt Securities | 3,313,303 | 2,027,076 | - | 5,340,379 |
| Foreign Securities | - | 2,701,580 | - | 2,701,580 |
| Mutual funds | 1,983,340 | - | - | 1,983,340 |
| Financial assets - disclosed but not measured at fair value | | | | |
| Investments | | | | |
| Federal Government Securities | - | 128,562,860 | - | 128,562,860 |
| Non-Government Debt Securities | - | 67,171 | - | 67,171 |
| Foreign Securities | - | 481,128 | - | 481,128 |
| Associates | | | | |
| Listed shares | 525,001 | - | - | 525,001 |
| Mutual funds | 338,376 | - | - | 338,376 |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Forward purchase and sale of foreign exchange contracts | - | 99,146,689 | - | 99,146,689 |

31 December 2018 (Audited)

(Rupees in '000)

| | | | | |
|---|-----------|-------------|---|-------------|
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments | | | | |
| Federal Government Securities | - | 353,327,970 | - | 353,327,970 |
| Shares | 4,340,014 | - | - | 4,340,014 |
| Non-Government Debt Securities | 2,597,060 | 2,112,711 | - | 4,709,771 |
| Foreign Securities | - | 1,503,042 | - | 1,503,042 |
| Mutual funds | 2,014,807 | - | - | 2,014,807 |
| Financial assets - disclosed but not measured at fair value | | | | |
| Investments | | | | |
| Federal Government Securities | - | 47,667,386 | - | 47,667,386 |
| Non-Government Debt Securities | - | 86,213 | - | 86,213 |
| Foreign Securities | - | - | - | - |
| Associates | | | | |
| Listed shares | 348,367 | - | - | 348,367 |
| Mutual funds | 352,118 | - | - | 352,118 |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Forward purchase and sale of foreign exchange contracts | - | 104,139,826 | - | 104,139,826 |

32.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value.



33. SEGMENT INFORMATION

Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

| | Nine months period ended 30 September 2019 (Un-audited) | | |
|---|---|------------------------------------|----------------------|
| | Commercial banking | Retail banking (Rupees in '000) | Total |
| Profit & Loss | | | |
| Net mark-up / return / profit | 67,386,683 | 6,346,104 | 73,732,787 |
| Inter segment revenue - net | – | 22,872,604 | 22,872,604 |
| Non mark-up / return / interest income | 2,465,848 | 3,940,245 | 6,406,093 |
| Total Income | 69,852,531 | 33,158,953 | 103,011,484 |
| Segment direct expenses | (37,398,936) | (27,065,513) | (64,464,449) |
| Inter segment expense allocation | (22,872,604) | – | (22,872,604) |
| Total expenses | (60,271,540) | (27,065,513) | (87,337,053) |
| Provisions | (2,798,996) | – | (2,798,996) |
| Profit before tax | 6,781,995 | 6,093,440 | 12,875,435 |
| As at 30 September 2019 (Un-audited) | | | |
| (Rupees in '000) | | | |
| Balance Sheet | | | |
| Cash & Bank balances | 70,626,169 | 11,808,557 | 82,434,726 |
| Lending to financial institutions | 1,812,907 | – | 1,812,907 |
| Investments | 622,800,697 | – | 622,800,697 |
| Net inter segment lending | – | 521,393,934 | 521,393,934 |
| Advances - performing | 420,823,332 | 70,449,425 | 491,272,757 |
| - non-performing | 1,152,901 | 104,171 | 1,257,072 |
| Others | 79,053,353 | 13,217,565 | 92,270,918 |
| Total Assets | 1,196,269,359 | 616,973,652 | 1,813,243,011 |
| Borrowings | 281,675,066 | – | 281,675,066 |
| Subordinated debt | 14,993,600 | – | 14,993,600 |
| Deposits & other accounts | 304,558,521 | 557,750,739 | 862,309,260 |
| Net inter segment borrowing | 521,393,934 | – | 521,393,934 |
| Others | 27,695,154 | 50,082,212 | 77,777,366 |
| Total liabilities | 1,150,316,275 | 607,832,951 | 1,758,149,226 |
| Equity | 45,953,084 | 9,140,701 | 55,093,785 |
| Total Equity & liabilities | 1,196,269,359 | 616,973,652 | 1,813,243,011 |
| Contingencies & Commitments | 195,174,770 | 58,830 | 195,233,600 |



Nine months period ended 30 September 2018 (Un-audited)

| | Commercial banking | Retail banking | Total |
|--|-----------------------|---------------------|---------------------|
| | (Rupees in '000) | | |
| Profit & Loss | | | |
| Net mark-up / return / profit | 38,774,191 | 4,049,925 | 42,824,116 |
| Inter segment revenue - net | – | 17,720,621 | 17,720,621 |
| Non mark-up / return / interest income | 2,989,726 | 2,039,231 | 5,028,957 |
| Total Income | 41,763,917 | 23,809,777 | 65,573,694 |
| Segment direct expenses | (17,962,638) | (19,787,155) | (37,749,793) |
| Inter segment expense allocation | (17,720,621) | – | (17,720,621) |
| Total expenses | (35,683,259) | (19,787,155) | (55,470,414) |
| Provisions | (198,907) | 17,560 | (181,347) |
| Profit before tax | 5,881,751 | 4,040,182 | 9,921,933 |

As at 30 September 2018 (Un-audited)

| | (Rupees in '000) | | |
|--|--------------------|--------------------|----------------------|
| Balance Sheet | | | |
| Cash & Bank balances | 63,239,650 | 10,638,231 | 73,877,881 |
| Lending to financial institutions | 6,473,738 | – | 6,473,738 |
| Investments | 358,807,370 | – | 358,807,370 |
| Net inter segment lending | – | 742,472,918 | 742,472,918 |
| Advances - performing | 384,259,385 | 64,755,795 | 449,015,180 |
| - non-performing | 883,203 | 33,237 | 916,440 |
| Others | 61,956,142 | 10,422,318 | 72,378,460 |
| Total Assets | 875,619,488 | 828,322,499 | 1,703,941,987 |
| Borrowings | 64,847,017 | – | 64,847,017 |
| Subordinated debt | 10,996,000 | – | 10,996,000 |
| Deposits & other accounts | 14,160,809 | 754,644,398 | 768,805,207 |
| Net inter segment borrowing | 742,472,918 | – | 742,472,918 |
| Others | 2,766,400 | 66,381,603 | 69,148,003 |
| Total liabilities | 835,243,144 | 821,026,001 | 1,656,269,145 |
| Equity | 40,376,344 | 7,296,498 | 47,672,842 |
| Total Equity & liabilities | 875,619,488 | 828,322,499 | 1,703,941,987 |
| Contingencies & Commitments | 188,375,485 | 21,825 | 188,397,310 |

34. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), employee benefit plans, major shareholders, directors and key management personnel and their close family members.

Transactions with related parties of the Bank are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.

Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:



| | 30 September 2019 (Un-audited) | | | | | 31 December 2018 (Audited) | | | | |
|--|--------------------------------|--------------------------|--------------|--------------|-----------------------|----------------------------|--------------------------|--------------|---------------|-----------------------|
| | Directors | Key management personnel | Subsidiaries | Associates | Other related parties | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| | (Rupees in '000) | | | | | | | | | |
| Investments | | | | | | | | | | |
| Opening balance | - | - | 200,000 | 628,346 | - | - | - | 200,127 | 688,576 | - |
| Investment made during the period / year | - | - | - | - | - | - | - | - | 21,000 | - |
| Investment adjusted / redeemed / disposed off during the period / year | - | - | - | - | - | - | - | (127) | (81,230) | - |
| Closing balance | - | - | 200,000 | 628,346 | - | - | - | 200,000 | 628,346 | - |
| Advances | | | | | | | | | | |
| Opening balance | 1,313 | 53,257 | - | 1,359,059 | - | 977 | 51,929 | - | 1,775,142 | - |
| Addition during the period / year | 39,390 | 284,408 | 5,213,420 | 26,584,955 | - | 34,176 | 51,761 | 6,894,120 | 32,726,863 | - |
| Repaid during the period / year | (39,108) | (254,582) | (5,205,838) | (25,401,599) | - | (33,840) | (50,433) | (6,894,120) | (33,142,946) | - |
| Closing balance | 1,595 | 83,083 | 7,582 | 2,542,415 | - | 1,313 | 53,257 | - | 1,359,059 | - |
| Operating Fixed Assets | | | | | | | | | | |
| Right of Use | - | - | - | 7,862 | - | - | - | - | - | - |
| Other Assets | | | | | | | | | | |
| Interest / mark-up accrued | - | 47 | - | 24,120 | - | - | 32 | - | 4,216 | - |
| L/C acceptances | - | - | - | 536,051 | - | - | - | - | 532,718 | - |
| Unrealised gain on forward exchange contracts | - | - | - | 679 | - | - | - | - | - | - |
| Subordinated debt | | | | | | | | | | |
| Opening balance | - | - | - | - | - | - | - | - | - | - |
| Issued / purchased during the period / year | - | - | - | 40,000 | - | - | - | - | - | - |
| Redemption / sold during the period / year | - | - | - | - | - | - | - | - | - | - |
| Closing balance | - | - | - | 40,000 | - | - | - | - | - | - |
| Deposits and other accounts | | | | | | | | | | |
| Opening balance | 587,452 | 816,406 | 47,744 | 4,876,833 | 536,801 | 821,526 | 590,986 | 41,933 | 4,021,911 | 1,412,440 |
| Received during the period / year | 6,939,748 | 2,194,437 | 5,342,690 | 96,497,125 | 23,148,651 | 3,185,597 | 2,384,155 | 6,276,995 | 101,140,451 | 33,145,306 |
| Withdrawn during the period / year | (6,558,196) | (2,504,240) | (5,325,219) | (96,975,436) | (23,188,039) | (3,419,671) | (2,148,735) | (6,271,184) | (100,285,529) | (34,020,945) |
| Closing balance | 969,004 | 506,603 | 65,215 | 4,398,522 | 497,413 | 587,452 | 816,406 | 47,744 | 4,876,833 | 536,801 |
| Other Liabilities | | | | | | | | | | |
| Interest / mark-up payable | 5,406 | 2,253 | 4 | 13,540 | 3,040 | 652 | 2,240 | 9 | 20,861 | 6,897 |
| Payable to staff retirement fund | - | - | - | - | 1,009,992 | - | - | - | - | 703,992 |
| L/C acceptances | - | - | - | 536,051 | - | - | - | - | 532,718 | - |
| Other liabilities | - | 378 | 432 | - | - | - | - | 630 | - | - |
| Contingencies and Commitments | | | | | | | | | | |
| | - | - | - | 1,216,209 | - | - | - | - | 729,458 | - |
| Other Transactions - Investor Portfolio Securities | | | | | | | | | | |
| Opening balance | - | - | 85,000 | 201,000 | 8,132,000 | - | - | 80,000 | 21,000 | 3,827,000 |
| Increased during the period / year | 30,000 | - | 85,000 | 1,487,440 | 6,987,000 | - | - | 370,000 | 416,000 | 15,445,000 |
| Decreased during the period / year | (30,000) | - | (85,000) | (946,100) | (9,687,000) | - | - | (368,000) | (236,000) | (11,140,000) |
| Closing balance | - | - | 85,000 | 742,340 | 5,432,000 | - | - | 85,000 | 201,000 | 8,132,000 |



34.1 RELATED PARTY TRANSACTIONS

| | 30 September 2019 (Un-audited) | | | | | 30 September 2018 (Un-audited) | | | | |
|---|--------------------------------|--------------------------|--------------|------------|-----------------------|--------------------------------|--------------------------|--------------|------------|-----------------------|
| | Directors | Key management personnel | Subsidiaries | Associates | Other related parties | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| | (Rupees in '000) | | | | | | | | | |
| Income | | | | | | | | | | |
| Mark-up / return / interest earned | - | 3,875 | 297 | 191,850 | - | 3 | 2,156 | 61 | 60,429 | - |
| Fee and commission income | 18 | 85 | 16 | 12,228 | - | 15 | 31 | 3 | 5,088 | - |
| Dividend income | - | - | - | 49,072 | - | - | - | - | 35,101 | - |
| Net gain / (loss) on sale / redemption of securities / mutual funds | - | - | - | - | - | - | - | - | - | (16) |
| Other income | 1 | - | 2,165 | 222 | 140 | - | - | 2,167 | 135 | 119 |
| Expense | | | | | | | | | | |
| Mark-up / return / interest expensed | 56,897 | 30,474 | 4,275 | 258,836 | 61,145 | 24,858 | 22,064 | 616 | 119,485 | 39,598 |
| Operating expenses | - | - | 1,982 | 4,011 | - | - | - | 1,872 | 545 | - |
| Salaries and allowances | - | 376,808 | - | - | - | - | 298,790 | - | - | - |
| Bonus | - | 50,431 | - | - | - | - | 36,174 | - | - | - |
| Contribution to defined contribution plan | - | 18,792 | - | - | - | - | 13,475 | - | - | - |
| Contribution to defined benefit plan | - | 49,861 | - | - | - | - | 35,534 | - | - | - |
| Staff provident fund | - | - | - | - | 394,891 | - | - | - | - | 332,152 |
| Staff gratuity fund | - | - | - | - | 306,000 | - | - | - | - | 234,000 |
| Directors' fees | 33,850 | - | - | - | - | 29,075 | - | - | - | - |
| Expense on closure of subsidiary | - | - | - | - | - | - | - | 20,743 | - | - |
| Donation | - | - | - | 4,500 | - | - | - | - | 2,250 | - |
| Insurance premium paid | - | - | - | 126,687 | - | - | - | - | 128,448 | - |
| Insurance claims settled | - | - | - | 22,177 | - | - | - | - | 17,560 | - |



35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|---|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| Minimum Capital Requirement (MCR): | | |
| Paid-up capital | 11,114,254 | 11,114,254 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 48,669,331 | 43,278,088 |
| Eligible Additional Tier 1 (ADT 1) Capital | 6,750,000 | 6,750,000 |
| Total Eligible Tier 1 Capital | 55,419,331 | 50,028,088 |
| Eligible Tier 2 Capital | 16,413,050 | 14,242,570 |
| Total Eligible Capital (Tier 1 + Tier 2) | 71,832,381 | 64,270,658 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 416,342,142 | 408,701,591 |
| Market Risk | 10,533,903 | 8,590,756 |
| Operational Risk | 61,440,341 | 61,440,341 |
| Total | 488,316,386 | 478,732,688 |
| Common Equity Tier 1 Capital Adequacy ratio | 9.967% | 9.040% |
| Tier 1 Capital Adequacy Ratio | 11.349% | 10.450% |
| Total Capital Adequacy Ratio | 14.710% | 13.425% |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 55,419,331 | 50,028,088 |
| Total Exposures | 1,421,847,054 | 1,230,510,528 |
| Leverage Ratio | 3.898% | 4.066% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 326,047,635 | 360,946,772 |
| Total Net Cash Outflow | 128,643,049 | 111,556,296 |
| Liquidity Coverage Ratio | 253.451% | 323.556% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 777,735,701 | 707,901,854 |
| Total Required Stable Funding | 584,178,280 | 482,005,370 |
| Net Stable Funding Ratio | 133.133% | 146.866% |



36. ISLAMIC BANKING BUSINESS

The Bank is operating 78 (31 December 2018: 71) Islamic banking branches and 141 (31 December 2018: 132) Islamic banking windows at the end of the period / year.

| | Note | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|------|--------------------------------------|----------------------------------|
| (Rupees in '000) | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 3,729,911 | 3,814,608 |
| Balances with other banks | | 2,695,284 | 5,164,063 |
| Due from financial institutions | 36.1 | 1,812,907 | – |
| Investments | 36.2 | 19,801,045 | 15,158,233 |
| Islamic financing and related assets - net | 36.3 | 47,623,349 | 49,690,533 |
| Fixed assets | | 342,194 | 326,841 |
| Intangible assets | | – | – |
| Due from Head Office | | – | – |
| Other assets | | 1,447,139 | 4,124,660 |
| Total Assets | | 77,451,829 | 78,278,938 |
| LIABILITIES | | | |
| Bills payable | | 59,373 | 21,052 |
| Due to financial institutions | | 8,202,514 | 6,438,783 |
| Deposits and other accounts | 36.4 | 55,029,132 | 57,230,315 |
| Due to Head Office | | 3,371,699 | 2,199,047 |
| Subordinated debt | | – | – |
| Other liabilities | | 2,372,637 | 5,289,933 |
| | | (69,035,355) | (71,179,130) |
| NET ASSETS | | 8,416,474 | 7,099,808 |
| REPRESENTED BY | | | |
| Islamic Banking Fund | | 6,800,000 | 6,200,000 |
| Reserves | | – | – |
| Deficit on revaluation of assets | | (152,654) | (28,940) |
| Unremitted profit | 36.8 | 1,769,128 | 928,748 |
| | | 8,416,474 | 7,099,808 |
| CONTINGENCIES AND COMMITMENTS | 36.5 | | |



The profit and loss account of the Bank's Islamic banking branches for the nine months period ended 30 September 2019 is as follows:

| | Note | (Un-audited) Nine months period ended | |
|----------------------------------|------|--|----------------------------------|
| | | 30 September 2019 | 30 September 2018 |
| (Rupees in '000) | | | |
| Profit / return earned | 36.6 | 5,779,346 | 2,557,108 |
| Profit / return expensed | 36.7 | (2,953,534) | (1,151,360) |
| Net Profit / return | | 2,825,812 | 1,405,748 |
| Other income | | | |
| Fee and commission income | | 166,862 | 128,846 |
| Dividend income | | 3,356 | 4,366 |
| Foreign exchange income | | 49,515 | 38,229 |
| Income / (loss) from derivatives | | - | - |
| Gain / (loss) on securities | | - | - |
| Other income | | 70,918 | 28,183 |
| Total other income | | 290,651 | 199,624 |
| Total income | | 3,116,463 | 1,605,372 |
| Other expenses | | | |
| Operating expenses | | (1,296,125) | (985,850) |
| Other charges | | - | - |
| Total other expenses | | (1,296,125) | (985,850) |
| Profit before provisions | | 1,820,338 | 619,522 |
| Provisions and write offs - net | | (51,210) | (27,494) |
| Profit for the period | | 1,769,128 | 592,028 |
| | | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
| (Rupees in '000) | | | |

36.1 Due from Financial Institutions

In local currency

Bai Muajjal Receivable from State Bank of Pakistan

1,812,907

-

36.1.1 Securities held as collateral against amounts due from financial institutions

30 September 2019 (Un-audited)

31 December 2018 (Audited)

| | 30 September 2019 (Un-audited) | | | 31 December 2018 (Audited) | | |
|-------------------|--------------------------------|--------------------------------|-----------|----------------------------|--------------------------------|-------|
| | Held by Bank | Further given as collateral | Total | Held by Bank | Further given as collateral | Total |
| (Rupees in '000) | | | | | | |
| GoP Ijarah Sukuks | 1,812,907 | - | 1,812,907 | - | - | - |

36.1.2 The GoP Ijarah Sukuks carry rates ranging from 10.39% to 10.49% (31 December 2018: Nil).



| | 30 September 2019 (Un-audited) | | | | 31 December 2018 (Audited) | | | |
|---|--------------------------------|--------------------------------|------------------------|-------------------|-----------------------------|--------------------------------|------------------------|-------------------|
| | Cost / amortised cost | Provision for diminution | (Deficit) / surplus | Carrying value | Cost / amortised cost | Provision for diminution | (Deficit) / surplus | Carrying value |
| | (Rupees in '000) | | | | | | | |
| 36.2 Investments by segments: | | | | | | | | |
| Federal Government Securities | | | | | | | | |
| - Ijarah Sukuks | 2,000,000 | - | (58,400) | 1,941,600 | 4,152,910 | - | (39,979) | 4,112,931 |
| - Neelum Jhelum Hydropower Co Ltd. Sukuk | 4,812,500 | - | - | 4,812,500 | 5,156,250 | - | - | 5,156,250 |
| - Bai Muajjal with Government of Pakistan | 9,832,865 | - | - | 9,832,865 | 2,386,820 | - | - | 2,386,820 |
| | <u>16,645,365</u> | <u>-</u> | <u>(58,400)</u> | <u>16,586,965</u> | <u>11,695,980</u> | <u>-</u> | <u>(39,979)</u> | <u>11,656,001</u> |
| Shares | | | | | | | | |
| - Listed Companies | 97,442 | (56,869) | - | 40,573 | 97,442 | (41,345) | 3,596 | 59,693 |
| Non Government Debt Securities | | | | | | | | |
| - Listed | 1,499,636 | - | (94,254) | 1,405,382 | 1,635,901 | - | 7,444 | 1,643,345 |
| - Unlisted | 1,715,526 | - | - | 1,715,526 | 1,734,101 | - | - | 1,734,101 |
| | <u>3,215,162</u> | <u>-</u> | <u>(94,254)</u> | <u>3,120,908</u> | <u>3,370,002</u> | <u>-</u> | <u>7,444</u> | <u>3,377,446</u> |
| Units of mutual funds | 100,000 | (47,401) | - | 52,599 | 100,000 | (34,907) | - | 65,093 |
| Total Investments | <u>20,057,969</u> | <u>(104,270)</u> | <u>(152,654)</u> | <u>19,801,045</u> | <u>15,263,424</u> | <u>(76,252)</u> | <u>(28,939)</u> | <u>15,158,233</u> |

| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 36.3 Islamic financing and related assets | | |
| Ijarah | 2,541,970 | 2,854,541 |
| Murabaha | 8,589,320 | 10,034,698 |
| Diminishing Musharaka | 13,951,320 | 15,868,804 |
| Islamic Long Term Financing Facility (ILTFF) | 101,498 | - |
| Istisna | 2,356,320 | 1,471,282 |
| Islamic Export Refinance - Istisna | - | 1,523,700 |
| Musawamah | 2,905,027 | 3,166,895 |
| Running Musharaka | 3,473,327 | 4,271,620 |
| Islamic Export Refinance - Running Musharaka | 1,518,000 | 1,000,000 |
| Staff Financing | 388,166 | 210,540 |
| Advance against Musawamah | 1,222,341 | 1,079,782 |
| Advance against Istisna | 2,818,816 | 4,127,286 |
| Advance against Istisna - IERF | 4,875,000 | 2,600,100 |
| Advance against Ijarah | 45,122 | 305,071 |
| Advance against Diminishing Musharaka | 1,183,510 | 884,300 |
| Advance against ILTFF | 1,348,616 | 318,366 |
| Financing against Bills Musawamah | 354,640 | - |
| Gross Islamic financing and related assets | <u>47,672,993</u> | <u>49,716,985</u> |
| Less: provision against Islamic financings | | |
| - Specific | 27,185 | 4,187 |
| - General | 22,459 | 22,265 |
| | <u>(49,644)</u> | <u>(26,452)</u> |
| Islamic financing and related assets - net of provision | <u>47,623,349</u> | <u>49,690,533</u> |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 36.4 Deposits and other accounts | | |
| Customers | | |
| Current deposits | 20,870,992 | 20,283,223 |
| Savings deposits | 18,851,571 | 17,878,029 |
| Term deposits | 12,949,672 | 7,299,391 |
| | <u>52,672,235</u> | <u>45,460,643</u> |
| Financial institutions | | |
| Current deposits | 14,814 | 25,342 |
| Savings deposits | 2,342,083 | 11,744,330 |
| | <u>2,356,897</u> | <u>11,769,672</u> |
| | <u>55,029,132</u> | <u>57,230,315</u> |
| 36.5 CONTINGENCIES AND COMMITMENTS | | |
| Guarantees | 3,259,938 | 2,573,724 |
| Commitments | 5,316,325 | 5,766,253 |
| | <u>8,576,263</u> | <u>8,339,977</u> |
| | | |
| | (Un-audited) | |
| | Nine months period ended | |
| | 30 September 2019 | 30 September 2018 |
| | (Rupees in '000) | |
| 36.6 Profit / Return Earned of Financing, Investments and Placement | | |
| Profit earned on: | | |
| Financing | 3,736,806 | 1,911,951 |
| Investments | 1,623,700 | 608,765 |
| Placements | 418,840 | 36,392 |
| | <u>5,779,346</u> | <u>2,557,108</u> |
| 36.7 Profit on Deposits and Other Dues Expensed | | |
| Deposits and other accounts | 2,792,156 | 1,017,664 |
| Due to Financial Institutions | 107,691 | 68,886 |
| Due to Head Office | 53,687 | 64,810 |
| | <u>2,953,534</u> | <u>1,151,360</u> |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 36.8 Islamic Banking Business Unappropriated Profit | | |
| Opening Balance | 928,748 | 422,821 |
| Add: Islamic Banking profit for the period / year | 1,769,128 | 928,748 |
| Less: Remitted to Head Office | (928,748) | (422,821) |
| Closing Balance | <u>1,769,128</u> | <u>928,748</u> |

36.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

36.9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk & reward characteristics:

General Pool PKR (Mudaraba)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the general pool.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Separate Pool for Ministry of Religious Affairs (MORA) for Hajj Purpose

Separate Pool for Ministry of Religious Affairs is created in order to share return with the ministry on Deposit of Hajj dues as per the contract with Government.

Musharakah Pool for Islamic Financial Institutions

Separate Musharakah pools are created in order to meet short term liquidity requirements. The said pool comprises of Islamic Financial Institutions only.



Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.

36.9.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical & Pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes & leather garments
- Investment in Sukuk, shares and mutual funds
- Production and transmission of energy
- Food and Allied except Sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (Domestic Whole Sale, Engineering Goods, Plastic Product, etc.)

36.9.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, shares, mutual funds and Sukuks etc.

The Bank calculates the profit of the pool after every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, Depreciation on Ijarah Assets, amortization of premium on sukuks and loss of investments directly incurred in deriving that income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the period was 50% (31 December 2018: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2018: 50%) of net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.



In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.

36.9.4 Mudarib share & HIBA distributed to depositor's pool and specific pool

| | 30 September 2019 (Un-audited) | | | | |
|----------|--|---------------|-------------------------------|---------------------------------|----------------------|
| | Distributable Income (Rupees in '000) | Mudarib Share | Mudarib Share (Percentage) | HIBA Amount (Rupees in '000) | HIBA (Percentage) |
| LCY Pool | 3,825,265 | 1,436,000 | 37.54% | 409,258 | 28.50% |
| FCY Pool | 18,040 | 17,145 | 95.04% | 1,731 | 10.10% |
| | 30 September 2018 (Un-audited) | | | | |
| LCY Pool | 1,658,079 | 723,525 | 43.64% | 137,329 | 18.98% |
| FCY Pool | 10,094 | 9,588 | 94.99% | 506 | 5.28% |

36.9.5 Profit rate earned vs. profit rate distributed to the depositors during the period

| | (Un-audited) Nine months period ended | |
|-------------------------|--|----------------------|
| | 30 September 2019 | 30 September 2018 |
| | (Percentage) | |
| Profit rate earned | 10.43% | 6.41% |
| Profit rate distributed | 6.52% | 3.45% |

37. GENERAL

37.1 Captions in respect of which there are no amounts, have not been reproduced in these unconsolidated condensed interim financial statements, except for captions of the statement of financial position and profit and loss account.

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

37.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by SBP vide BPRD Circular Letter No. 05 of 2019.

38. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 24 October 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Company



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

| | Note | (Un-audited) 30 September 2019 (Rupees in '000) | (Audited) 31 December 2018 |
|---|------|--|----------------------------------|
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 77,130,970 | 74,432,185 |
| Balances with other banks | 7 | 5,304,335 | 8,010,940 |
| Lendings to financial institutions | 8 | 1,812,907 | – |
| Investments | 9 | 623,152,402 | 414,981,145 |
| Advances | 10 | 492,524,276 | 478,214,653 |
| Fixed assets | 11 | 35,778,831 | 26,192,997 |
| Intangible assets | 12 | 387,152 | 170,863 |
| Deferred tax assets | | – | – |
| Other assets | 13 | 56,203,461 | 46,723,577 |
| | | 1,292,294,334 | 1,048,726,360 |
| LIABILITIES | | | |
| Bills payable | 14 | 14,619,405 | 20,603,682 |
| Borrowings | 15 | 281,675,066 | 119,038,358 |
| Deposits and other accounts | 16 | 862,248,068 | 796,851,867 |
| Liabilities against assets subject to finance lease | | – | – |
| Subordinated debt | 17 | 14,993,600 | 14,996,000 |
| Deferred tax liabilities | 18 | 729,920 | 1,344,621 |
| Other liabilities | 19 | 62,522,792 | 45,896,782 |
| | | 1,236,788,851 | 998,731,310 |
| NET ASSETS | | 55,505,483 | 49,995,050 |
| REPRESENTED BY: | | | |
| Share capital | | 11,114,254 | 11,114,254 |
| Reserves | | 16,107,378 | 14,757,530 |
| Surplus on revaluation of assets | 20 | 3,973,072 | 3,375,368 |
| Unappropriated profit | | 24,219,682 | 20,641,220 |
| Equity attributable to the shareholders of the Holding Company | | 55,414,386 | 49,888,372 |
| Non-controlling interest | 21 | 91,097 | 106,678 |
| Total equity | | 55,505,483 | 49,995,050 |
| CONTINGENCIES AND COMMITMENTS | 22 | | |

The annexed notes 1 to 39 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Note | Nine months period ended | | Three months period ended | |
|---|------|--------------------------|-------------------|---------------------------|-------------------|
| | | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| | | (Rupees in '000) | | | |
| Mark-up / return / interest earned | 23 | 73,744,299 | 42,831,311 | 28,689,248 | 15,450,962 |
| Mark-up / return / interest expensed | 24 | (43,716,560) | (20,326,568) | (18,193,320) | (7,865,848) |
| Net mark-up / interest income | | 30,027,739 | 22,504,743 | 10,495,928 | 7,585,114 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee and commission income | 25 | 4,228,469 | 3,367,029 | 1,348,712 | 1,133,649 |
| Dividend income | | 301,801 | 302,353 | 162,463 | 140,740 |
| Foreign exchange income | | 1,472,717 | 1,034,004 | 394,042 | 388,818 |
| Income / (loss) from derivatives | | - | - | - | - |
| (Loss) / gain on securities - net | 26 | (65,030) | 23,454 | 756 | (3,725) |
| Share of profit from associates | | 65,213 | 55,069 | 27,880 | 22,049 |
| Other income | 27 | 442,315 | 299,156 | 152,383 | 85,186 |
| Total non mark-up / interest income | | 6,445,485 | 5,081,065 | 2,086,236 | 1,766,717 |
| Total income | | 36,473,224 | 27,585,808 | 12,582,164 | 9,351,831 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Operating expenses | 28 | (20,386,683) | (17,258,571) | (7,431,115) | (6,163,182) |
| Workers welfare fund | | (321,054) | (205,432) | (103,941) | (57,624) |
| Other charges | 29 | (86,495) | (2,561) | (52,014) | (10) |
| Total non mark-up / interest expenses | | (20,794,232) | (17,466,564) | (7,587,070) | (6,220,816) |
| PROFIT BEFORE PROVISIONS | | 15,678,992 | 10,119,244 | 4,995,094 | 3,131,015 |
| Provision and write offs - net | 30 | (2,811,919) | (156,447) | (657,709) | (270,501) |
| Extra ordinary / unusual items | | - | - | - | - |
| PROFIT BEFORE TAXATION | | 12,867,073 | 9,962,797 | 4,337,385 | 2,860,514 |
| Taxation | 31 | (5,873,455) | (4,024,416) | (1,786,375) | (1,135,709) |
| PROFIT AFTER TAXATION | | 6,993,618 | 5,938,381 | 2,551,010 | 1,724,805 |
| Attributable to: | | | | | |
| Shareholders of the Holding company | | 7,003,015 | 5,940,806 | 2,557,141 | 1,725,904 |
| Non-controlling interest | | (9,397) | (2,425) | (6,131) | (1,099) |
| | | 6,993,618 | 5,938,381 | 2,551,010 | 1,724,805 |
| (Rupees) | | | | | |
| Basic and diluted earnings per share attributable to the equity holders of the Holding company | 32 | 6.30 | 5.35 | 2.30 | 1.55 |

The annexed notes 1 to 39 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Nine months period ended | | Three months period ended | |
|---|--------------------------|----------------------|---------------------------|----------------------|
| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| | (Rupees in '000) | | | |
| Profit after taxation for the period | 6,993,618 | 5,938,381 | 2,551,010 | 1,724,805 |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified to profit and loss account in subsequent periods:</i> | | | | |
| Effect of translation of net investment in foreign operations | 649,282 | 480,602 | (168,792) | 97,050 |
| Movement in deficit on revaluation of investments - net of tax | 646,097 | (1,100,351) | 997,049 | (448,878) |
| | 1,295,379 | (619,749) | 828,257 | (351,828) |
| <i>Items that will not be reclassified to profit and loss account in subsequent periods</i> | - | - | - | - |
| Total comprehensive income | 8,288,997 | 5,318,632 | 3,379,267 | 1,372,977 |
| Attributable to: | | | | |
| Shareholders of the Holding company | 8,304,578 | 5,325,048 | 3,388,068 | 1,376,077 |
| Non-controlling interest | (15,581) | (6,416) | (8,801) | (3,100) |
| | 8,288,997 | 5,318,632 | 3,379,267 | 1,372,977 |

The annexed notes 1 to 39 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Attributable to the shareholders of the Holding Company | | | | | | | | | | Total |
|--|---|-------------------|--------------------------------------|------------------|-----------------|---------------------------------------|----------------------------|-----------------------|-------------|--------------------------|-------------|
| | Share Capital | Statutory Reserve | Foreign Currency Translation Reserve | Revenue Reserves | | Surplus / (deficit) on revaluation of | | Unappropriated Profit | Sub-total | Non-controlling interest | |
| | | | | Special Reserve | General Reserve | Investments | Fixed / Non Banking Assets | | | | |
| | (Rupees in '000) | | | | | | | | | | |
| Balance as at 01 January 2018 | 11,114,254 | 11,901,027 | 412,410 | 126,500 | 540,000 | 940,933 | 4,620,480 | 16,368,696 | 46,024,300 | 120,479 | 46,144,779 |
| Comprehensive income for the nine months period ended 30 September 2018: | | | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | - | - | 5,940,806 | 5,940,806 | (2,425) | 5,938,381 |
| Other comprehensive income - net of tax | - | - | 480,602 | - | - | (1,096,360) | - | - | (615,758) | (3,991) | (619,749) |
| Transfer to statutory reserve | - | 590,265 | - | - | - | - | - | (590,265) | - | - | - |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax | - | - | - | - | - | - | (54,577) | 54,577 | - | - | - |
| Transaction with owners, recorded directly in equity | | | | | | | | | | | |
| Cash dividend (Rs. 3.0 per share) | - | - | - | - | - | - | - | (3,334,276) | (3,334,276) | - | (3,334,276) |
| Balance as at 30 September 2018 | 11,114,254 | 12,491,292 | 893,012 | 126,500 | 540,000 | (155,427) | 4,565,903 | 18,439,538 | 48,015,072 | 114,063 | 48,129,135 |
| Comprehensive income for the quarter ended 31 December 2018: | | | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | - | - | 2,517,035 | 2,517,035 | (2,761) | 2,514,274 |
| Other comprehensive income - net of tax | - | - | 455,225 | - | - | (1,016,916) | - | (82,044) | (643,735) | (4,624) | (648,359) |
| Transfer to statutory reserve | - | 251,501 | - | - | - | - | - | (251,501) | - | - | - |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax | - | - | - | - | - | - | (18,192) | 18,192 | - | - | - |
| Balance as at 31 December 2018 - audited | 11,114,254 | 12,742,793 | 1,348,237 | 126,500 | 540,000 | (1,172,343) | 4,547,711 | 20,641,220 | 49,888,372 | 106,678 | 49,995,050 |
| Comprehensive income for the nine months period ended 30 September 2019: | | | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | - | - | 7,003,015 | 7,003,015 | (9,397) | 6,993,618 |
| Other comprehensive income - net of tax | - | - | 649,282 | - | - | 652,281 | - | - | 1,301,563 | (6,184) | 1,295,379 |
| Transfer to statutory reserve | - | 700,566 | - | - | - | - | - | (700,566) | - | - | - |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax | - | - | - | - | - | - | (54,577) | 54,577 | - | - | - |
| Transaction with owners, recorded directly in equity | | | | | | | | | | | |
| Cash dividend (Rs. 2.5 per share) | - | - | - | - | - | - | - | (2,778,564) | (2,778,564) | - | (2,778,564) |
| Balance as at 30 September 2019 - un-audited | 11,114,254 | 13,443,359 | 1,997,519 | 126,500 | 540,000 | (520,062) | 4,493,134 | 24,219,682 | 55,414,386 | 91,097 | 55,505,483 |

The annexed notes 1 to 39 form an integral part of these consolidated condensed interim financial statements.

| | | | | | | |
|--------------------------------------|--|--|-------------------------------------|--|--|-----------------------------------|
| | MANSOOR ALI KHAN <i>Chief Executive</i> | | ANWAR HAJI KARIM <i>Director</i> | ASHAR HUSAIN <i>Chief Financial Officer</i> | | ABBAS D. HABIB <i>Chairman</i> |
| SYED MAZHAR ABBAS <i>Director</i> | | | | | | |



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

| | Note | 30 September 2019 (Rupees in '000) | 30 September 2018 |
|---|------|--|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 12,867,073 | 9,962,797 |
| Less: Dividend income | | (301,801) | (302,353) |
| | | 12,565,272 | 9,660,444 |
| Adjustments: | | | |
| Depreciation | | 1,837,911 | 1,588,811 |
| Depreciation on right-of-use assets | | 1,011,323 | — |
| Amortisation | | 147,877 | 100,462 |
| Provisions and write-offs | | 2,811,919 | 156,447 |
| Gain on sale of fixed assets | 30 | (232,245) | (83,516) |
| Charge for defined benefit plan | | 306,000 | 234,000 |
| Loss / (gain) on securities - net | | 65,030 | (23,454) |
| Share of profit from associates | | (65,213) | (55,069) |
| Charge for compensated absences | | 73,201 | 65,839 |
| Mark-up expense on lease liability against right-of-use assets | | 536,283 | — |
| | | 6,492,086 | 1,983,520 |
| | | 19,057,358 | 11,643,964 |
| (Increase) / decrease in operating assets | | | |
| Lendings to financial institutions | | (1,812,907) | (6,473,738) |
| Held-for-trading securities | | 197,562 | 289,594 |
| Advances | | (15,727,213) | (110,053,605) |
| Other assets (excluding advance taxation) | | (9,970,377) | (4,897,783) |
| | | (27,312,935) | (121,135,532) |
| (Decrease) / increase in operating liabilities | | | |
| Bills payable | | (5,984,277) | 372,727 |
| Borrowings from financial institutions | | 160,795,619 | (69,630,927) |
| Deposits | | 65,396,201 | 76,222,247 |
| Other liabilities | | 8,541,860 | 7,899,210 |
| | | 228,749,403 | 14,863,257 |
| | | 220,493,826 | (94,628,311) |
| Income tax paid | | (6,314,494) | (5,103,768) |
| | | 214,179,332 | (99,732,079) |
| Net cash generated from / (used in) operating activities | | | |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in available for sale securities | | (128,837,383) | 80,851,238 |
| Net investments in held to maturity securities | | (79,982,092) | 34,050,970 |
| Net investments in associates | | 49,073 | 14,102 |
| Dividends received | | 249,710 | 261,830 |
| Investments in operating fixed assets | | (4,082,503) | (4,699,484) |
| Proceeds from sale of fixed assets | | 285,822 | 101,679 |
| Exchange differences on translation of net investment in foreign operations | | 649,282 | 480,602 |
| | | (211,668,091) | 111,060,937 |
| Net cash (used in) / generated from investing activities | | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Payments of subordinated debt | | (2,400) | (1,600) |
| Dividend paid | | (2,761,778) | (3,242,216) |
| Reduction in lease liabilities | | (1,595,972) | — |
| | | (4,360,150) | (3,243,816) |
| Net cash used in financing activities | | | |
| (Decrease) / increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the period | | 82,096,704 | 64,645,552 |
| | | 80,247,795 | 72,730,594 |

The annexed notes 1 to 39 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019**

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding company

- Bank AL Habib Limited

Subsidiary

- AL Habib Capital Markets (Private) Limited

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 710 branches (31 December 2018: 684 branches), 37 sub-branches (31 December 2018: 37 sub-branches), 04 representative offices (31 December 2018: 04 representative offices) and 01 booth (31 December 2018: NIL). The branch network of the Bank includes 03 overseas branches (31 December 2018: 03 overseas branches) and 78 Islamic Banking branches (31 December 2018: 71 Islamic Banking branches).

1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under repealed Companies Ordinance, 1984. The company is a corporate member of the Pakistan Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.

2. BASIS OF PRESENTATION

2.1 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05, dated 22 March 2019 and International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all the information required in the annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade - related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark - up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.



2.3 The financial results of the Islamic Banking branches have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 37 to these consolidated condensed interim financial statements.

2.4 Statement of Compliance

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

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

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

SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I) / 2008 dated 28 April 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 02 of 2018 and BPRD Circular Letter 05 of 2019, as amended from time to time.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2018 except as disclosed below.



3.1 During the period, SBP, vide its BPRD Circular Letter No. 05 dated March 22, 2019, issued the revised format for the preparation of the interim financial statements of the banks. New format is applicable for quarterly / half yearly periods beginning on or after January 01, 2019. The implementation of the revised format has resulted in certain changes to the presentation and disclosures of various elements of the interim financial statements.

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

The following new and amended standards, interpretations and amendments became effective during the period and do not have impact on Group's consolidated condensed interim financial statements except for IFRS 16 'Leases'.

| Standard, Interpretation or Amendment | Effective date (annual periods beginning on or after) |
|---|--|
| IFRIC 23 - Uncertainty over Income Tax Treatments | January 01, 2019 |
| IFRS 15 - Revenue from contracts with customers | July 01, 2018 |
| IFRS 16 - Leases | January 01, 2019 |
| Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures | January 01, 2019 |
| Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement | January 01, 2019 |
| - Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards: | |
| - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement | |
| - IAS 12 Income Taxes | |
| - IAS 23 Borrowing Costs | |

3.2.1 IFRS 16 Leases supersedes 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 a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.



Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Bank has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Bank.

Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

| | As at September 30, 2019 | As at January 01, 2019 |
|--|-------------------------------------|---|
| | (Rupees in '000) | |
| Impact on Statement of Financial Position | | |
| Increase in fixed assets - right-of-use assets | 7,748,190 | 8,139,524 |
| Decrease in other assets - advances, deposits, advance rent and other prepayments | (475,595) | (672,886) |
| Increase in other assets - advance taxation | 184,509 | - |
| Increase in total assets | 7,457,104 | 7,466,638 |
| Increase in other liabilities - lease liability against right-of-use assets / other payable | (7,745,695) | (7,466,638) |
| Decrease in net assets | <u>(288,591)</u> | <u>-</u> |
| Impact on Profit and Loss account | | |
| | | Nine months period ended September 30, 2019 (Rupees in '000) |
| Increase in mark-up expense - lease liability against right-of-use assets | | (536,283) |
| (Increase) / decrease in administrative expenses | | |
| - Depreciation on right-of-use assets | | (1,011,323) |
| - Rent expense | | 1,074,506 |
| | | <u>63,183</u> |
| Decrease in profit before tax | | (473,100) |
| Decrease in tax | | 184,509 |
| Decrease in profit after tax | | <u>(288,591)</u> |



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

The following new and amended standards, interpretations and amendments will become effective from the dates mentioned below against the respective standard, interpretation or amendment and do not have any significant impact except for IFRS 9 'Financial Instruments'.

| | Effective date (annual periods beginning on or after) |
|---|--|
| Standard, Interpretation or Amendment | |
| IFRS 3 - Business Combinations | January 01, 2020 |
| IAS 1 Presentation of Financial Statements | January 01, 2020 |
| IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors | January 01, 2020 |
| | Effective date (periods ending on or after) |
| IFRS 9 - Financial Instruments | June 30, 2019 |

SECP, through SRO 229 (I) / 2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, SBP has clarified that IFRS 9 is not applicable for banks for period ending September 30, 2019. Accordingly, the requirements of IFRS 9 have not been considered for domestic operations of the Bank in preparation of these consolidated condensed interim financial statements.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Under this standard, provision against financial assets is determined under expected credit loss model. Previously, this was determined under the incurred loss model. The Bank has already adopted IFRS 9 in respect of overseas branches.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 6. CASH AND BALANCES WITH TREASURY BANKS | | |
| In hand: | | |
| Local currency | 20,571,928 | 16,653,040 |
| Foreign currencies | 1,889,344 | 1,566,662 |
| | 22,461,272 | 18,219,702 |
| In transit: | | |
| Local currency | 1,122,350 | 106,914 |
| Foreign currencies | 397,623 | 26,856 |
| | 1,519,973 | 133,770 |
| With State Bank of Pakistan in: | | |
| Local currency current account | 27,961,386 | 31,352,756 |
| Local currency current account - Islamic Banking | 2,193,691 | 2,556,444 |
| Foreign currency deposit account | | |
| Cash reserve account | 3,361,856 | 2,916,100 |
| Cash reserve / special cash reserve account | | |
| - Islamic Banking | 231,343 | 148,166 |
| Special cash reserve account | 10,085,568 | 8,757,757 |
| Local US Dollar collection account | 33,073 | 84,470 |
| | 43,866,917 | 45,815,693 |
| With National Bank of Pakistan in: | | |
| Local currency current account | 8,775,780 | 10,220,736 |
| Prize bonds | 507,028 | 42,284 |
| | 77,130,970 | 74,432,185 |
| 7. BALANCES WITH OTHER BANKS | | |
| In Pakistan: | | |
| In current account | 355,400 | 353,686 |
| In deposit account | 2,966,609 | 5,364,409 |
| | 3,322,009 | 5,718,095 |
| Outside Pakistan: | | |
| In current account | 1,956,813 | 2,254,412 |
| In deposit account | 25,515 | 38,435 |
| | 1,982,328 | 2,292,847 |
| | 5,304,337 | 8,010,942 |
| Less: impairment against IFRS 9 in overseas branches | (2) | (2) |
| | 5,304,335 | 8,010,940 |
| 8. LENDINGS TO FINANCIAL INSTITUTIONS | | |
| Bai Muajjal receivable | | |
| - with the State Bank of Pakistan | 1,812,907 | - |



9. INVESTMENTS

| | Note | 30 September 2019 (Un-audited) | | | | 31 December 2018 (Audited) | | | |
|--------------------------------------|------|--------------------------------|--------------------------|---------------------|------------------------------------|----------------------------|--------------------------|---------------------|----------------|
| | | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value (Rupees in '000) | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying Value |
| 9.1 Investments by type: | | | | | | | | | |
| Held-for-trading securities | | | | | | | | | |
| Shares | | - | - | - | - | 285,368 | - | (21,920) | 263,448 |
| Available-for-sale securities | | | | | | | | | |
| Federal Government Securities | | 481,813,468 | (10,242) | (639,787) | 481,163,439 | 354,754,071 | (21,616) | (1,276,813) | 353,455,642 |
| Shares | | 4,806,481 | (1,566,365) | (162,170) | 3,077,946 | 4,781,741 | (490,342) | (501,038) | 3,790,361 |
| Non Government Debt Securities | | 5,674,595 | - | (134,255) | 5,540,340 | 4,901,380 | - | 8,370 | 4,909,750 |
| Foreign Securities | | 2,681,188 | (11,638) | 20,392 | 2,689,942 | 1,548,752 | (8,041) | (45,710) | 1,495,001 |
| Units of mutual funds | | 2,025,000 | (373,876) | (41,660) | 1,609,464 | 2,175,000 | (34,906) | (160,193) | 1,979,901 |
| | | 497,000,732 | (1,962,121) | (957,480) | 494,081,131 | 368,160,944 | (554,905) | (1,975,384) | 365,630,655 |
| Held-to-maturity securities | 9.3 | | | | | | | | |
| Federal Government Securities | | 127,577,499 | (4,803) | - | 127,572,696 | 48,049,798 | (6,418) | - | 48,043,380 |
| Foreign Securities | | 472,512 | (694) | - | 471,818 | - | - | - | - |
| Non Government Debt Securities | | 67,171 | - | - | 67,171 | 86,213 | - | - | 86,213 |
| | | 128,117,182 | (5,497) | - | 128,111,685 | 48,136,011 | (6,418) | - | 48,129,593 |
| Associates | | 959,586 | - | - | 959,586 | 957,449 | - | - | 957,449 |
| Total Investments | | 626,077,500 | (1,967,618) | (957,480) | 623,152,402 | 417,539,772 | (561,323) | (1,997,304) | 414,981,145 |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|---|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 9.1.1 Investments given as collateral | | |
| Market Treasury Bills | | |
| Carrying value | 220,927,216 | 56,804,498 |
| Deficit | (1,932) | (31,410) |
| | <u>220,925,284</u> | <u>56,773,088</u> |
| 9.2 Provision for diminution in the value of investments | | |
| Available for sale investments: | | |
| Opening balance | 561,323 | 194,656 |
| Exchange adjustments against IFRS 9 in overseas branches | 3,182 | 13,721 |
| Charge / reversals | | |
| Charge for the period / year | 1,420,128 | 384,007 |
| Reversal of impairment as per IFRS 9 in overseas branches for the period / year | (17,017) | (31,061) |
| | 1,403,111 | 352,946 |
| Closing Balance | <u>1,967,616</u> | <u>561,323</u> |
| 9.3 The market value of securities classified as held to maturity at 30 September 2019 amounted to Rs. 129,111 million (31 December 2018: Rs. 47,754 million). | | |



10. ADVANCES

| | Performing | | Non-Performing | | Total | |
|---|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
| | (Rupees in '000) | | | | | |
| Loans, cash credits, running finances, etc. | 419,808,316 | 408,233,955 | 6,784,917 | 5,059,552 | 426,593,233 | 413,293,507 |
| Islamic financing and related assets | 47,613,228 | 49,708,261 | 83,777 | 8,724 | 47,697,005 | 49,716,985 |
| Bills discounted and purchased | 27,333,446 | 22,767,224 | 188,181 | 167,116 | 27,521,627 | 22,934,340 |
| Advances - gross | 494,754,990 | 480,709,440 | 7,056,875 | 5,235,392 | 501,811,865 | 485,944,832 |
| Provision against advances | | | | | | |
| - Specific | - | - | 5,799,803 | 4,351,895 | 5,799,803 | 4,351,895 |
| - General as per regulations | 263,293 | 238,099 | - | - | 263,293 | 238,099 |
| - General | 3,000,000 | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| - As per IFRS 9 in overseas branches | 224,493 | 140,185 | - | - | 224,493 | 140,185 |
| | 3,487,786 | 3,378,284 | 5,799,803 | 4,351,895 | 9,287,589 | 7,730,179 |
| Advances - net of provision | 491,267,204 | 477,331,156 | 1,257,072 | 883,497 | 492,524,276 | 478,214,653 |
| | | | (Un-audited) | | (Audited) | |
| | | | 30 September | | 31 December | |
| | | | 2019 | | 2018 | |
| | (Rupees in '000) | | | | | |

10.1 Particulars of advances (Gross)

| | | |
|-----------------------|--------------------|--------------------|
| In local currency | 434,189,202 | 428,995,587 |
| In foreign currencies | 67,622,663 | 56,949,245 |
| | 501,811,865 | 485,944,832 |

10.2 Advances include Rs. 7,056.875 million (31 December 2018: Rs. 5,235.392 million) which have been placed under non-performing status as detailed below:

| Category of Classification | 30 September 2019 (Un-audited) | | 31 December 2018 (Audited) | |
|-----------------------------------|--------------------------------|------------------|----------------------------|------------------|
| | Non Performing Loans | Provision | Non Performing Loans | Provision |
| | (Rupees in '000) | | | |
| Domestic | | | | |
| Other Assets Especially Mentioned | 90,461 | 480 | 10,715 | 998 |
| Substandard | 702,401 | 175,564 | 44,963 | 10,869 |
| Doubtful | 706,077 | 334,714 | 1,621,874 | 796,947 |
| Loss | 3,685,167 | 3,674,308 | 2,496,394 | 2,481,635 |
| | 5,184,106 | 4,185,066 | 4,173,946 | 3,290,449 |
| Overseas | | | | |
| Overdue by: | | | | |
| 91 to 180 days | 688,085 | 430,053 | - | - |
| > 365 days | 1,184,684 | 1,184,684 | 1,061,446 | 1,061,446 |
| | 1,872,769 | 1,614,737 | 1,061,446 | 1,061,446 |
| Total | 7,056,875 | 5,799,803 | 5,235,392 | 4,351,895 |



10.3 Particulars of provision against advances

| Note | 30 September 2019 (Un-audited) | | | 31 December 2018 (Audited) | | |
|---|--------------------------------|-----------|-----------|----------------------------|-----------|-----------|
| | Specific | General | Total | Specific | General | Total |
| | (Rupees in '000) | | | | | |
| Opening balance | 4,351,895 | 3,378,284 | 7,730,179 | 4,399,564 | 3,337,610 | 7,737,174 |
| Exchange adjustments | 122,277 | 18,693 | 140,970 | 218,348 | 26,933 | 245,281 |
| Charge for the period / year | | | | | | |
| - Specific provision | 1,586,399 | - | 1,586,399 | 354,961 | - | 354,961 |
| - General provision as per regulations 10.3.1 | - | 25,193 | 25,193 | - | 5,003 | 5,003 |
| - As per IFRS 9 in overseas branches 10.3.2 | - | 66,676 | 66,676 | - | 8,738 | 8,738 |
| Reversals | | | | | | |
| - Specific provision | (259,618) | - | (259,618) | (445,270) | - | (445,270) |
| - As per IFRS 9 in overseas branches | - | (1,060) | (1,060) | - | - | - |
| | 1,326,781 | 90,809 | 1,417,590 | (90,309) | 13,741 | (76,568) |
| Amounts written off | (1,150) | - | (1,150) | (175,708) | - | (175,708) |
| Closing balance | 5,799,803 | 3,487,786 | 9,287,589 | 4,351,895 | 3,378,284 | 7,730,179 |

10.3.1 General provision represents provision amounting to Rs. 263.293 million (31 December 2018: Rs. 238.099 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 224.493 million (31 December 2018: Rs. 140.185 million).

10.3.3 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 30 September 2019 amounts to Rs. 3,000 million (31 December 2018: Rs. 3,000 million).

10.3.4 For the purposes of determining provision against non - performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against non - performing advances.



| | Note | (Un-audited) 30 September 2019 (Rupees in '000) | (Audited) 31 December 2018 |
|--|---|--|----------------------------------|
| 11. FIXED ASSETS | | | |
| Capital work-in-progress | 11.1 | 2,857,488 | 1,433,875 |
| Property and equipment | 11.2 | 32,921,343 | 24,759,122 |
| | | 35,778,831 | 26,192,997 |
| 11.1 Capital work-in-progress | | | |
| Civil works | | 861,486 | 498,060 |
| Advance payment towards suppliers, contractors and property | | 1,979,087 | 914,905 |
| Consultants' fee and other charges | | 16,915 | 20,910 |
| | | 2,857,488 | 1,433,875 |
| 11.2 | This includes right-of-use assets amounting to Rs 7,748.190 million (31 December 2018: NIL) due to adoption of IFRS 16 as detailed in note 3.2.1. | | |
| 11.3 Additions to fixed assets | The following additions have been made to operating fixed assets during the period: | | |
| | | (Un-audited) Nine months period ended | |
| | | 30 September 2019 | 30 September 2018 |
| | | (Rupees in '000) | |
| Capital work-in-progress | | 1,423,613 | 760,001 |
| Property and equipment | | | |
| Leasehold land | | 597,059 | 887,133 |
| Buildings on leasehold land | | 216,978 | 828,927 |
| Furniture and fixture | | 169,064 | 179,233 |
| Electrical, office and computer equipment | | 650,993 | 1,162,998 |
| Vehicles | | 457,615 | 493,990 |
| Improvement to leasehold building | | 208,721 | 172,274 |
| | | 2,300,430 | 3,724,555 |
| Total | | 3,724,043 | 4,484,556 |
| 11.4 Disposal of fixed assets | The net book value of fixed assets disposed off during the period is as follows: | | |
| Furniture and fixture | | 2,548 | 2,606 |
| Electrical, office and computer equipment | | 9,030 | 4,231 |
| Vehicles | | 39,690 | 5,273 |
| Improvement to leasehold buildings | | 2,309 | 6,053 |
| Total | | 53,577 | 18,163 |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 12. INTANGIBLE ASSETS | | |
| Computer software | 384,652 | 168,363 |
| TRE certificates | 2,500 | 2,500 |
| | 387,152 | 170,863 |
| | (Un-audited) | |
| | Nine months period ended | |
| | 30 September 2019 | 30 September 2018 |
| | (Rupees in '000) | |
| 12.1 Additions to intangible assets | | |
| Directly purchased | 358,460 | 214,928 |
| | (Un-audited) | (Audited) |
| | 30 September | 31 December |
| | 2019 | 2018 |
| | (Rupees in '000) | |
| 13. OTHER ASSETS | | |
| Income / mark-up accrued in local currency - net of provision | 14,675,423 | 10,391,416 |
| Income / mark-up accrued in foreign currencies - net of provision | 1,040,925 | 390,718 |
| Advances, deposits, advance rent and other prepayments | 589,557 | 1,213,235 |
| Advance taxation (payments less provisions) | 953,455 | 1,484,911 |
| Non-banking assets acquired in satisfaction of claims | 876,395 | 800,040 |
| Mark to market gain on forward foreign exchange contracts | 1,250,945 | 1,133,980 |
| Acceptances | 33,700,439 | 28,771,029 |
| Stationery and stamps on hand | 225,635 | 218,772 |
| Receivable from SBP | 614,732 | 325,478 |
| Non - refundable deposits | 37,748 | 43,455 |
| ATM settlement account | 1,239,241 | 965,926 |
| Receivable against securities | 10,734 | 34,359 |
| Others | 960,563 | 921,129 |
| | 56,175,792 | 46,694,448 |
| Less: Provision held against other assets | 13.1 (7,294) | (7,279) |
| Other Assets (Net of Provision) | 56,168,498 | 46,687,169 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 34,963 | 36,408 |
| Other Assets - total | 56,203,461 | 46,723,577 |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| Note | (Rupees in '000) | |
| 13.1 Provision held against other assets | | |
| Receivable against consumer loans | 13.1.1 <u>7,294</u> | <u>7,279</u> |
| 13.1.1 Movement in provision held against other assets | | |
| Opening balance | 7,279 | 6,486 |
| Charge for the period / year | 1,582 | 1,485 |
| Reversals for the period / year | (1,221) | (605) |
| | 361 | 880 |
| Amount written off | (346) | (87) |
| Closing balance | <u>7,294</u> | <u>7,279</u> |
| 14. BILLS PAYABLE | | |
| In Pakistan | <u>14,619,405</u> | <u>20,603,682</u> |
| 15. BORROWINGS | | |
| Secured | | |
| Borrowings from the State Bank of Pakistan | | |
| Under export refinance scheme | 35,366,031 | 33,445,797 |
| Under renewable energy | 3,906,898 | 3,885,244 |
| Under long term financing for imported and locally manufactured plant and machinery | 18,303,290 | 13,444,746 |
| Under modernisation of small and medium enterprises | 218,025 | 116,354 |
| Under women entrepreneurship | 15,526 | 8,476 |
| Under financing facility for storage of agricultural produce | 5,731 | 26,967 |
| | 57,815,501 | 50,927,584 |
| Repurchase agreement borrowings | 220,672,055 | 56,714,334 |
| Total secured | <u>278,487,556</u> | <u>107,641,918</u> |
| Unsecured | | |
| Call borrowings | - | 1,500,000 |
| Borrowings from financial institutions | 1,000,000 | 9,550,019 |
| Overdrawn nostro accounts | 2,187,510 | 346,421 |
| Total unsecured | <u>3,187,510</u> | <u>11,396,440</u> |
| | <u>281,675,066</u> | <u>119,038,358</u> |



16. DEPOSITS AND OTHER ACCOUNTS

| | 30 September 2019 (Un-audited) | | | 31 December 2018 (Audited) | | |
|---------------------------------|--------------------------------|--------------------------|-------------|----------------------------|--------------------------|-------------|
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| (Rupees in '000) | | | | | | |
| Customers | | | | | | |
| Current deposits | 273,581,954 | 33,235,265 | 306,817,219 | 259,924,538 | 27,655,719 | 287,580,257 |
| Savings deposits | 211,872,987 | 39,795,882 | 251,668,869 | 190,726,381 | 35,939,386 | 226,665,767 |
| Term deposits | 139,099,341 | 34,883,816 | 173,983,157 | 128,918,633 | 27,556,178 | 156,474,811 |
| Current deposits - remunerative | 97,500,143 | 729,624 | 98,229,767 | 82,817,947 | 550,054 | 83,368,001 |
| Others | 10,376,373 | 9,663,765 | 20,040,138 | 10,802,035 | 8,189,454 | 18,991,489 |
| | 732,430,798 | 118,308,352 | 850,739,150 | 673,189,534 | 99,890,791 | 773,080,325 |
| Financial institutions | | | | | | |
| Current deposits | 1,283,721 | 1,361,047 | 2,644,768 | 1,284,400 | 358,311 | 1,642,711 |
| Savings deposits | 2,133,737 | 16 | 2,133,753 | 11,834,313 | 15 | 11,834,328 |
| Term deposits | 665,000 | 113,052 | 778,052 | 289,001 | 454,768 | 743,769 |
| Current deposits - remunerative | 3,388,523 | 2,563,722 | 5,952,245 | 7,179,534 | 2,285,052 | 9,464,586 |
| Others | 100 | - | 100 | 86,148 | - | 86,148 |
| | 7,471,081 | 4,037,837 | 11,508,918 | 20,673,396 | 3,098,146 | 23,771,542 |
| | 739,901,879 | 122,346,189 | 862,248,068 | 693,862,930 | 102,988,937 | 796,851,867 |

| | Note | (Un-audited) | (Audited) |
|---|------|----------------------|---------------------|
| | | 30 September 2019 | 31 December 2018 |
| (Rupees in '000) | | | |
| 17. SUBORDINATED DEBT - Unsecured | | | |
| Term Finance Certificates (TFCs) - V - (Unquoted) | 17.1 | 3,994,400 | 3,996,000 |
| Term Finance Certificates (TFCs) - VI - (Unquoted) | 17.2 | 7,000,000 | 7,000,000 |
| Term Finance Certificates (TFCs) - VII - (Unquoted) | 17.3 | 3,999,200 | 4,000,000 |
| | | 14,993,600 | 14,996,000 |



17.1 Term Finance Certificates - V (Unquoted)

| | |
|--------------------------|--|
| Issue amount | Rupees 4,000 million |
| Issue date | March 2016 |
| Maturity date | March 2026 |
| Rating | AA |
| Profit payment frequency | six monthly |
| Redemption | 6th - 108th month: 0.36%; 114th and 120th month: 49.82% each |
| Mark-up | Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap |
| Call option | On or after five years with prior SBP approval |
| Lock-in-clause | Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR"). |
| Loss absorbency clause | The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). |

17.2 Term Finance Certificates - VI (Unquoted)

| | |
|--------------------------|--|
| Issue amount | Rupees 7,000 million |
| Issue date | December 2017 |
| Maturity date | Perpetual |
| Rating | AA- |
| Profit payment frequency | semi-annually |
| Redemption | No fixed or final redemption date |
| Mark-up | Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default. |
| Call option | On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality. |
| Lock-in-clause | No profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR"). |
| Loss absorbency clause | The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). |



17.3 Term Finance Certificates - VII (Unquoted)

| | |
|--------------------------|--|
| Issue amount | Rupees 4,000 million |
| Issue date | December 2018 |
| Maturity date | December 2028 |
| Rating | AA |
| Profit payment frequency | semi-annually |
| Redemption | 6th - 108th month: 0.02% each; 114th and 120th month: 49.82% each |
| Mark-up | 6-Months KIBOR (ask side) + 1.00% per annum. |
| Call option | On or after five years |
| Lock-in-clause | Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR"). |
| Loss absorber clause | The instrument will be subject to loss absorption and /or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). |

(Un-audited) (Audited)
30 September 31 December
2019 2018
(Rupees in '000)

18. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

| | | |
|---|------------------|-----------|
| Accelerated tax depreciation | 930,745 | 1,042,970 |
| Surplus on revaluation of fixed assets / non - banking assets | 994,257 | 1,023,644 |
| Remeasurement of defined benefit plan | 246,397 | 246,397 |
| | 2,171,399 | 2,313,011 |

Deductible Temporary Differences on:

| | | |
|---|--------------------|-----------|
| Provision against diminution in the value of investments | (673,137) | (181,518) |
| Provision against loans and advances, off balance sheet, etc. | (337,934) | (5,555) |
| Impairment as per IFRS 9 in overseas branches | (94,012) | (78,217) |
| Provision for compensated absences | (234) | (278) |
| Recognised tax losses | (2,803) | (4,035) |
| Intangible assets | (476) | (440) |
| Surplus on revaluation of held for trading investments | - | (7,671) |
| Surplus on revaluation of available for sale investments | (332,883) | (690,676) |
| | (1,441,479) | (968,390) |
| | 729,920 | 1,344,621 |



| | (Un-audited) 30 September | (Audited) 31 December |
|---|------------------------------|--------------------------|
| Note | 2019 | 2018 |
| | (Rupees in '000) | |
| 19. OTHER LIABILITIES | | |
| Mark-up / return / interest payable in local currency | 3,471,785 | 2,973,237 |
| Mark-up / return / interest payable in foreign currencies | 270,489 | 231,537 |
| Unearned commission income | 223,456 | 204,609 |
| Accrued expenses | 1,745,284 | 1,031,360 |
| Acceptances | 33,700,439 | 28,771,029 |
| Unclaimed dividends | 432,433 | 415,647 |
| Mark to market loss on forward foreign exchange contracts | 1,270,166 | 614,896 |
| Branch adjustment account | 913,091 | 717,339 |
| Payable to defined benefit plan | 1,009,992 | 703,992 |
| Charity payable | 37,138 | 14,218 |
| Provision against off - balance sheet items | 19.1 114,930 | 116,600 |
| Security deposits against leases / ijarah | 6,340,497 | 5,940,336 |
| Provision for compensated absences | 660,479 | 585,739 |
| Special exporters' accounts in foreign currencies | 104,562 | 41,936 |
| Other security deposits | 578,765 | 506,331 |
| Workers' welfare fund | 1,624,725 | 1,303,671 |
| Payable to SBP / NBP | 425,389 | 223,763 |
| Payable to supplier against murabaha | 339,963 | 44,886 |
| Payable against purchase of securities | - | 22,083 |
| Insurance payable | 490,530 | 490,757 |
| Payable against trading of marketable securities on behalf of customer | 95,577 | 92,035 |
| Lease liability against right-of-use assets | 7,699,824 | - |
| Others | 973,278 | 850,781 |
| | <u>62,522,792</u> | <u>45,896,782</u> |
| 19.1 Provision against off-balance sheet obligations | | |
| Opening balance | 116,600 | 160,838 |
| Exchange adjustment against IFRS 9 in overseas branches | 10,029 | 12,263 |
| Charge for the period / year | 29,449 | 13,827 |
| Reversals for the period / year | (41,148) | (70,328) |
| | (11,699) | (56,501) |
| Closing balance | <u>114,930</u> | <u>116,600</u> |



| | (Un-audited) 30 September Note 2019 | (Audited) 31 December 2018 |
|---|---|----------------------------------|
| (Rupees in '000) | | |
| 20. SURPLUS ON REVALUATION OF ASSETS | | |
| Surplus / (deficit) on revaluation of: | | |
| - Available for sale securities | 20.1 (852,945) | (1,862,121) |
| - Fixed Assets | 5,522,775 | 5,605,295 |
| - Non-banking assets acquired in satisfaction of claims | 34,963 | 36,408 |
| | 4,704,793 | 3,779,582 |
| Deferred tax on surplus / (deficit) on revaluation of: | | |
| - Available for sale securities | (332,883) | (689,778) |
| - Fixed Assets | 1,058,896 | 1,087,778 |
| - Non-banking assets acquired in satisfaction of claims | 5,708 | 6,214 |
| | 731,721 | 404,214 |
| | 3,973,072 | 3,375,368 |
| 20.1 Investments | | |
| Available for sale securities | (958,438) | (1,975,384) |
| Unrealised surplus on equity accounting | 97,277 | 111,230 |
| Non-controlling interest | 8,216 | 2,033 |
| | (852,945) | (1,862,121) |
| Less: related deferred tax | (332,883) | (689,778) |
| | (520,062) | (1,172,343) |
| 21. NON - CONTROLLING INTEREST | | |
| Opening balance | 106,678 | 120,479 |
| Loss attributable to non - controlling interest | (9,397) | (5,186) |
| Loss on equity attributable to non - controlling interest | (6,184) | (8,615) |
| Closing balance | 91,097 | 106,678 |
| 22. CONTINGENCIES AND COMMITMENTS | | |
| Guarantees | 22.1 74,040,874 | 66,873,212 |
| Commitments | 22.2 225,052,360 | 217,907,411 |
| Other contingent liabilities | 22.3 4,669,685 | 4,716,420 |
| | 303,762,919 | 289,497,043 |
| 22.1 Guarantees: | | |
| Financial guarantees | 12,048,867 | 9,633,948 |
| Performance guarantees | 61,992,007 | 57,239,264 |
| | 74,040,874 | 66,873,212 |



| | (Un-audited) 30 September 2019 (Rupees in '000) | (Audited) 31 December 2018 |
|--|--|----------------------------------|
| 22.2 Commitments: | | |
| Documentary credits and short-term trade-related transactions - letters of credit | 121,192,726 | 109,275,067 |
| Commitments in respect of: | | |
| - forward foreign exchange contracts | 22.2.1 99,165,910 | 103,620,742 |
| - forward lending | 22.2.2 3,716,226 | 3,916,624 |
| Commitments for acquisition of: | | |
| - Fixed assets | 977,498 | 1,094,978 |
| | <u>225,052,360</u> | <u>217,907,411</u> |
| 22.2.1 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | 67,947,744 | 70,584,095 |
| Sale | 31,218,166 | 33,036,647 |
| | <u>99,165,910</u> | <u>103,620,742</u> |
| The maturities of above contracts are spread over the periods upto one year. | | |
| 22.2.2 Commitments in respect of forward lending | | |
| | <u>3,716,226</u> | <u>3,916,624</u> |
| 22.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. | | |
| 22.3 Claims against the Bank not acknowledged as debts | | |
| | <u>4,669,685</u> | <u>4,716,420</u> |
| 22.4 Other contingent liabilities | | |

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2017 (Tax Year 2018). The income tax assessments of the Bank are completed upto tax year 2016.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 797.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 662.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) of Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 305.179 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.



Deputy Commissioner Inland Revenue has passed order for the period January 2013 to December 2015 levying Federal Excise Duty on certain items resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. The Bank has filed an appeal before Appellate Tribunal (Punjab Revenue Authority).

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before ITAT against the above referred orders.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2018 by disallowing certain expenses resulting in an impact of Rs. 93.443 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.

| | (Un-audited) | |
|--|--|----------------------------|
| | <u>Nine months period ended</u> | |
| | <u>30 September</u> | <u>30 September</u> |
| | 2019 | 2018 |
| | (Rupees in '000) | |
| 23. MARK - UP / RETURN / INTEREST EARNED | | |
| On loans and advances | 36,335,030 | 19,247,027 |
| On investments | 35,489,971 | 23,280,161 |
| On deposits with financial institutions | 471,587 | 199,252 |
| On securities purchased under resale agreements | 1,221,894 | 104,576 |
| On call money lendings | 225,817 | 295 |
| | <u>73,744,299</u> | <u>42,831,311</u> |
| 24. MARK-UP / RETURN / INTEREST EXPENSED | | |
| Deposits | 34,582,094 | 16,801,368 |
| Borrowings from SBP | 837,757 | 670,288 |
| Subordinated debt | 1,388,377 | 635,588 |
| Cost of foreign currency swaps | 1,207,067 | 354,341 |
| Repurchase agreement borrowings | 4,969,090 | 1,628,956 |
| Mark-up expense on lease liability against right-of-use assets | 536,283 | - |
| Other borrowings | 195,892 | 236,027 |
| | <u>43,716,560</u> | <u>20,326,568</u> |
| 25. FEE AND COMMISSION INCOME | | |
| Branch banking customer fees | 813,390 | 454,928 |
| Consumer finance related fees | 31,832 | 33,334 |
| Card related fees (debit and credit cards) | 238,213 | 392,047 |
| Credit related fees | 113,470 | 143,604 |
| Commission on trade | 2,543,605 | 1,911,762 |
| Commission on guarantees | 292,172 | 274,235 |
| Commission on cash management | 146,190 | 127,867 |
| Commission on home remittances | 39,789 | 23,330 |
| Others | 9,808 | 5,922 |
| | <u>4,228,469</u> | <u>3,367,029</u> |



| | | (Un-audited) | |
|---|----------------------|--------------------------|------------------|
| | | Nine months period ended | |
| Note | 30 September 2019 | 30 September 2018 | |
| | | (Rupees in '000) | |
| 26. (LOSS) / GAIN ON SECURITIES - NET | | | |
| Realised | 26.1 | <u>(65,030)</u> | <u>23,454</u> |
| 26.1 Realised gain on: | | | |
| Federal Government securities | | 100 | (1,897) |
| Shares | | (65,886) | 25,201 |
| Non Government Debt Securities | | - | 150 |
| Mutual funds | | 756 | - |
| | | <u>(65,030)</u> | <u>23,454</u> |
| 27. OTHER INCOME | | | |
| Gain on sale of fixed assets - net | | 232,245 | 83,516 |
| Recovery of expenses from customers | | 199,720 | 206,027 |
| Lockers rent | | 7,498 | 5,530 |
| Others | | 2,852 | 4,083 |
| | | <u>442,315</u> | <u>299,156</u> |
| 28. OPERATING EXPENSES | | | |
| Total compensation expenses | | 9,355,826 | 7,836,771 |
| Property expenses | | | |
| Rent & taxes | | 317,728 | 1,147,287 |
| Insurance | | 12,846 | 16,609 |
| Utilities cost | | 762,864 | 639,930 |
| Security (including guards) | | 637,624 | 631,082 |
| Repair & maintenance (including janitorial charges) | | 173,049 | 146,208 |
| Depreciation | | 1,610,076 | 514,375 |
| Amortisation | | 5,707 | 5,707 |
| | | 3,519,894 | 3,101,198 |
| Information technology expenses | | | |
| Software maintenance | | 3,909 | 1,192 |
| Hardware maintenance | | 311,136 | 282,092 |
| Depreciation | | 218,853 | 192,865 |
| Amortisation | | 142,170 | 94,755 |
| Network charges | | 294,236 | 230,613 |
| | | 970,304 | 801,517 |



| | | (Un-audited) | |
|------------|---|--------------------------|-------------------|
| | | Nine months period ended | |
| | | 30 September | 30 September |
| | | 2019 | 2018 |
| | | (Rupees in '000) | |
| Note | | | |
| | Other operating expenses | | |
| | Directors' fees and allowances | 34,600 | 29,825 |
| | Fees and allowances to Shariah Board | 7,333 | 4,914 |
| | Insurance | 246,191 | 188,936 |
| | Legal & professional charges | 127,502 | 105,971 |
| | Outsourced services costs | 1,156,163 | 928,121 |
| | Traveling & conveyance | 175,124 | 154,574 |
| | NIFT & other clearing charges | 100,209 | 86,131 |
| | Depreciation | 1,020,305 | 881,571 |
| | Repair and maintenance | 840,436 | 852,296 |
| | Training & development | 35,320 | 39,253 |
| | Postage & courier charges | 155,614 | 138,241 |
| | Communication | 204,318 | 185,748 |
| | Stationery & printing | 576,016 | 371,552 |
| | Marketing, advertisement & publicity | 220,402 | 224,025 |
| | Donations | 58,700 | 86,128 |
| | Auditors Remuneration | 3,372 | 2,804 |
| | Commission and brokerage | 165,691 | 123,656 |
| | Entertainment and staff refreshment | 207,911 | 193,039 |
| | Vehicle running expenses | 628,945 | 451,113 |
| | Subscriptions and publications | 108,641 | 76,316 |
| | CNIC verification charges | 107,718 | 45,286 |
| | Security charges | 192,662 | 173,382 |
| | Others | 167,486 | 176,203 |
| | | 6,540,659 | 5,519,085 |
| | | 20,386,683 | 17,258,571 |
| 29. | OTHER CHARGES | | |
| | Penalties imposed by the State Bank of Pakistan | 86,495 | 2,561 |
| 30. | PROVISIONS / (REVERSALS) & WRITE OFFS - NET | | |
| | Provision for diminution in value of investments | 1,405,667 | 395,949 |
| | Provision / (reversal) against loans and advances - net | 10.3 1,417,590 | (197,182) |
| | Reversal against off - balance sheet items | 19.1 (11,699) | (43,850) |
| | Provision against other assets | 13.1.1 361 | 1,530 |
| | | 2,811,919 | 156,447 |
| 31. | TAXATION | | |
| | Current | 6,274,043 | 4,070,227 |
| | Prior years | 571,907 | (178) |
| | Deferred | (972,495) | (45,633) |
| | | 5,873,455 | 4,024,416 |



31.1 The Finance Supplementary (Second Amendment) Act 2019 has reversed the phase-wise reduction in rate of Super Tax for banking companies from 4% to 3% and further levied an additional Super Tax charge at 4% for Tax Year 2018 (Accounting Year 2017), which was previously not chargeable resulting in additional Super Tax charge of Rs. 571.907 million in the current period. The aggregate Super Tax charge for the nine months period ended September 30, 2019 is Rs. 1,215.136 million.

| (Un-audited) | |
|--------------------------|----------------------|
| Nine months period ended | |
| 30 September 2019 | 30 September 2018 |
| (Rupees in '000) | |

32. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY

| | | |
|---|---------------|---------------|
| Profit for the period - attributable to equity holders of the Holding company | 7,003,015 | 5,940,806 |
| | (Number) | |
| Weighted average number of ordinary shares | 1,111,425,416 | 1,111,425,416 |
| | (Rupees) | |
| Basic and diluted earnings per share | 6.30 | 5.35 |

33. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

| | |
|--------------------------------|--|
| Federal Government Securities | PKRV rates (Reuters page) |
| Non Government Debt Securities | Market prices |
| Foreign Securities | Market prices / Mashreqbank PSC |
| Listed securities | Market prices |
| Mutual funds | Net asset values |
| Unlisted equity investments | Break - up value as per latest available audited financial statements. |

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies, as disclosed in the consolidated financial statements for the year ended December 31, 2018.

33.1 Fair value of financial assets

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

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



The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

| 30 September 2019 (Un-audited) | | | |
|---|-------------|-------------|-------------|
| Level 1 | Level 2 | Level 3 | Total |
| (Rupees in '000) | | | |
| On balance sheet financial instruments | | | |
| Financial assets - measured at fair value | | | |
| Investments | | | |
| Federal Government Securities | 481,173,681 | - | 481,173,681 |
| Shares | 4,540,075 | - | 4,540,075 |
| Non-Government Debt Securities | 3,313,303 | 2,027,076 | 5,340,379 |
| Foreign Securities | - | 2,701,580 | 2,701,580 |
| Mutual funds | 1,983,340 | - | 1,983,340 |
| Financial assets - disclosed but not measured at fair value | | | |
| Investments | | | |
| Federal Government Securities | - | 128,562,860 | 128,562,860 |
| Non-Government Debt Securities | - | 67,171 | 67,171 |
| Foreign Securities | - | 481,128 | 481,128 |
| Associates | | | |
| Listed shares | 525,001 | - | 525,001 |
| Mutual funds | 338,376 | - | 338,376 |
| Off-balance sheet financial instruments - measured at fair value | | | |
| Forward purchase and sale of foreign exchange contracts | | | |
| - | 99,146,689 | - | 99,146,689 |

31 December 2018 (Audited)
(Rupees in '000)

| | | | |
|---|-------------|-------------|-------------|
| On balance sheet financial instruments | | | |
| Financial assets - measured at fair value | | | |
| Investments | | | |
| Federal Government Securities | - | 353,477,258 | 353,477,258 |
| Shares | 4,439,914 | - | 4,439,914 |
| Non-Government Debt Securities | 2,597,060 | 2,112,711 | 4,709,771 |
| Foreign Securities | - | 1,503,042 | 1,503,042 |
| Mutual funds | 2,014,807 | - | 2,014,807 |
| Financial assets - disclosed but not measured at fair value | | | |
| Investments | | | |
| Federal Government Securities | - | 47,667,386 | 47,667,386 |
| Non-Government Debt Securities | - | 86,213 | 86,213 |
| Foreign Securities | - | - | - |
| Associates | | | |
| Listed shares | 537,504 | - | 537,504 |
| Mutual funds | 342,581 | - | 342,581 |
| Off-balance sheet financial instruments - measured at fair value | | | |
| Forward purchase and sale of foreign exchange contracts | | | |
| - | 104,139,826 | - | 104,139,826 |

33.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value.



34. SEGMENT INFORMATION

Segment Details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

| | Nine months period ended 30 September 2019 (Un-audited) | | | |
|---|---|--------------------|------------------|----------------------|
| | Commercial banking | Retail banking | Retail brokerage | Total |
| | (Rupees in '000) | | | |
| Profit & Loss | | | | |
| Net mark-up / return / profit | 67,385,658 | 6,346,104 | 12,537 | 73,744,299 |
| Inter segment revenue - net | 9,164 | 22,872,604 | - | 22,881,768 |
| Non mark-up / return / interest income | 2,478,215 | 3,940,245 | 27,025 | 6,445,485 |
| Total Income | 69,873,037 | 33,158,953 | 39,562 | 103,071,552 |
| Segment direct expenses | (37,394,138) | (27,065,513) | (51,141) | (64,510,792) |
| Inter segment expense allocation | (22,872,604) | - | (9,164) | (22,881,768) |
| Total expenses | (60,266,742) | (27,065,513) | (60,305) | (87,392,560) |
| Provisions | (2,798,996) | - | (12,923) | (2,811,919) |
| Profit before tax | 6,807,299 | 6,093,440 | (33,666) | 12,867,073 |
| As at 30 September 2019 (Un-audited) | | | | |
| (Rupees in '000) | | | | |
| Balance Sheet | | | | |
| Cash & Bank balances | 70,564,978 | 11,808,557 | 61,770 | 82,435,305 |
| Lendings to financial institutions | 1,812,907 | - | - | 1,812,907 |
| Investments | 622,923,716 | - | 228,686 | 623,152,402 |
| Net inter segment lending | 208,903 | 521,393,934 | - | 521,602,837 |
| Advances - performing | 420,817,755 | 70,449,425 | 24 | 491,267,204 |
| - non-performing | 1,152,901 | 104,171 | - | 1,257,072 |
| Others | 79,053,232 | 13,217,565 | 98,647 | 92,369,444 |
| Total Assets | 1,196,534,392 | 616,973,652 | 389,127 | 1,813,897,171 |
| Borrowings | 281,669,489 | - | 5,577 | 281,675,066 |
| Subordinated debt | 14,993,600 | - | - | 14,993,600 |
| Deposits & other accounts | 304,497,329 | 557,750,739 | - | 862,248,068 |
| Net inter segment borrowing | 521,393,934 | - | 208,903 | 521,602,837 |
| Others | 27,695,072 | 50,082,212 | 94,833 | 77,872,117 |
| Total liabilities | 1,150,249,424 | 607,832,951 | 309,313 | 1,758,391,688 |
| Equity | 46,284,968 | 9,140,701 | 79,814 | 55,505,483 |
| Total Equity & liabilities | 1,196,534,392 | 616,973,652 | 389,127 | 1,813,897,171 |
| Contingencies & Commitments | 195,174,770 | 58,830 | - | 195,233,600 |



Nine months ended 30 September 2018 (Un-audited)

| | Commercial banking | Retail banking | Retail brokerage | Total |
|--|-----------------------|---------------------|---------------------|---------------------|
| (Rupees in '000) | | | | |
| Profit & Loss | | | | |
| Net mark-up / return / profit | 38,773,515 | 4,049,925 | 7,871 | 42,831,311 |
| Inter segment revenue - net | 4,500 | 17,720,621 | - | 17,725,121 |
| Non mark-up / return / interest income | 3,007,556 | 2,039,231 | 34,278 | 5,081,065 |
| Total Income | 41,785,571 | 23,809,777 | 42,149 | 65,637,497 |
| Segment direct expenses | (17,959,825) | (19,787,155) | (46,152) | (37,793,132) |
| Inter segment expense allocation | (17,720,621) | - | (4,500) | (17,725,121) |
| Total expenses | (35,680,446) | (19,787,155) | (50,652) | (55,518,253) |
| Provisions | (175,867) | 17,560 | 1,860 | (156,447) |
| Profit before tax | 5,929,258 | 4,040,182 | (6,643) | 9,962,797 |

As at 30 September 2018 (Un-audited)

(Rupees in '000)

| Balance Sheet | | | | |
|--|--------------------|--------------------|----------------|----------------------|
| Cash & Bank balances | 63,191,013 | 10,638,231 | 62,891 | 73,892,135 |
| Lendings to financial institutions | 6,473,738 | - | - | 6,473,738 |
| Investments | 358,923,393 | - | 269,462 | 359,192,855 |
| Net inter segment lending | 188,527 | 742,472,918 | - | 742,661,445 |
| Advances - performing | 384,259,385 | 64,755,795 | 37 | 449,015,217 |
| - non-performing | 883,203 | 33,237 | - | 916,440 |
| Others | 61,956,114 | 10,422,318 | 79,472 | 72,457,904 |
| Total Assets | 875,875,373 | 828,322,499 | 411,862 | 1,704,609,734 |
| Borrowings | 64,847,017 | - | - | 64,847,017 |
| Subordinated debt | 10,996,000 | - | - | 10,996,000 |
| Deposits & other accounts | 14,112,172 | 754,644,398 | - | 768,756,570 |
| Net inter segment borrowing | 742,472,918 | - | 188,527 | 742,661,445 |
| Others | 2,766,403 | 66,381,603 | 71,561 | 69,219,567 |
| Total liabilities | 835,194,510 | 821,026,001 | 260,088 | 1,656,480,599 |
| Equity | 40,680,863 | 7,296,498 | 151,774 | 48,129,135 |
| Total Equity & liabilities | 875,875,373 | 828,322,499 | 411,862 | 1,704,609,734 |
| Contingencies & Commitments | 188,375,485 | 21,825 | - | 188,397,310 |



35. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), employee benefit plans, major shareholders, directors and key management personnel and their close family members.

Transactions with related parties of the Group are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.

Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

| | 30 September 2019 (Un-audited) | | | | 31 December 2018 (Audited) | | | |
|--|--------------------------------|--------------------------|--------------|-----------------------|----------------------------|--------------------------|---------------|-----------------------|
| | Directors | Key management personnel | Associates | Other related parties | Directors | Key management personnel | Associates | Other related parties |
| | (Rupees in '000) | | | | | | | |
| Investments | | | | | | | | |
| Opening balance | - | - | 957,449 | - | - | - | 964,259 | - |
| Investment made during the period / year | - | - | - | - | - | - | 21,000 | - |
| Investment adjusted / redeemed / disposed off during the period / year | - | - | (6,113) | - | - | - | (27,810) | - |
| Closing balance | - | - | 951,336 | - | - | - | 957,449 | - |
| Advances | | | | | | | | |
| Opening balance | 1,313 | 53,257 | 1,359,059 | - | 977 | 51,929 | 1,775,142 | - |
| Addition during the period / year | 39,390 | 284,408 | 26,584,955 | - | 34,176 | 51,761 | 32,726,863 | - |
| Repaid during the period / year | (39,108) | (254,852) | (25,401,599) | - | (33,840) | (50,433) | (33,142,946) | - |
| Closing balance | 1,595 | 83,083 | 2,542,415 | - | 1,313 | 53,257 | 1,359,059 | - |
| Operating Fixed Assets | | | | | | | | |
| Right of Use | - | - | 7,862 | - | - | - | - | - |
| Other Assets | | | | | | | | |
| Interest / mark-up accrued | - | 47 | 24,120 | - | - | 32 | 4,216 | - |
| L/C acceptances | - | - | 536,051 | - | - | - | 532,718 | - |
| Unrealised gain on forward exchange contracts | - | - | 679 | - | - | - | - | - |
| Other assets | - | - | 23 | - | - | - | 28 | - |
| Subordinated debt | | | | | | | | |
| Opening balance | - | - | - | - | - | - | - | - |
| Issued / purchased during the period / year | - | - | 40,000 | - | - | - | - | - |
| Redemption / sold during the period / year | - | - | - | - | - | - | - | - |
| Closing balance | - | - | 40,000 | - | - | - | - | - |
| Deposit and other accounts | | | | | | | | |
| Opening balance | 587,452 | 816,406 | 4,876,833 | 536,801 | 821,526 | 580,986 | 4,021,911 | 1,412,440 |
| Received during the period / year | 6,939,748 | 2,194,437 | 96,497,125 | 23,148,651 | 3,185,597 | 2,384,155 | 101,140,451 | 33,145,306 |
| Withdrawn during the period / year | (6,558,196) | (2,504,240) | (96,975,436) | (23,188,039) | (3,419,671) | (2,148,735) | (100,285,529) | (34,020,945) |
| Closing balance | 969,004 | 506,603 | 4,398,522 | 497,413 | 587,452 | 816,406 | 4,876,833 | 536,801 |
| Other Liabilities | | | | | | | | |
| Interest / mark-up payable | 5,406 | 2,253 | 13,540 | 3,040 | 652 | 2,240 | 20,861 | 6,897 |
| Payable to staff retirement fund | - | - | - | 1,009,992 | - | - | - | 703,992 |
| L/C acceptances | - | - | 536,051 | - | - | - | 532,718 | - |
| Other liabilities | - | 378 | 2 | - | - | - | - | - |
| Contingencies and Commitments | | | | | | | | |
| | - | - | 1,216,209 | - | - | - | 729,458 | - |
| Other Transactions - Investor Portfolio Securities | | | | | | | | |
| Opening balance | - | - | 201,000 | 8,132,000 | - | - | 21,000 | 3,827,000 |
| Increased during the period / year | 30,000 | - | 1,487,440 | 6,987,000 | - | - | 416,000 | 15,445,000 |
| Decreased during the period / year | (30,000) | - | (946,100) | (9,687,000) | - | - | (236,000) | (11,140,000) |
| Closing balance | - | - | 742,340 | 5,432,000 | - | - | 201,000 | 8,132,000 |



35.1 RELATED PARTY TRANSACTIONS

| | 30 September 2019 (Un-audited) | | | | 30 September 2018 (Un-audited) | | | |
|---|--------------------------------|--------------------------|------------|-----------------------|--------------------------------|--------------------------|------------|-----------------------|
| | Directors | Key management personnel | Associates | Other related parties | Directors | Key management personnel | Associates | Other related parties |
| (Rupees in '000) | | | | | | | | |
| Income | | | | | | | | |
| Mark-up / return / interest earned | – | 3,875 | 191,850 | – | 3 | 2,156 | 60,429 | – |
| Fee and commission income | 18 | 85 | 12,818 | – | 15 | 31 | 5,088 | – |
| Dividend income | – | – | 49,072 | – | – | – | 35,101 | – |
| Net gain / (loss) on sale / redemption of securities / mutual funds | – | – | – | – | – | – | – | (16) |
| Other income | 1 | – | 222 | 140 | – | – | 135 | 119 |
| Expense | | | | | | | | |
| Mark-up / return / interest expensed | 56,897 | 30,474 | 258,836 | 61,145 | 24,858 | 22,064 | 119,485 | 39,598 |
| Operating expenses | – | – | 4,011 | – | – | – | 545 | – |
| Salaries and allowances | – | 386,052 | – | – | – | 308,034 | – | – |
| Bonus | – | 50,431 | – | – | – | 36,174 | – | – |
| Contribution to defined contribution plan | – | 19,407 | – | – | – | 14,090 | – | – |
| Contribution to defined benefit plan | – | 49,861 | – | – | – | 35,534 | – | – |
| Staff provident fund | – | – | – | 396,538 | – | – | – | 333,817 |
| Staff gratuity fund | – | – | – | 306,000 | – | – | – | 234,000 |
| Directors' fees | 33,850 | – | – | – | 29,075 | – | – | – |
| Donation | – | – | 4,500 | – | – | – | 2,250 | – |
| Insurance premium paid | – | – | 127,510 | – | – | – | 129,732 | – |
| Insurance claims settled | – | – | 22,177 | – | – | – | 17,560 | – |



36. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|---|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| Minimum Capital Requirement (MCR): | | |
| Paid-up capital | <u>11,114,254</u> | <u>11,114,254</u> |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | <u>48,903,631</u> | 43,614,511 |
| Eligible Additional Tier 1 (ADT 1) Capital | <u>6,750,000</u> | 6,750,000 |
| Total Eligible Tier 1 Capital | <u>55,653,631</u> | 50,364,511 |
| Eligible Tier 2 Capital | <u>16,509,995</u> | 14,381,722 |
| Total Eligible Capital (Tier 1 + Tier 2) | <u>72,163,626</u> | <u>64,746,233</u> |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | <u>416,309,847</u> | 408,712,722 |
| Market Risk | <u>10,533,902</u> | 8,590,756 |
| Operational Risk | <u>61,558,534</u> | 61,558,534 |
| Total | <u>488,402,283</u> | <u>478,862,012</u> |
| Common Equity Tier 1 Capital Adequacy ratio | <u>10.013%</u> | 9.108% |
| Tier 1 Capital Adequacy Ratio | <u>11.395%</u> | 10.518% |
| Total Capital Adequacy Ratio | <u>14.775%</u> | 13.521% |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | <u>55,653,631</u> | 50,364,511 |
| Total Exposures | <u>1,422,288,947</u> | 1,231,115,634 |
| Leverage Ratio | <u>3.913%</u> | 4.091% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | <u>326,047,635</u> | 360,946,772 |
| Total Net Cash Outflow | <u>128,643,409</u> | 111,556,296 |
| Liquidity Coverage Ratio | <u>253.451%</u> | 323.556% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | <u>777,735,701</u> | 707,901,854 |
| Total Required Stable Funding | <u>584,178,280</u> | 482,005,370 |
| Net Stable Funding Ratio | <u>133.133%</u> | 146.866% |



37. ISLAMIC BANKING BUSINESS

The Bank is operating 78 (31 December 2018: 71) Islamic banking branches and 141 (31 December 2018: 132) Islamic banking windows at the end of the period / year.

| | Note | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|------|--------------------------------------|----------------------------------|
| (Rupees in '000) | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 3,729,911 | 3,814,608 |
| Balances with other banks | | 2,695,284 | 5,164,063 |
| Due from financial institutions | 37.1 | 1,812,907 | – |
| Investments | 37.2 | 19,801,045 | 15,158,233 |
| Islamic financing and related assets - net | 37.3 | 47,623,349 | 49,690,533 |
| Fixed assets | | 342,194 | 326,841 |
| Intangible assets | | – | – |
| Due from Head Office | | – | – |
| Other assets | | 1,447,139 | 4,124,660 |
| Total Assets | | 77,451,829 | 78,278,938 |
| LIABILITIES | | | |
| Bills payable | | 59,373 | 21,052 |
| Due to financial institutions | | 8,202,514 | 6,438,783 |
| Deposits and other accounts | 37.4 | 55,029,132 | 57,230,315 |
| Due to Head Office | | 3,371,699 | 2,199,047 |
| Subordinated debt | | – | – |
| Other liabilities | | 2,372,637 | 5,289,933 |
| | | (69,035,355) | (71,179,130) |
| NET ASSETS | | 8,416,474 | 7,099,808 |
| REPRESENTED BY | | | |
| Islamic Banking Fund | | 6,800,000 | 6,200,000 |
| Reserves | | – | – |
| Deficit on revaluation of assets | | (152,654) | (28,940) |
| Unremitted profit | 37.8 | 1,769,128 | 928,748 |
| | | 8,416,474 | 7,099,808 |
| CONTINGENCIES AND COMMITMENTS | 37.5 | | |



The profit and loss account of the Bank's Islamic banking branches for the nine months period ended 30 September 2019 is as follows:

| | Note | (Un-audited) Nine months period ended | |
|----------------------------------|------|--|----------------------------------|
| | | 30 September 2019 | 30 September 2018 |
| (Rupees in '000) | | | |
| Profit / return earned | 37.6 | 5,779,346 | 2,557,108 |
| Profit / return expensed | 37.7 | (2,953,534) | (1,151,360) |
| Net Profit / return | | 2,825,812 | 1,405,748 |
| Other income | | | |
| Fee and commission income | | 166,862 | 128,846 |
| Dividend income | | 3,356 | 4,366 |
| Foreign exchange income | | 49,515 | 38,229 |
| Income / (loss) from derivatives | | - | - |
| Gain / (loss) on securities | | - | - |
| Other income | | 70,918 | 28,183 |
| Total other income | | 290,651 | 199,624 |
| Total income | | 3,116,463 | 1,605,372 |
| Other expenses | | | |
| Operating expenses | | (1,296,125) | (985,850) |
| Other charges | | - | - |
| Total other expenses | | (1,296,125) | (985,850) |
| Profit before provisions | | 1,820,338 | 619,522 |
| Provisions and write offs - net | | (51,210) | (27,494) |
| Profit for the period | | 1,769,128 | 592,028 |
| | | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
| | | (Rupees in '000) | |

37.1 Due from Financial Institutions

In local currency

Bai Muajjal Receivable from State Bank of Pakistan

1,812,907

-

37.1.1 Securities held as collateral against amounts due from financial institutions

30 September 2019 (Un-audited)

31 December 2018 (Audited)

| | 30 September 2019 (Un-audited) | | | 31 December 2018 (Audited) | | |
|-------------------|--------------------------------|--------------------------------|-----------|----------------------------|--------------------------------|-------|
| | Held by Bank | Further given as collateral | Total | Held by Bank | Further given as collateral | Total |
| (Rupees in '000) | | | | | | |
| GoP Ijarah Sukuks | 1,812,907 | - | 1,812,907 | - | - | - |

37.1.2 The GoP Ijarah Sukuks carry rates ranging from 10.39% to 10.49% (31 December 2018: Nil).



| 30 September 2019 (Un-audited) | | | | 31 December 2018 (Audited) | | | |
|--------------------------------|--------------------------------|------------------------|-------------------|-----------------------------|--------------------------------|------------------------|-------------------|
| Cost / amortised cost | Provision for diminution | (Deficit) / surplus | Carrying value | Cost / amortised cost | Provision for diminution | (Deficit) / surplus | Carrying value |

(Rupees in '000)

37.2 Investments by segments:

Federal Government Securities

| | | | | | | | | |
|---|------------|---|----------|------------|------------|---|----------|------------|
| - Ijarah Sukuks | 2,000,000 | - | (58,400) | 1,941,600 | 4,152,910 | - | (39,979) | 4,112,931 |
| - Neelum Jhelum Hydropower Co Ltd. Sukuk | 4,812,500 | - | - | 4,812,500 | 5,156,250 | - | - | 5,156,250 |
| - Bai Muajjal with Government of Pakistan | 9,832,865 | - | - | 9,832,865 | 2,386,820 | - | - | 2,386,820 |
| | 16,645,365 | - | (58,400) | 16,586,965 | 11,695,980 | - | (39,979) | 11,656,001 |

Shares

| | | | | | | | | |
|--------------------|--------|----------|---|--------|--------|----------|-------|--------|
| - Listed Companies | 97,442 | (56,869) | - | 40,573 | 97,442 | (41,345) | 3,596 | 59,693 |
|--------------------|--------|----------|---|--------|--------|----------|-------|--------|

Non Government Debt Securities

| | | | | | | | | |
|------------|-----------|---|----------|-----------|-----------|---|-------|-----------|
| - Listed | 1,499,636 | - | (94,254) | 1,405,382 | 1,635,901 | - | 7,444 | 1,643,345 |
| - Unlisted | 1,715,526 | - | - | 1,715,526 | 1,734,101 | - | - | 1,734,101 |
| | 3,215,162 | - | (94,254) | 3,120,908 | 3,370,002 | - | 7,444 | 3,377,446 |

Units of mutual funds

| | | | | | | | | |
|--|---------|----------|---|--------|---------|----------|---|--------|
| | 100,000 | (47,401) | - | 52,599 | 100,000 | (34,907) | - | 65,093 |
|--|---------|----------|---|--------|---------|----------|---|--------|

Total Investments

| | | | | | | | | |
|--|------------|-----------|-----------|------------|------------|----------|----------|------------|
| | 20,057,969 | (104,270) | (152,654) | 19,801,045 | 15,263,424 | (76,252) | (28,939) | 15,158,233 |
|--|------------|-----------|-----------|------------|------------|----------|----------|------------|

(Un-audited) (Audited)
30 September 2019 31 December 2018
(Rupees in '000)

37.3 Islamic financing and related assets

| | | |
|---|------------|------------|
| Ijarah | 2,541,970 | 2,854,541 |
| Murabaha | 8,589,320 | 10,034,698 |
| Diminishing Musharaka | 13,951,320 | 15,868,804 |
| Islamic Long Term Financing Facility (ILTFF) | 101,498 | - |
| Istisna | 2,356,320 | 1,471,282 |
| Islamic Export Refinance - Istisna | - | 1,523,700 |
| Musawamah | 2,905,027 | 3,166,895 |
| Running Musharaka | 3,473,327 | 4,271,620 |
| Islamic Export Refinance - Running Musharaka | 1,518,000 | 1,000,000 |
| Staff Financing | 388,166 | 210,540 |
| Advance against Musawamah | 1,222,341 | 1,079,782 |
| Advance against Istisna | 2,818,816 | 4,127,286 |
| Advance against Istisna - IERF | 4,875,000 | 2,600,100 |
| Advance against Ijarah | 45,122 | 305,071 |
| Advance against Diminishing Musharaka | 1,183,510 | 884,300 |
| Advance against ILTFF | 1,348,616 | 318,366 |
| Financing against Bills Musawamah | 354,640 | - |
| Gross Islamic financing and related assets | 47,672,993 | 49,716,985 |
| Less: provision against Islamic financings | | |
| - Specific | 27,185 | 4,187 |
| - General | 22,459 | 22,265 |
| | (49,644) | (26,452) |
| Islamic financing and related assets - net of provision | 47,623,349 | 49,690,533 |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 37.4 Deposits and other accounts | | |
| Customers | | |
| Current deposits | 20,870,992 | 20,283,223 |
| Savings deposits | 18,851,571 | 17,878,029 |
| Term deposits | 12,949,672 | 7,299,391 |
| | <u>52,672,235</u> | <u>45,460,643</u> |
| Financial institutions | | |
| Current deposits | 14,814 | 25,342 |
| Savings deposits | 2,342,083 | 11,744,330 |
| | <u>2,356,897</u> | <u>11,769,672</u> |
| | <u>55,029,132</u> | <u>57,230,315</u> |
| 37.5 CONTINGENCIES AND COMMITMENTS | | |
| Guarantees | 3,259,938 | 2,573,724 |
| Commitments | 5,316,325 | 5,766,253 |
| | <u>8,576,263</u> | <u>8,339,977</u> |
| | | |
| | (Un-audited) | |
| | Nine months period ended | |
| | 30 September 2019 | 30 September 2018 |
| | (Rupees in '000) | |
| 37.6 Profit / Return Earned of Financing, Investments and Placement | | |
| Profit earned on: | | |
| Financing | 3,736,806 | 1,911,951 |
| Investments | 1,623,700 | 608,765 |
| Placements | 418,840 | 36,392 |
| | <u>5,779,346</u> | <u>2,557,108</u> |
| 37.7 Profit on Deposits and Other Dues Expensed | | |
| Deposits and other accounts | 2,792,156 | 1,017,664 |
| Due to Financial Institutions | 107,691 | 68,886 |
| Due to Head Office | 53,687 | 64,810 |
| | <u>2,953,534</u> | <u>1,151,360</u> |



| | (Un-audited) 30 September 2019 | (Audited) 31 December 2018 |
|--|--------------------------------------|----------------------------------|
| | (Rupees in '000) | |
| 37.8 Islamic Banking Business Unappropriated Profit | | |
| Opening Balance | 928,748 | 422,821 |
| Add: Islamic Banking profit for the period / year | 1,769,128 | 928,748 |
| Less: Remitted to Head Office | (928,748) | (422,821) |
| Closing Balance | <u>1,769,128</u> | <u>928,748</u> |

37.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

37.9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk & reward characteristics:

General Pool PKR (Mudaraba)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the general pool.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. The weightages are also declared separately.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Separate Pool for Ministry of Religious Affairs (MORA) for Hajj Purpose

Separate Pool for Ministry of Religious Affairs is created in order to share return with the ministry on Deposit of Hajj dues as per the contract with Government.

Musharakah Pool for Islamic Financial Institutions

Separate Musharakah pools are created in order to meet short term liquidity requirements. The said pool comprises of Islamic Financial Institutions only.



Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations Pakistan.
- Element of risk attached to various types of investments.
- SBP rules & Shariah clearance.

37.9.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical & Pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes & leather garments
- Investment in Sukuk, shares and mutual funds
- Production and transmission of energy
- Food and Allied except Sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (Domestic Whole Sale, Engineering Goods, Plastic Product, etc.)

37.9.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, Shares, Mutual Funds and Sukuks etc.

The Bank calculates the profit of the pool after every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of Murabaha, cost of Takaful, Depreciation on Ijarah Assets, amortization of premium on sukuks and loss of investments directly incurred in deriving that income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the period was 50% (31 December 2018: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2018: 50%) of net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.



In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.

37.9.4 Mudarib share & HIBA distributed to depositor's pool and specific pool

| | 30 September 2019 (Un-audited) | | | | |
|----------|--|-----------------------------------|-------------------------------|---------------------------------|----------------------|
| | Distributable Income (Rupees in '000) | Mudarib Share (Rupees in '000) | Mudarib Share (Percentage) | HIBA Amount (Rupees in '000) | HIBA (Percentage) |
| LCY Pool | 3,825,265 | 1,436,000 | 37.54% | 409,258 | 28.50% |
| FCY Pool | 18,040 | 17,145 | 95.04% | 1,731 | 10.10% |
| | 30 September 2018 (Un-audited) | | | | |
| LCY Pool | 1,658,079 | 723,525 | 43.64% | 137,329 | 18.98% |
| FCY Pool | 10,094 | 9,588 | 94.99% | 506 | 5.28% |

37.9.5 Profit rate earned vs. profit rate distributed to the depositors during the period

| | (Un-audited) Nine months period ended | |
|-------------------------|--|--------------------------------------|
| | 30 September 2019 (Percentage) | 30 September 2018 (Percentage) |
| Profit rate earned | 10.43% | 6.41% |
| Profit rate distributed | 6.52% | 3.45% |

38. GENERAL

38.1 Captions in respect of which there are no amounts, have not been reproduced in these consolidated condensed interim financial statements, except for captions of the statement of financial position and profit and loss account.

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

38.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by SBP vide BPRD Circular Letter No. 05 of 2019.

39. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 24 October 2019.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED MAZHAR ABBAS
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman