

هَذَا مِنْ فَضْلِ رَبِّي



CONTENTS

Corporate Information	2
Directors' Review	4
Unconsolidated Condensed Interim Statement of Financial Position	6
Unconsolidated Condensed Interim Profit and Loss Account	7
Unconsolidated Condensed Interim Statement of Comprehensive Income	8
Unconsolidated Condensed Interim Statement of Changes in Equity	9
Unconsolidated Condensed Interim Cash Flow Statement	10
Notes to the Unconsolidated Condensed Interim Financial Statements	11
Consolidated Financial Statements	47



CORPORATE INFORMATION

Board of Directors	Abbas D. Habib Anwar Haji Karim Farhana Mowjee Khan Syed Mazhar Abbas Qumail R. Habib Safar Ali Lakhani Syed Hasan Ali Bukhari Murtaza H. Habib Arshad Nasar Adnan Afridi	<i>Chairman</i>
		<i>Executive Director</i>
Audit Committee	Mansoor Ali Khan	<i>Chief Executive</i>
	Safar Ali Lakhani Syed Mazhar Abbas Anwar Haji Karim Syed Hasan Ali Bukhari Arshad Nasar	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Human Resource & Remuneration Committee	Syed Hasan Ali Bukhari Syed Mazhar Abbas Abbas D. Habib Farhana Mowjee Khan Arshad Nasar	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Credit Risk Management Committee	Syed Mazhar Abbas Safar Ali Lakhani Qumail R. Habib Syed Hasan Ali Bukhari Murtaza H. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Risk Management Committee	Adnan Afridi Qumail R. Habib Farhana Mowjee Khan Anwar Haji Karim Safar Ali Lakhani	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
IT Committee	Abbas D. Habib Qumail R. Habib Arshad Nasar Syed Mazhar Abbas Mansoor Ali Khan	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	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 quarter ended March 31, 2020.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 990.7 billion as compared to Rs. 903.7 billion on December 31, 2019. In the same period, advances increased to Rs. 528.2 billion from Rs. 488.7 billion, while investments increased to Rs. 636.6 billion from Rs. 586.1 billion. The pre-tax profit of the Bank for the quarter ended March 31, 2020 was Rs. 4.79 billion as compared to Rs. 4.44 billion during the corresponding period last year. The profit after tax for the quarter ended March 31, 2020 was Rs. 2.86 billion compared with Rs. 2.06 billion during 2019.

By the Grace of Allah, the Bank now has a network of 786 offices, comprising 745 branches, 37 sub-branches, and 4 Representative Offices. Our branch network includes 87 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2020.

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 and 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: April 23, 2020



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 31 مارچ 2020 کو ختم ہونے والی سہ ماہی کے لئے بینک الحبیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحبیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنی الحبیب کیپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 31 مارچ 2020 کو ختم ہونے والی سہ ماہی میں ڈپازٹس بڑھ کر 990.7 بلین روپے ہو گئے، جو کہ 31 دسمبر 2019 کو 903.7 بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز 488.7 بلین روپے سے بڑھ کر 528.2 بلین روپے ہو گئے اور سرمایہ کاری 586.1 بلین روپے سے بڑھ کر 636.6 بلین روپے ہو گئی۔ 31 مارچ 2020 کو ختم ہونے والی سہ ماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع 4.79 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 4.44 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 31 مارچ 2020 کو ختم ہونے والی مدت کے لئے 2.86 بلین روپے رہا، جبکہ گزشتہ سال یہ 2.06 بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 786 دفاتر پر مشتمل ہے، جس میں 745 برانچز، 37 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب 87 اسلامی بینکاری برانچز اور 3 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال 2020 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 انسکیورڈ، سہارڈینیٹڈ ٹرم فنانس سرٹیفکیٹس کی ریٹنگز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA- (ڈبل اے مائنس) برائے TFC-2017 (پریپچول) ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں 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
چیئرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۲۳ اپریل ۲۰۲۰ء



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

	Note	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
ASSETS			
Cash and balances with treasury banks	6	86,626,093	113,838,791
Balances with other banks	7	11,894,769	9,523,969
Lendings to financial institutions	8	2,539,346	1,857,575
Investments	9	636,623,962	586,140,504
Advances	10	528,223,256	488,669,447
Fixed assets	11	37,495,058	36,562,508
Intangible assets	12	299,409	365,428
Deferred tax assets		—	—
Other assets	13	72,122,736	61,723,889
		1,375,824,629	1,298,682,111
LIABILITIES			
Bills payable	15	15,764,718	20,131,529
Borrowings	16	200,373,694	228,745,034
Deposits and other accounts	17	990,731,792	903,739,926
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	14,992,000	14,992,800
Deferred tax liabilities	19	2,208,059	1,380,189
Other liabilities	20	85,030,353	68,189,523
		1,309,100,616	1,237,179,001
NET ASSETS		66,724,013	61,503,110
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		17,227,470	16,467,282
Surplus on revaluation of assets	21	7,882,983	6,013,816
Unappropriated profit		30,499,306	27,907,758
		66,724,013	61,503,110
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

		Three months period ended	
	Note	31 March 2020	31 March 2019
		(Rupees in '000)	
Mark - up / return / interest earned	24	32,374,050	21,511,231
Mark - up / return / interest expensed	25	(21,117,498)	(11,662,935)
Net mark - up / interest income		11,256,552	9,848,296
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	1,634,566	1,382,355
Dividend income		76,582	86,162
Foreign exchange income		374,322	264,669
Income / (loss) from derivatives		-	-
Gain on securities - net	27	17	11,826
Other income	28	204,035	136,437
Total non mark - up / interest income		2,289,522	1,881,449
Total income		13,546,074	11,729,745
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	29	(8,304,421)	(6,447,283)
Workers welfare fund		(109,340)	(103,862)
Other charges	30	(248)	(10,493)
Total non mark - up / interest expenses		(8,414,009)	(6,561,638)
Profit before provisions		5,132,065	5,168,107
Provisions and write offs - net	31	(341,827)	(724,641)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,790,238	4,443,466
Taxation	32	(1,930,954)	(2,382,210)
PROFIT AFTER TAXATION		2,859,284	2,061,256
		(Rupees)	
Basic and diluted earnings per share	33	2.57	1.85

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



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

	Three months period ended	
	31 March 2020	31 March 2019
	(Rupees in '000)	
Profit after taxation for the period	2,859,284	2,061,256
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	474,260	84,229
Movement in surplus on revaluation of investments - net of tax	1,887,359	504,517
	2,361,619	588,746
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>	—	—
Total comprehensive income	5,220,903	2,650,002

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



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

	Note	31 March 2020 (Rupees in '000)	31 March 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,790,238	4,443,466
Less: Dividend income		(76,582)	(86,162)
		4,713,656	4,357,304
Adjustments:			
Depreciation		661,765	597,985
Depreciation on right - of - use assets		390,292	
Amortisation		82,136	35,929
Provisions and write-offs - net	31	341,827	724,641
Gain on sale of fixed assets		(107,663)	(70,452)
Charge for defined benefit plan		106,500	102,000
Gain on securities - net		(17)	(11,826)
Charge for compensated absences		30,385	24,374
Mark - up expense on lease liability against right - of - use assets		209,096	-
		1,714,321	1,402,651
		6,427,977	5,759,955
(Increase) / decrease in operating assets			
Lendings to financial institutions		(681,771)	(21,673,478)
Held - for - trading securities		-	(11,566)
Advances		(39,604,663)	17,236,928
Other assets (excluding advance taxation)		(9,682,242)	(2,585,183)
		(49,968,676)	(7,033,299)
(Decrease) / increase in operating liabilities			
Bills payable		(4,366,811)	(3,636,166)
Borrowings from financial institutions		(28,927,993)	(49,536,647)
Deposits		86,991,866	16,602,483
Other liabilities		16,579,529	4,834,784
		70,276,591	(31,735,546)
		26,735,892	(33,008,890)
Income tax paid		(2,812,406)	(1,511,192)
Net cash flow from / (used in) operating activities		23,923,486	(34,520,082)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(61,368,809)	45,939,691
Net investments in held to maturity securities		13,492,744	(16,874,568)
Dividends received		50,828	51,197
Investments in operating fixed assets		(1,441,442)	(960,743)
Proceeds from sale of fixed assets		125,981	83,126
Exchange differences on translation of net investment in foreign branches		474,260	84,229
Net cash (used in) / from investing activities		(48,666,438)	28,322,932
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(800)	(800)
Dividend paid		(5,707)	(19,879)
Payment against lease liabilities		(649,092)	-
Net cash used in financing activities		(655,599)	(20,679)
Decrease in cash and cash equivalents		(25,398,551)	(6,217,829)
Cash and cash equivalents at beginning of the period		122,458,343	82,075,690
Cash and cash equivalents at end of the period		97,059,792	75,857,861

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



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

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 745 branches (31 December 2019: 718 branches), 37 sub-branches (31 December 2019: 37 sub-branches) and 04 representative offices (31 December 2019: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2019: 03 overseas branches) and 87 Islamic Banking branches (31 December 2019: 83 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 2019.
- 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 consolidated 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 39 to these unconsolidated condensed interim financial statements.
- 2.4** These are separate 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.

2.5 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, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by 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 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.

3. ACCOUNTING POLICY

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, 2019.

3.1 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.

Standard, Interpretation or Amendment

IAS 1 Presentation of Financial Statements

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IFRS 3 Business Combinations



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

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has directed the Bank to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 31 August 2020 as required under BPRD Circular Letter No. 15 of 2020 dated 26 March 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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, 2019.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019.

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months of 2020, affecting the earnings and cash flows of businesses. The scale and duration of the COVID-19 pandemic remains uncertain till date. In addition, SPB has issued circulars allowing certain regulatory relief like reduction in margin requirements, Capital Conservation Buffer (CCB), relief in principal repayments / mark-up and recording of impairment in securities etc. to dampen the effect of the COVID-19. The management is continuously assessing the potential impact.



	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	27,944,087	19,497,716
Foreign currencies	2,050,321	2,062,958
	29,994,408	21,560,674
In transit:		
Local currency	766,062	481,699
Foreign currencies	2,477	676,471
	768,539	1,158,170
With State Bank of Pakistan in:		
Local currency current accounts	34,455,388	59,153,555
Local currency current accounts - Islamic Banking	2,558,589	3,140,622
Foreign currency deposit accounts		
Cash reserve account	3,292,398	3,236,315
Cash reserve / special cash reserve accounts		
- Islamic Banking	275,976	256,350
Special cash reserve account	9,877,194	9,708,945
Local US Dollar collection account	83,304	303,328
	50,542,849	75,799,115
With National Bank of Pakistan in:		
Local currency current accounts	5,162,642	14,944,966
Prize bonds	157,655	375,866
	86,626,093	113,838,791
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	386,918	309,409
In deposit account	3,500,000	7,000,000
In saving account	596,395	508,791
	4,483,313	7,818,200
Outside Pakistan:		
In current account	1,868,222	1,642,734
In deposit account	5,543,238	63,037
	7,411,460	1,705,771
	11,894,773	9,523,971
Less: impairment against IFRS 9 in overseas branches	(4)	(2)
	11,894,769	9,523,969
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
- Pakistan Investment Bonds	500,000	—
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,039,346	1,857,575
	2,539,346	1,857,575



9. INVESTMENTS

	Note	31 March 2020 (Un-audited)				31 December 2019 (Audited)			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
					(Rupees in '000)				
9.1 Investments by type:									
Available-for-sale securities									
Federal Government Securities		477,043,244	(217,673)	7,892,701	484,718,272	419,402,570	(187,265)	1,895,941	421,111,246
Shares		4,326,103	(1,787,889)	(159,804)	2,378,410	4,326,102	(1,567,064)	428,546	3,187,584
Non Government Debt Securities		6,041,342	–	(147,627)	5,893,715	5,586,804	–	(141,759)	5,445,045
Foreign Securities		7,018,574	(42,364)	(2,309,869)	4,666,341	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds		5,925,000	(434,903)	(4,274)	5,485,823	3,125,000	(373,875)	233,167	2,984,292
		500,354,263	(2,482,829)	5,271,127	503,142,561	438,964,699	(2,169,452)	2,367,499	439,162,746
Held-to-maturity securities									
	9.3								
Federal Government Securities		131,623,989	(45,456)	–	131,578,533	145,152,375	(41,871)	–	145,110,504
Non Government Debt Securities		46,632	–	–	46,632	46,632	–	–	46,632
Foreign Securities		503,389	(499)	–	502,890	467,747	(471)	–	467,276
		132,174,010	(45,955)	–	132,128,055	145,666,754	(42,342)	–	145,624,412
Associates									
		1,153,346	–	–	1,153,346	1,153,346	–	–	1,153,346
Subsidiary									
		200,000	–	–	200,000	200,000	–	–	200,000
Total Investments									
		633,881,619	(2,528,784)	5,271,127	636,623,962	585,984,799	(2,211,794)	2,367,499	586,140,504



(Un-audited) (Audited)
31 March 31 December
2020 2019
(Rupees in '000)

9.1.1 Investments given as collateral

Market Treasury Bills

Carrying value	120,151,392	153,188,536
Surplus	1,451,936	276,366
	<u>121,603,328</u>	<u>153,464,902</u>

9.2 Provision for diminution in the value of investments

Available for sale investments:

Opening balance	2,211,794	558,769
Exchange adjustments against IFRS 9 in overseas branches	20,739	2,909

Charge / reversals

Charge for the period / year	281,852	1,418,245
Charge of impairment as per IFRS 9 in overseas branches for the period / year	14,399	231,871
	296,251	1,650,116

Closing Balance	<u>2,528,784</u>	<u>2,211,794</u>
-----------------	-------------------------	------------------

9.3 The market value of securities classified as held to maturity at 31 March 2020 amounted to Rs. 139,390 million (31 December 2019: Rs. 148,608 million).



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	31 March	31 December	31 March	31 December	31 March	31 December
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	451,070,045	407,463,485	7,027,599	6,989,020	458,097,644	414,452,505
Islamic financing and related assets	51,628,485	50,662,682	81,238	82,542	51,709,723	50,745,224
Bills discounted and purchased	28,029,269	32,876,085	200,623	186,354	28,229,892	33,062,439
Advances - gross	530,727,799	491,002,252	7,309,460	7,257,916	538,037,259	498,260,168
Provision against advances						
– Specific	–	–	6,424,900	6,201,412	6,424,900	6,201,412
– General as per regulations	263,290	263,290	–	–	263,290	263,290
– General	3,000,000	3,000,000	–	–	3,000,000	3,000,000
– As per IFRS 9 in overseas branches	125,813	126,019	–	–	125,813	126,019
	3,389,103	3,389,309	6,424,900	6,201,412	9,814,003	9,590,721
Advances - net of provision	527,338,696	487,612,943	884,560	1,056,504	528,223,256	488,669,447

(Un-audited) (Audited)
31 March 31 December
2020 2019
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency	444,186,084	409,294,620
In foreign currencies	93,851,175	88,965,548
	538,037,259	498,260,168

10.2 Advances include Rs. 7,309.460 million (31 December 2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing	Provision	Non Performing	Provision
	Loans		Loans	
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	73,066	615	82,730	456
Substandard	121,651	29,615	377,335	84,250
Doubtful	1,215,702	603,286	1,014,818	503,459
Loss	3,724,310	3,703,640	3,696,404	3,681,349
	5,134,729	4,337,156	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	178,141	91,154	913,445	758,714
> 365 days	1,996,590	1,996,590	1,173,184	1,173,184
	2,174,731	2,087,744	2,086,629	1,931,898
Total	7,309,460	6,424,900	7,257,916	6,201,412



10.3 Particulars of provision against advances

Note	31 March 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments	162,781	9,647	172,428	104,015	16,608	120,623
Charge for the period / year						
- Specific provision	111,798	-	111,798	2,092,790	-	2,092,790
- General provision as per regulations 10.3.1	-	-	-	-	25,191	25,191
- As per IFRS 9 in overseas branches 10.3.2	-	(9,853)	(9,853)	-	(30,774)	(30,774)
Reversals	(51,091)	-	(51,091)	(345,809)	-	(345,809)
	60,707	(9,853)	50,854	1,746,981	(5,583)	1,741,398
Amounts written off	-	-	-	(1,479)	-	(1,479)
Closing balance	6,424,900	3,389,103	9,814,003	6,201,412	3,389,309	9,590,721

10.3.1 General provision represents provision amounting to Rs. 263.290 million (31 December 2019: Rs. 263.290 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. 125.813 million (31 December 2019: Rs. 126.019 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 31 March 2020 amounts to Rs. 3,000 million (31 December 2019: 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) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,445,787	1,597,551
Property and equipment	11.2	36,049,271	34,964,957
		<u>37,495,058</u>	<u>36,562,508</u>
11.1 Capital work-in-progress			
Civil works		483,609	652,132
Advance payment for purchase of equipments		90,921	68,212
Advance payment towards suppliers, contractors and property		846,993	854,366
Consultants' fee and other charges		24,264	22,841
		<u>1,445,787</u>	<u>1,597,551</u>
11.2	This includes right-of-use assets amounting to Rs. 8,384.161 million (31 December 2019: Rs. 8,198.691 million).		
11.3 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Three months period ended	
		31 March 2020	31 March 2019
		(Rupees in '000)	
Capital work-in-progress		1,041,801	759,767
Property and equipment			
Leasehold land		159,888	—
Building on leasehold land		752,303	9,842
Furniture and fixture		76,481	73,384
Electrical, office and computer equipment		390,689	154,061
Vehicles		146,871	100,393
Improvements to leasehold building		50,857	45,838
		<u>1,577,089</u>	<u>383,518</u>
Total		<u>2,618,890</u>	<u>1,143,285</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		1,007	1,464
Electrical, office and computer equipment		1,246	1,825
Vehicles		16,065	8,318
Improvements to leasehold building		—	1,067
Total		<u>18,318</u>	<u>12,674</u>



		(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
12. INTANGIBLE ASSETS			
Computer software		299,409	365,428
		(Un-audited) Three months period ended 31 March 2020	31 March 2019 (Rupees in '000)
12.1 Additions to intangible assets			
Directly purchased		16,117	130
		(Un-audited) 31 March 2020	(Audited) 31 December 2019
13. OTHER ASSETS	Note		
Income / mark-up accrued in local currency - net of provision		13,974,880	19,895,629
Income / mark-up accrued in foreign currencies - net of provision		952,283	600,408
Advances, deposits, advance rent and other prepayments		876,062	581,084
Advance taxation (payments less provisions)		1,375,289	682,237
Non-banking assets acquired in satisfaction of claims		873,544	874,900
Mark to market gain on forward foreign exchange contracts		5,336,447	1,032,137
Acceptances		46,622,752	36,264,680
Stationery and stamps on hand		272,658	240,307
Receivable from SBP on encashment of Government Securities		60,691	41,680
ATM settlement account		891,662	239,233
Others		860,215	1,244,495
		72,096,483	61,696,790
Less: Provision held against other assets	13.1	(7,747)	(7,383)
Other Assets (net of provision)		72,088,736	61,689,407
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		34,000	34,482
Other Assets - total		72,122,736	61,723,889



	Note	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
13.1 Provision held against other assets			
Receivable against consumer loans	13.1.1	7,747	7,383
13.1.1 Movement in provision held against other assets			
Opening balance		7,383	7,279
Charge for the period / year		1,120	2,108
Reversals for the period / year		(756)	(1,658)
		364	450
Amount written off		–	(346)
Closing balance		7,747	7,383
14. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 31 March 2020 (31 December 2019: Nil).			
15. BILLS PAYABLE			
In Pakistan		15,764,718	20,131,529
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		47,480,834	42,657,650
Under renewable energy		5,094,407	3,946,903
Under long term financing for imported and locally manufactured plant and machinery		20,896,286	19,796,175
Under modernisation of small and medium enterprises		330,929	310,422
Under women entrepreneurship		19,098	19,159
Under financing facility for storage of agricultural produce		90,092	2,869
		73,911,646	66,733,178
Repurchase agreement borrowings		121,500,422	153,365,059
Borrowing from financial institutions		2,500,556	7,742,380
Total secured		197,912,624	227,840,617
Unsecured			
Call borrowings		1,000,000	–
Overdrawn nostro accounts		1,461,070	904,417
Total unsecured		2,461,070	904,417
		200,373,694	228,745,034



17. DEPOSITS AND OTHER ACCOUNTS

	31 March 2020 (Un-audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	295,792,119	37,403,479	333,195,598	280,876,055	34,758,774	315,634,829
Savings deposits	243,960,282	39,590,037	283,550,319	222,230,042	38,657,119	260,887,161
Term deposits	174,132,254	39,899,011	214,031,265	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	124,367,055	677,837	125,044,892	96,456,401	771,529	97,227,930
Others	12,610,586	8,192,425	20,803,011	11,695,770	8,186,073	19,881,843
	<u>850,862,296</u>	<u>125,762,789</u>	<u>976,625,085</u>	<u>773,374,468</u>	<u>116,364,047</u>	<u>889,738,515</u>
Financial institutions						
Current deposits	2,959,843	224,806	3,184,649	1,717,795	1,234,067	2,951,862
Savings deposits	2,637,503	405	2,637,908	4,407,712	16	4,407,728
Term deposits	1,575,000	103,690	1,678,690	1,750,000	114,123	1,864,123
Current deposits - remunerative	6,351,147	245,099	6,596,246	4,578,433	192,643	4,771,076
Others	9,214	–	9,214	6,622	–	6,622
	<u>13,532,707</u>	<u>574,000</u>	<u>14,106,707</u>	<u>12,460,562</u>	<u>1,540,849</u>	<u>14,001,411</u>
	<u>864,395,003</u>	<u>126,336,789</u>	<u>990,731,792</u>	<u>785,835,030</u>	<u>117,904,896</u>	<u>903,739,926</u>

	Note	(Un-audited) 31 March 2020	(Audited) 31 December 2019
		(Rupees in '000)	
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	3,993,600	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.3	3,998,400	3,998,400
		<u>14,992,000</u>	<u>14,992,800</u>



18.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	semi - annually
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 (subject to a cap) and / or have them immediately written off (either partially or in full).

18.2 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	Neither 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 (subject to a cap) and / or have them immediately written off (either partially or in full).



18.3 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%; per each semi-annual period; 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 (subject to a cap) and / or have them immediately written off (either partially or in full).

(Un-audited) (Audited)
31 March 31 December
2020 2019
(Rupees in '000)

19. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on

Accelerated tax depreciation	901,303	960,038
Surplus on revaluation of fixed assets / non - banking assets	974,666	984,461
Remeasurement of defined benefit plan	165,629	165,629
Surplus on revaluation of available for sale investments	1,844,894	828,625
	3,886,492	2,938,753

Deductible Temporary Differences on

Provision against diminution in the value of investments	(776,552)	(677,904)
Provision against loans and advances, off balance sheet, etc.	(743,420)	(731,573)
Impairment as per IFRS 9 in overseas branches	(158,461)	(149,087)
	(1,678,433)	(1,558,564)
	2,208,059	1,380,189



	(Un-audited) 31 March 2020	(Audited) 31 December 2019
Note		
	(Rupees in '000)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	4,302,210	4,945,307
Mark-up / return / interest payable in foreign currencies	286,745	253,120
Unearned commission income	237,065	241,742
Accrued expenses	2,289,790	1,281,288
Acceptances	46,622,752	36,264,680
Unclaimed dividends	420,818	426,525
Mark to market loss on forward foreign exchange contracts	4,000,362	1,767,178
Branch adjustment account	4,227,019	2,336,825
Payable to defined benefit plan	579,726	473,227
Charity payable	42,677	43,474
Provision against off - balance sheet items	20.1 125,951	129,369
Security deposits against leases / ijarah	6,659,858	6,532,535
Provision for compensated absences	753,800	722,300
Special exporters' accounts in foreign currencies	64,033	194,604
Other security deposits	611,551	592,271
Workers' welfare fund	1,860,917	1,751,577
Payable to SBP / NBP	1,299,073	210,373
Payable to supplier against murabaha	336,631	186,648
Insurance payable	482,573	455,266
Lease liability against right - of - use assets	8,452,485	8,316,718
Others	1,374,317	1,064,496
	<u>85,030,353</u>	<u>68,189,523</u>
20.1 Provision against off-balance sheet obligations		
Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	2,226	9,738
Charge for the period / year	4,734	30,897
Reversals for the period / year	(10,378)	(27,866)
	(5,644)	3,031
Closing balance	<u>125,951</u>	<u>129,369</u>



		(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
	Note		
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of:			
- Available for sale securities	9.1	5,271,127	2,367,499
- Fixed assets		5,467,762	5,495,269
- Non-banking assets acquired in satisfaction of claims		34,000	34,482
		10,772,889	7,897,250
Deferred tax on surplus on revaluation of:			
- Available for sale securities		1,844,894	828,625
- Fixed assets		1,039,641	1,049,269
- Non-banking assets acquired in satisfaction of claims		5,371	5,540
		2,889,906	1,883,434
		7,882,983	6,013,816
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	85,863,122	81,086,627
Commitments	22.2	348,414,453	346,877,061
Other contingent liabilities	22.3	4,643,206	4,673,685
		438,920,781	432,637,373
22.1 Guarantees:			
Financial guarantees		17,950,623	16,237,352
Performance guarantees		67,912,499	64,849,275
		85,863,122	81,086,627
22.2 Commitments:			
Documentary credits and short term trade-related transactions			
- letters of credit		157,966,275	145,745,358
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	185,211,598	197,844,773
- forward lendings	22.2.2	4,277,345	2,214,998
Commitments for acquisition of:			
- Operating fixed assets		959,235	1,071,932
		348,414,453	346,877,061
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		96,694,312	106,704,798
Sale		88,517,286	91,139,975
		185,211,598	197,844,773
The maturities of above contracts are spread over the periods upto one year.			
22.2.2 Commitments in respect of forward lending			
		4,277,345	2,214,998
22.2.2.1 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) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
22.3 Claims against the Bank not acknowledged as debts	4,643,206	4,673,685
22.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2018 (Tax Year 2019). The income tax assessments of the Bank are complete upto tax year 2017.

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. 482.233 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. 347.617 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. 207.679 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 2017 (Accounting Year 2016) by disallowing certain expenses resulting in an impact of Rs. 198.516 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.



23. DERIVATIVE INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter - bank foreign exchange market.

23.1 Product Analysis

Counter Parties	31 March 2020 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
			(Rupees in '000)			
Banks						
Hedging	12,896,774	(64,392)	89,414,720	(3,323,834)	102,311,494	(3,388,226)
Other Entities						
Hedging	82,900,104	4,724,311	–	–	82,900,104	4,724,311
Total						
Hedging	95,796,878	4,659,919	89,414,720	(3,323,834)	185,211,598	1,336,085
			31 December 2019 (Audited)			
			(Rupees in '000)			
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	–	–	61,436,210	156,206
Total						
Hedging	68,097,975	182,674	129,746,798	(917,715)	197,844,773	(735,041)



23.2 Maturity Analysis

31 March 2020 (Un-audited)					
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	250	59,921,256	(1,831,644)	470,804	(1,360,840)
1 to 3 months	585	60,205,145	(1,529,192)	1,680,815	151,623
3 to 6 months	911	61,363,141	(627,040)	2,875,271	2,248,231
6 months to 1 year	62	3,722,056	-	297,071	297,071
	<u>1,808</u>	<u>185,211,598</u>	<u>(3,987,876)</u>	<u>5,323,961</u>	<u>1,336,085</u>
31 December 2019 (Audited)					
(Rupees in '000)					
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	<u>1,332</u>	<u>197,844,773</u>	<u>(1,767,178)</u>	<u>1,032,137</u>	<u>(735,041)</u>

(Un-audited)
Three months period ended
31 March 2020 31 March 2019
(Rupees in '000)

24. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	13,466,264	10,842,903
On investments	18,581,057	10,073,222
On deposits with financial institutions	183,831	120,809
On securities purchased under resale agreements	62,850	434,962
On call money lendings	80,048	39,335
	<u>32,374,050</u>	<u>21,511,231</u>



		(Un-audited)	
		Three months period ended	
	Note	31 March 2020	31 March 2019
		(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		15,382,268	9,875,424
Borrowings from SBP		348,609	266,484
Subordinated debt		548,740	415,291
Cost of foreign currency swaps		145,996	225,665
Repurchase agreement borrowings		4,465,926	785,816
Other borrowings		225,959	94,255
		<u>21,117,498</u>	<u>11,662,935</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		276,246	276,234
Consumer finance related fees		2,750	12,538
Card related fees (debit and credit cards)		136,737	99,763
Credit related fees		73,997	22,790
Commission on trade		985,651	801,980
Commission on guarantees		94,027	98,210
Commission on cash management		45,820	51,086
Commission on home remittances		18,468	12,756
Others		870	6,998
		<u>1,634,566</u>	<u>1,382,355</u>
27. GAIN ON SECURITIES - NET			
Realised	27.1	17	21,759
Unrealised - held for trading		–	(9,933)
		<u>17</u>	<u>11,826</u>
27.1 Realised gain on:			
Federal Government Securities		17	6
Shares		–	21,753
		<u>17</u>	<u>21,759</u>
28. OTHER INCOME			
Rent on property		525	525
Gain on sale of fixed assets - net		107,663	70,452
Recovery of expenses from customers		93,071	61,459
Lockers rent		2,586	2,706
Others		190	1,295
		<u>204,035</u>	<u>136,437</u>



(Un-audited)
Three months period ended
31 March 31 March
2020 2019
(Rupees in '000)

29. OPERATING EXPENSES

Total compensation expenses	3,931,792	2,876,441
Property expenses		
Rent and taxes	107,509	105,180
Insurance	4,353	3,861
Utilities cost	216,921	232,297
Security (including guards)	233,046	200,116
Repair and maintenance (including janitorial charges)	69,898	44,797
Depreciation	609,085	540,685
Amortisation	—	1,902
	1,240,812	1,128,838
Information technology expenses		
Software maintenance	3,789	2,773
Hardware maintenance	133,295	87,831
Depreciation	78,130	72,546
Amortisation	82,136	34,027
Network charges	99,319	97,819
	396,669	294,996
Other operating expenses		
Directors' fees and allowances	7,150	10,300
Fees and allowances to Shariah Board	3,180	1,953
Insurance	125,255	100,294
Legal and professional charges	36,603	41,956
Outsourced services costs	570,769	472,659
Travelling and conveyance	69,613	53,181
NIFT and other clearing charges	36,585	26,902
Depreciation	364,842	330,976
Repair and maintenance	335,451	282,160
Training and development	9,920	14,957
Postage and courier charges	57,794	36,515
Communication	85,888	71,141
Stationery and printing	189,144	169,913
Marketing, advertisement and publicity	90,974	77,884
Donations	22,000	19,500
Auditors remuneration	433	1,800
Commission and brokerage	215,022	51,640
Entertainment and staff refreshment	77,209	69,713
Vehicle running expenses	230,516	157,797
Subscriptions and publications	47,412	34,997
CNIC verification charges	17,099	26,069
Cash in transit charges	74,252	66,179
Others	68,037	28,522
	2,735,148	2,147,008
	8,304,421	6,447,283



		(Un-audited)	
		Three months period ended	
		31 March	31 March
		2020	2019
		(Rupees in '000)	
30.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	248	10,493
31.	PROVISIONS AND WRITE OFFS - NET		
	Provision against balances with other banks	7	2
	Provision for diminution in value of investments	9.2	296,251
	Provision against loans and advances - net	10.3	50,854
	(Reversal) / provision against off - balance sheet items	20.1	(5,644)
	Provision against other assets	13.1.1	364
		341,827	724,641
32.	TAXATION		
	Current	2,119,354	2,026,900
	Prior years	-	571,907
	Deferred	(188,400)	(216,597)
		1,930,954	2,382,210
33.	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	2,859,284	2,061,256
		(Number)	
	Weighted average number of ordinary shares	1,111,425,416	1,111,425,416
		(Rupees)	
	Basic and diluted earnings per share	2.57	1.85
34.	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	Prices quoted at Pakistan Stock Exchange Limited		
Mutual Funds	Net asset values declared by respective funds		
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, 2019.			



34.1 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:

	31 March 2020 (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	–	484,718,272	–	484,718,272
Shares	2,279,874	–	–	2,279,874
Non-Government Debt Securities	3,409,057	–	–	3,409,057
Foreign Securities	–	4,666,341	–	4,666,341
Mutual funds	–	5,485,823	–	5,485,823
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	128,433,923	–	128,433,923
Foreign Securities	–	432,721	–	432,721
Associates				
Listed shares	249,506	–	–	249,506
Mutual funds	–	876,169	–	876,169
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	96,694,312	–	96,694,312
Forward sale of foreign exchange contracts	–	(88,517,286)	–	(88,517,286)



31 December 2019 (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	–	421,111,246	–	421,111,246
Shares	3,089,046	–	–	3,089,046
Non-Government Debt Securities	3,310,377	1,849,049	–	5,159,426
Foreign Securities	–	6,434,579	–	6,434,579
Mutual funds	–	2,984,292	–	2,984,292

Financial assets - disclosed but not measured at fair value

Investments				
Federal Government Securities	–	138,050,135	–	138,050,135
Foreign Securities	–	407,752	–	407,752
Associates				
Listed shares	360,136	–	–	360,136
Mutual funds	–	894,766	–	894,766

Off-balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange contracts	–	106,704,798	–	106,704,798
Forward sale of foreign exchange contracts	–	(91,139,975)	–	(91,139,975)

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

34.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.



35. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

36. SEGMENT INFORMATION

Segment Details with respect to Business Activities

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

	Three months period ended 31 March 2020 (Un-audited)		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	29,995,197	2,378,853	32,374,050
Inter segment revenue - net	–	8,622,720	8,622,720
Non mark-up / return / interest income	645,681	1,643,841	2,289,522
Total income	30,640,878	12,645,414	43,286,292
Segment direct expenses	(19,375,097)	(10,156,410)	(29,531,507)
Inter segment expense allocation	(8,622,720)	–	(8,622,720)
Total expenses	(27,997,817)	(10,156,410)	(38,154,227)
Provisions	(338,526)	(3,301)	(341,827)
Profit before tax	2,304,535	2,485,703	4,790,238
	As at 31 March 2020 (Un-audited)		
Statement of financial position			
Cash and bank balances	84,956,718	13,564,144	98,520,862
Investments	636,623,962	–	636,623,962
Net inter segment lending	–	568,990,239	568,990,239
Lendings to financial institutions	2,539,346	–	2,539,346
Advances - performing	454,715,435	72,623,261	527,338,696
- non-performing	783,160	101,400	884,560
Others	94,784,035	15,133,168	109,917,203
Total assets	1,274,402,656	670,412,212	1,944,814,868
Borrowings	200,373,694	–	200,373,694
Subordinated debt	14,992,000	–	14,992,000
Deposits and other accounts	387,084,068	603,647,724	990,731,792
Net inter segment borrowing	568,990,239	–	568,990,239
Others	41,432,305	61,570,825	103,003,130
Total liabilities	1,212,872,306	665,218,549	1,878,090,855
Equity	61,530,350	5,193,663	66,724,013
Total equity and liabilities	1,274,402,656	670,412,212	1,944,814,868
Contingencies and commitments	243,868,579	70,830	243,939,409



Three months period ended 31 March 2019 (Un-audited)

	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	19,524,272	1,986,959	21,511,231
Inter segment revenue - net	–	6,473,423	6,473,423
Non mark-up / return / interest income	894,467	986,982	1,881,449
Total income	20,418,739	9,447,364	29,866,103
Segment direct expenses	(10,578,413)	(7,646,160)	(18,224,573)
Inter segment expense allocation	(6,473,423)	–	(6,473,423)
Total expenses	(17,051,836)	(7,646,160)	(24,697,996)
Provisions	(724,641)	–	(724,641)
Profit before tax	2,642,262	1,801,204	4,443,466

As at 31 March 2019 (Un-audited)

Statement of financial position			
Cash and bank balances	64,980,740	10,915,823	75,896,563
Investments	385,986,867	–	385,986,867
Net inter segment lending	–	485,373,960	485,373,960
Lendings to financial institutions	21,673,478	–	21,673,478
Advances - performing	393,833,154	66,212,311	460,045,465
- non-performing	552,137	38,707	590,844
Others	64,079,165	10,764,372	74,843,537
Total assets	931,105,541	573,305,173	1,504,410,714
Borrowings	69,193,992	–	69,193,992
Subordinated debt	14,995,200	–	14,995,200
Deposits and other accounts	294,103,207	519,399,801	813,503,008
Net inter segment borrowing	485,373,960	–	485,373,960
Others	26,591,603	45,329,833	71,921,436
Total liabilities	890,257,962	564,729,634	1,454,987,596
Equity	40,847,579	8,575,539	49,423,118
Total equity and liabilities	931,105,541	573,305,173	1,504,410,714
Contingencies and commitments	182,895,674	160,756	183,056,430

37. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiary, 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:



	31 March 2020 (Un-audited)					31 December 2019 (Audited)				
	Directors	Key management personnel	Subsidiary	Associates	Other related parties	Directors	Key management personnel	Subsidiary	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	200,000	1,153,346	-	-	-	200,000	628,346	-
Investment made during the period / year	-	-	-	-	-	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	200,000	1,153,346	-	-	-	200,000	1,153,346	-
Advances										
Opening balance	1,487	76,626	15,622	3,015,256	-	1,313	53,257	-	1,359,059	-
Addition during the period / year	8,418	110,030	2,238,583	10,144,752	-	55,443	363,717	7,585,878	33,451,951	-
Repaid during the period / year	(9,042)	(111,937)	(2,243,510)	(10,482,225)	-	(55,269)	(340,348)	(7,570,256)	(31,795,754)	-
Closing balance	863	74,719	10,695	2,677,783	-	1,487	76,626	15,622	3,015,256	-
Operating fixed assets										
Right of use	-	-	-	6,290	-	-	-	-	7,076	-
Other Assets										
Interest / mark-up accrued	-	51	-	2,956	-	-	55	-	10,667	-
L/C acceptances	-	-	-	480,055	-	-	-	-	350,867	-
Unrealised gain on foreign exchange contracts	-	-	-	149,712	-	-	-	-	-	-
Other receivable	-	-	-	-	-	-	-	-	1,525	-
Subordinated debt										
Opening balance	-	-	-	44,000	-	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	-	-	-	-	-	44,000	-
Redemption / sold during the period / year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	44,000	-	-	-	-	44,000	-
Deposits and other accounts										
Opening balance	955,078	624,163	111,826	3,536,956	513,730	587,452	816,406	47,744	4,876,833	536,801
Received during the period / year	2,227,203	937,320	3,895,809	28,407,318	787,354	11,221,419	2,996,758	8,414,981	150,071,628	29,846,047
Withdrawn during the period / year	(2,221,753)	(899,233)	(3,894,493)	(28,807,582)	(841,881)	(10,853,793)	(3,189,001)	(8,350,899)	(151,411,505)	(29,869,118)
Closing balance	960,528	662,250	113,142	3,136,692	459,203	955,078	624,163	111,826	3,536,956	513,730
Other Liabilities										
Interest / mark-up payable	1,935	2,484	5	13,175	7,293	3,799	4,118	8	15,309	2,216
Payable to staff retirement fund	-	-	-	-	579,726	-	-	-	-	473,226
L/C acceptances	-	-	-	480,055	-	-	-	-	350,867	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	-	-	16,187	-
Other liabilities	-	8	418	-	-	-	19	542	-	-
Contingencies and commitments										
	-	-	-	4,860,022	-	-	-	-	3,385,253	-
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	749,840	4,237,000	-	-	85,000	201,000	8,132,000
Increased during the period / year	-	-	-	50,000	340,000	30,000	-	85,000	1,534,940	8,487,000
Decreased during the period / year	-	-	-	-	-	(30,000)	-	(85,000)	(966,100)	(12,382,000)
Closing balance	-	-	85,000	799,840	4,577,000	-	-	85,000	749,840	4,237,000



37.1 RELATED PARTY TRANSACTIONS

	31 March 2020 (Un-audited)					31 March 2019 (Un-audited)				
	Directors	Key management personnel	Subsidiary	Associates	Other related parties	Directors	Key management personnel	Subsidiary	Associates	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	–	1,297	1,310	72,427	–	–	750	115	54,784	–
Fee and commission income	6	14	6	3,375	–	4	12	1	4,282	–
Dividend income	–	–	–	29,293	–	–	–	–	28,120	–
Other income	–	–	721	74	35	–	–	722	81	43
Expense										
Mark-up / return / interest expensed	23,670	15,759	2,297	81,615	14,604	14,954	8,803	423	62,351	24,986
Operating expenses	–	–	1,004	2,744	–	–	–	725	535	–
Salaries and allowances	–	135,264	–	–	–	–	107,767	–	–	–
Bonus	–	30,448	–	–	–	–	–	–	–	–
Contribution to defined contribution plan	–	6,520	–	–	–	–	5,001	–	–	–
Contribution to defined benefit plan	–	38,272	–	–	–	–	3,182	–	–	–
Staff provident fund	–	–	–	–	132,085	–	–	–	–	116,295
Staff gratuity fund	–	–	–	–	106,500	–	–	–	–	102,000
Directors' fees	6,850	–	–	–	–	10,000	–	–	–	–
Donation	–	–	–	1,500	–	–	–	–	1,500	–
Insurance premium paid	–	–	–	70,576	–	–	–	–	79,757	–
Insurance claims settled	–	–	–	5,554	–	–	–	–	13,551	–



38. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
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	55,958,206	52,961,015
Eligible Additional Tier 1 (ADT 1) Capital	6,718,728	6,690,557
Total Eligible Tier 1 Capital	62,676,934	59,651,572
Eligible Tier 2 Capital	19,747,434	16,537,708
Total Eligible Capital (Tier 1 + Tier 2)	82,424,368	76,189,280
Risk Weighted Assets (RWAs):		
Credit Risk	484,877,186	443,548,469
Market Risk	11,152,172	12,343,837
Operational Risk	74,928,285	74,928,286
Total	570,957,643	530,820,592
Common Equity Tier 1 Capital Adequacy ratio	9.801%	9.977%
Tier 1 Capital Adequacy Ratio	10.978%	11.238%
Total Capital Adequacy Ratio	14.436%	14.353%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	62,676,934	59,651,572
Total Exposures	1,614,809,734	1,497,222,424
Leverage Ratio	3.881%	3.984%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	403,615,699	363,806,793
Total Net Cash Outflow	175,750,869	132,953,270
Liquidity Coverage Ratio	229.652%	273.635%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	875,278,322	808,044,723
Total Required Stable Funding	572,304,689	606,312,286
Net Stable Funding Ratio	152.939%	133.272%



39. ISLAMIC BANKING BUSINESS

The Bank is operating 87 (31 December 2019: 83) Islamic banking branches and 142 (31 December 2019: 142) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 31 March 2020	(Audited) 31 December 2019
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		4,720,597	4,553,339
Balances with other banks		3,865,214	7,297,026
Due from financial institutions	39.1	2,039,346	1,857,575
Investments	39.2	25,032,818	21,669,565
Islamic financing and related assets - net	39.3	51,656,181	50,689,875
Fixed assets		424,223	402,062
Intangible assets		-	-
Due from Head Office		-	-
Other assets		12,823,763	7,595,621
Total Assets		100,562,142	94,065,063
LIABILITIES			
Bills payable		39,979	45,838
Due to financial institutions		11,316,160	9,718,686
Deposits and other accounts	39.4	75,054,440	67,981,321
Due to Head Office		2,510,612	3,282,835
Subordinated debt		-	-
Other liabilities		3,640,260	3,773,952
		(92,561,451)	(84,802,632)
NET ASSETS		8,000,691	9,262,431
REPRESENTED BY			
Islamic Banking Fund		7,600,000	6,800,000
Reserves		-	-
Deficit on revaluation of assets		(62,526)	(88,942)
Unremitted profit	39.5	463,217	2,551,373
		8,000,691	9,262,431
CONTINGENCIES AND COMMITMENTS	39.6		



The profit and loss account of the Bank's Islamic banking branches for the period ended 31 March 2020 is as follows:

		(Un-audited)	
		Three months period ended	
	Note	31 March 2020	31 March 2019
		(Rupees in '000)	
Profit / return earned	39.7	2,178,107	1,589,939
Profit / return expensed	39.8	(1,248,409)	(785,683)
Net Profit / return		929,698	804,256
Other income			
Fee and commission income		65,703	51,538
Dividend income		12,411	345
Foreign exchange income		17,755	16,924
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		—	—
Other income		23,542	24,073
Total other income		119,411	92,880
Total income		1,049,109	897,136
Other expenses			
Operating expenses		(576,184)	(402,037)
Other charges		(41)	—
Total other expenses		(576,225)	(402,037)
Profit before provisions		472,884	495,099
Provisions and write offs - net		(9,667)	(6,399)
Profit for the period		463,217	488,700
		(Un-audited)	(Audited)
		31 March	31 December
		2020	2019
		(Rupees in '000)	
39.1 Due from Financial Institutions			
In local currency			
Bai Muajjal Receivable from the State Bank of Pakistan		2,039,346	1,857,575



	31 March 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
39.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	1,996,308	-	3,692	2,000,000	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,468,750	-	-	4,468,750	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	10,430,593	-	-	10,430,593	10,133,361	-	-	10,133,361
	16,895,651	-	3,692	16,899,343	16,602,111	-	(20,000)	16,582,111
Shares								
- Listed Companies	97,442	(63,384)	1,683	35,741	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,408,794	-	(96,627)	1,312,167	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,284,706	-	-	2,284,706	1,984,707	-	-	1,984,707
	3,693,500	-	(96,627)	3,596,873	3,438,922	-	(94,777)	3,344,145
Units of mutual funds	4,000,000	(52,865)	28,726	3,975,861	1,200,000	(47,401)	16,436	1,169,035
Associates								
- First Habib Islamic Income Fund	525,000	-	-	525,000	525,000	-	-	525,000
Total Investments	25,211,593	(116,249)	(62,526)	25,032,818	21,863,475	(104,968)	(88,942)	21,669,565

	(Un-audited) 31 March 2020	(Audited) 31 December 2019
	(Rupees in '000)	
39.3 Islamic financing and related assets		
Ijarah	2,184,538	2,365,239
Murabaha	8,001,128	8,255,703
Diminishing Musharaka	12,625,920	13,499,915
Islamic Long Term Financing Facility (ILTFF)	1,481,165	1,449,640
Istisna	3,294,820	3,929,818
Islamic Export Refinance - Istisna	1,685,800	1,685,500
Musawamah	3,466,538	3,979,048
Islamic Export Refinance - Musawamah	200,000	200,000
Running Musharaka	2,793,918	2,845,780
Islamic Export Refinance - Running Musharaka	4,032,600	2,318,300
Staff Financing	488,621	431,960
Advance against Musawamah	1,192,029	920,594
Advance against Istisna	5,056,025	4,168,944
Advance against Istisna - IERF	3,891,400	3,694,450
Advance against Ijarah	114,323	52,940
Advance against Diminishing Musharaka	642,703	815,069
Advance against IFRE	4,018	-
Advance against ILTFF	453,737	121,424
Financing against Bills - Musawamah	100,440	10,900
Gross Islamic financing and related assets	51,709,723	50,745,224
Less: provision against Islamic financings		
- Specific	31,086	32,893
- General	22,456	22,456
	(53,542)	(55,349)
Islamic financing and related assets - net of provision	51,656,181	50,689,875



	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
39.4 Deposits and Other Accounts		
Customers		
Current deposits	23,105,094	22,641,105
Savings deposits	29,411,799	22,728,291
Term deposits	19,012,125	17,144,488
	<u>71,529,018</u>	<u>62,513,884</u>
Financial institutions		
Current deposits	15,675	4,306
Savings deposits	2,509,747	4,263,131
Term deposits	1,000,000	1,200,000
	<u>3,525,422</u>	<u>5,467,437</u>
	<u>75,054,440</u>	<u>67,981,321</u>
39.5 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,551,373	928,748
Add: Islamic Banking profit for the period / year	463,217	2,551,373
Less: Remitted to Head Office	(2,551,373)	(928,748)
Closing Balance	<u>463,217</u>	<u>2,551,373</u>
39.6 Contingencies and Commitments		
Guarantees	3,306,605	2,719,414
Commitments	10,501,307	7,710,226
	<u>13,807,912</u>	<u>10,429,640</u>
39.7 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	1,346,488	1,075,451
Investments	621,598	432,974
Placements	210,021	81,514
	<u>2,178,107</u>	<u>1,589,939</u>
39.8 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	1,195,849	732,148
Due to Financial Institutions	52,560	35,592
Due to Head Office	-	17,943
	<u>1,248,409</u>	<u>785,683</u>



39.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

39.9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk and 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.

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 and Shariah clearance.

39.9.2 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 and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and 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.)
- Any other Shariah Compliant Product.



39.9.3 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 - Ul - 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 2019: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2019: 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.

39.9.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

31 March 2020 (Un-audited)					
	Distributable Income (Rupees in '000)	Mudarib Share (Rupees in '000)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,537,785	633,856	41.22%	232,756	36.72%
FCY Pool	16,568	15,216	91.84%	2,119	13.93%
31 March 2019 (Un-audited)					
LCY Pool	1,020,139	382,286	37.47%	90,226	23.60%
FCY Pool	3,764	3,577	95.03%	236	6.60%



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

	(Un-audited)	
	<u>Three months period ended</u>	
	<u>31 March</u>	<u>31 March</u>
	<u>2020</u>	<u>2019</u>
	(Percentage)	
Profit rate earned	10.99%	9.23%
Profit rate distributed	7.16%	5.64%

40. GENERAL

40.1 Due to the COVID-19 pandemic, Annual General Meeting (AGM) of the Bank was rescheduled and held on April 14, 2020. Therefore, financial impact of cash dividend approved in AGM @ 35% amounting to Rs. 3,889.989 million has not been considered in these unconsolidated condensed interim financial statements for the period ended March 31, 2020.

40.2 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.

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

40.4 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.

41. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 23 April 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
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 31 MARCH 2020**

	Note	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
ASSETS			
Cash and balances with treasury banks	6	86,626,143	113,838,856
Balances with other banks	7	11,908,920	9,526,278
Lendings to financial institutions	8	2,539,346	1,857,575
Investments	9	636,965,888	586,510,554
Advances	10	528,213,996	488,652,848
Fixed assets	11	37,503,854	36,571,645
Intangible assets	12	302,604	368,840
Deferred tax assets		—	—
Other assets	13	72,243,601	61,812,360
		1,376,304,352	1,299,138,956
LIABILITIES			
Bills payable	15	15,764,718	20,131,529
Borrowings	16	200,373,810	228,745,034
Deposits and other accounts	17	990,639,520	903,630,124
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	14,992,000	14,992,800
Deferred tax liabilities	19	2,202,799	1,377,707
Other liabilities	20	85,203,113	68,329,071
		1,309,175,960	1,237,206,265
NET ASSETS			
		67,128,392	61,932,691
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		17,227,470	16,467,282
Surplus on revaluation of assets	21	7,953,719	6,081,731
Unappropriated profit		30,737,069	28,163,914
Equity attributable to the shareholders of the Holding company		67,032,512	61,827,181
Non-controlling interest	22	95,880	105,510
Total equity		67,128,392	61,932,691
CONTINGENCIES AND COMMITMENTS			
	23		

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

		Three months period ended	
	Note	31 March 2020	31 March 2019
		(Rupees in '000)	
Mark - up / return / interest earned	25	32,377,303	21,515,083
Mark - up / return / interest expensed	26	(21,116,692)	(11,662,945)
Net mark - up / interest income		11,260,611	9,852,138
NON MARK - UP / INTEREST INCOME			
Fee and commission income	27	1,652,551	1,391,599
Dividend income		47,478	58,499
Foreign exchange income		374,322	264,669
Income / (loss) from derivatives		-	-
Gain on securities - net	28	17	11,826
Share of profit from associates		10,423	20,421
Other income	29	204,208	135,793
Total non mark - up / interest income		2,288,999	1,882,807
Total income		13,549,610	11,734,945
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	30	(8,324,033)	(6,462,909)
Workers welfare fund		(109,340)	(103,862)
Other charges	31	(248)	(10,493)
Total non mark - up / interest expenses		(8,433,621)	(6,577,264)
Profit before provisions		5,115,989	5,157,681
Provisions and write offs - net	32	(341,827)	(724,641)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		4,774,162	4,433,040
Taxation	33	(1,933,032)	(2,383,637)
PROFIT AFTER TAXATION		2,841,130	2,049,403
Attributable to:			
Shareholders of the Holding company		2,840,891	2,050,788
Non - controlling interest		239	(1,385)
		2,841,130	2,049,403
(Rupees)			
Basic and diluted earnings per share attributable to the equity holders of the Holding company	34	2.56	1.85

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



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

	Three months period ended	
	31 March 2020	31 March 2019
	(Rupees in '000)	
Profit after taxation for the period	2,841,130	2,049,403
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	474,260	84,229
Movement in surplus on revaluation of investments - net of tax	1,880,311	487,929
	2,354,571	572,158
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>	—	—
Total comprehensive income	5,195,701	2,621,561
Attributable to:		
Shareholders of the Holding company	5,205,331	2,620,909
Non - controlling interest	(9,630)	652
	5,195,701	2,621,561

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020**

Attributable to the shareholders of the Holding Company											
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Sub-total	Non-controlling interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets				
				(Rupees in '000)							
Balance as at 01 January 2019	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 three months period ended 31 March 2019:											
Profit after taxation	-	-	-	-	-	-	-	2,050,788	2,050,788	(1,385)	2,049,403
Other comprehensive income - net of tax	-	-	84,229	-	-	485,892	-	-	570,121	2,037	572,158
Total comprehensive income for the period	-	-	84,229	-	-	485,892	-	2,050,788	2,620,909	652	2,621,561
Transfer to statutory reserve	-	206,126	-	-	-	-	-	(206,126)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-	-	-
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 31 March 2019 - unaudited	11,114,254	12,948,919	1,432,466	126,500	540,000	(686,451)	4,529,519	19,725,510	49,730,717	107,330	49,838,047
Comprehensive income for the nine months period ended 31 December 2019:											
Profit after taxation	-	-	-	-	-	-	-	9,144,578	9,144,578	(2,351)	9,142,227
Other comprehensive income - net of tax	-	-	508,649	-	-	2,293,240	-	149,997	2,951,886	531	2,952,417
Total comprehensive income for the period	-	-	508,649	-	-	2,293,240	-	9,294,575	12,096,464	(1,820)	12,094,644
Transfer to statutory reserve	-	910,748	-	-	-	-	-	(910,748)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(54,577)	54,577	-	-	-
Balance as at 31 December 2019 - audited	11,114,254	13,859,667	1,941,115	126,500	540,000	1,606,789	4,474,942	28,163,914	61,827,181	105,510	61,932,691
Comprehensive income for the three months period ended 31 March 2020:											
Profit after taxation	-	-	-	-	-	-	-	2,840,891	2,840,891	239	2,841,130
Other comprehensive income - net of tax	-	-	474,260	-	-	1,890,180	-	-	2,364,440	(9,869)	2,354,571
Total comprehensive income for the period	-	-	474,260	-	-	1,890,180	-	2,840,891	5,205,331	(9,630)	5,195,701
Transfer to statutory reserve	-	285,928	-	-	-	-	-	(285,928)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-	-	-
Balance as at 31 March 2020 - unaudited	11,114,254	14,145,595	2,415,375	126,500	540,000	3,496,969	4,456,750	30,737,069	67,032,512	95,880	67,128,392

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

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



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

	Note	31 March 2020 (Rupees in '000)	31 March 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,774,162	4,433,040
Less: Dividend income		(47,478)	(58,499)
		4,726,684	4,374,541
Adjustments:			
Depreciation		662,331	598,560
Depreciation on right - of - use assets		390,292	-
Amortisation		82,352	36,114
Provisions and write-offs - net		341,827	724,641
Gain on sale of fixed assets	31	(107,663)	(70,469)
Charge for defined benefit plan		106,500	102,000
Gain on securities - net		(17)	(11,826)
Share of profit from associates		(10,423)	(20,421)
Charge for compensated absences		30,385	24,374
Mark - up expense on lease liability against right - of - use assets		209,096	-
		1,704,680	1,382,973
		6,431,364	5,757,514
(Increase) / decrease in operating assets			
Lendings to financial institutions		(681,771)	(21,673,478)
Held-for-trading securities		-	(11,566)
Advances		(39,612,002)	17,240,163
Other assets (excluding advance taxation)		(9,714,728)	(2,596,377)
		(50,008,501)	(7,041,258)
(Decrease) / increase in operating liabilities			
Bills payable		(4,366,811)	(3,636,166)
Borrowings from financial institutions		(28,927,877)	(49,536,647)
Deposits		87,009,396	16,607,072
Other liabilities		16,612,741	4,827,664
		70,327,449	(31,738,077)
		26,750,312	(33,021,821)
Income tax paid		(2,814,312)	(1,513,331)
Net cash flow from / (used in) operating activities		23,936,000	(34,535,152)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(61,369,273)	45,937,660
Net investments in held to maturity securities		13,492,744	(16,874,568)
Net investments in associates		29,294	28,119
Dividends received		21,535	23,167
Investments in operating fixed assets		(1,441,666)	(962,155)
Proceeds from sale of fixed assets		125,981	83,189
Exchange differences on translation of net investment in foreign branches		474,260	84,229
Net cash (used in) / from investing activities		(48,667,125)	28,319,641
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(800)	(800)
Dividend paid		(5,707)	(19,879)
Payment against lease liabilities		(649,092)	-
Net cash used in financing activities		(655,599)	(20,679)
Decrease in cash and cash equivalents		(25,386,724)	(6,236,190)
Cash and cash equivalents at beginning of the period		122,460,717	82,096,704
Cash and cash equivalents at end of the period		97,073,993	75,860,514

The annexed notes 1 to 42 form an integral part of these consolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



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

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 745 branches (31 December 2019: 718 branches), 37 sub-branches (31 December 2019: 37 sub-branches) and 04 representative offices (31 December 2019: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2019: 03 overseas branches) and 87 Islamic Banking branches (31 December 2019: 83 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 2019.

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 consolidated 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 40 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, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by 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 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 POLICY

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, 2019.

3.1 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.



Standard, Interpretation or Amendment

IAS 1 Presentation of Financial Statements

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IFRS 3 Business Combinations

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

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has directed the Bank to conduct an impact assessment as at 31 December 2019 and submit to SBP by 31 August 2020 as required under BPRD Circular Letter No. 15 of 2020 dated 26 March 2020.

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, 2019.

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, 2019.

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months of 2020, affecting the earnings and cash flows of businesses. The scale and duration of the COVID-19 pandemic remains uncertain till date. In addition, SPB has issued circulars allowing certain regulatory relief like reduction in margin requirements, Capital Conservation Buffer (CCB), relief in principal repayments / mark-up and recording of impairment in securities etc. to dampen the effect of the COVID-19. The management is continuously assessing the potential impact.



	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	27,944,137	19,497,781
Foreign currencies	2,050,321	2,062,958
	29,994,458	21,560,739
In transit:		
Local currency	766,062	481,699
Foreign currencies	2,477	676,471
	768,539	1,158,170
With State Bank of Pakistan in:		
Local currency current accounts	34,455,388	59,153,555
Local currency current accounts - Islamic Banking	2,558,589	3,140,622
Foreign currency deposit account		
Cash reserve accounts	3,292,398	3,236,315
Cash reserve / special cash reserve accounts		
- Islamic Banking	275,976	256,350
Special cash reserve account	9,877,194	9,708,945
Local US Dollar collection account	83,304	303,328
	50,542,849	75,799,115
With National Bank of Pakistan in:		
Local currency current accounts	5,162,642	14,944,966
Prize bonds	157,655	375,866
	86,626,143	113,838,856
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	387,791	309,758
In deposit account	3,500,000	7,000,000
In saving account	609,673	510,751
	4,497,464	7,820,509
Outside Pakistan:		
In current account	1,868,222	1,642,734
In deposit account	5,543,238	63,037
	7,411,460	1,705,771
	11,908,924	9,526,280
Less: impairment against IFRS 9 in overseas branches	(4)	(2)
	11,908,920	9,526,278
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
- Pakistan Investment Bonds	500,000	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,039,346	1,857,575
	2,539,346	1,857,575



9. INVESTMENTS

	Note	31 March 2020 (Un-audited)				31 December 2019 (Audited)			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
		(Rupees in '000)							
9.1 Investments by type:									
Available-for-sale securities									
Federal Government Securities		477,187,294	(217,673)	7,902,874	484,872,495	419,545,132	(187,265)	1,899,966	421,257,833
Shares		4,431,696	(1,792,251)	(200,193)	2,439,252	4,431,809	(1,571,426)	431,845	3,292,228
Non Government Debt Securities		6,041,342	—	(147,627)	5,893,715	5,586,804	—	(141,759)	5,445,045
Foreign Securities		7,018,574	(42,364)	(2,309,869)	4,666,341	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds		5,925,000	(434,903)	(4,274)	5,485,823	3,125,000	(373,875)	233,167	2,984,292
		500,603,906	(2,487,191)	5,240,911	503,357,626	439,212,968	(2,173,814)	2,374,823	439,413,977
Held-to-maturity securities									
	9.3								
Federal Government Securities		131,623,989	(45,456)	—	131,578,533	145,152,375	(41,871)	—	145,110,504
Non Government Debt Securities		46,632	—	—	46,632	46,632	—	—	46,632
Foreign Securities		503,389	(499)	—	502,890	467,747	(471)	—	467,276
		132,174,010	(45,955)	—	132,128,055	145,666,754	(42,342)	—	145,624,412
Associates		1,480,207	—	—	1,480,207	1,472,165	—	—	1,472,165
Total Investments		634,258,123	(2,533,146)	5,240,911	636,965,888	586,351,887	(2,216,156)	2,374,823	586,510,554



	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	120,151,392	153,188,536
Surplus	1,451,936	277,366
	<u>121,603,328</u>	<u>153,465,902</u>
9.2 Provision for diminution in the value of investments		
Available for sale investments:		
Opening balance	2,216,156	561,323
Exchange adjustments against IFRS 9 in overseas branches	20,739	2,909
Charge / reversals		
Charge for the period / year	281,852	1,420,053
Charge of impairment as per IFRS 9 in overseas branches for the period / year	14,399	231,871
	296,251	1,651,924
Closing Balance	<u>2,533,146</u>	<u>2,216,156</u>
9.3 The market value of securities classified as held to maturity at 31 March 2020 amounted to Rs. 139,390 million (31 December 2019: Rs. 148,608 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	31 March	31 December	31 March	31 December	31 March	31 December
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	451,060,785	407,446,886	7,027,599	6,989,020	458,088,384	414,435,906
Islamic financing and related assets	51,628,485	50,662,682	81,238	82,542	51,709,723	50,745,224
Bills discounted and purchased	28,029,269	32,876,085	200,623	186,354	28,229,892	33,062,439
Advances - gross	530,718,539	490,985,653	7,309,460	7,257,916	538,027,999	498,243,569
Provision against advances						
– Specific	–	–	6,424,900	6,201,412	6,424,900	6,201,412
– General as per regulations	263,290	263,290	–	–	263,290	263,290
– General	3,000,000	3,000,000	–	–	3,000,000	3,000,000
– As per IFRS 9 in overseas branches	125,813	126,019	–	–	125,813	126,019
	3,389,103	3,389,309	6,424,900	6,201,412	9,814,003	9,590,721
Advances - net of provision	527,329,436	487,596,344	884,560	1,056,504	528,213,996	488,652,848

(Un-audited) (Audited)
31 March 31 December
2020 2019
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency	444,176,824	409,278,021
In foreign currencies	93,851,175	88,965,548
	538,027,999	498,243,569

10.2 Advances include Rs. 7,309.460 million (31 December 2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing	Provision	Non Performing	Provision
	Loans		Loans	
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	73,066	615	82,730	456
Substandard	121,651	29,615	377,335	84,250
Doubtful	1,215,702	603,286	1,014,818	503,459
Loss	3,724,310	3,703,640	3,696,404	3,681,349
	5,134,729	4,337,156	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	178,141	91,154	913,445	758,714
> 365 days	1,996,590	1,996,590	1,173,184	1,173,184
	2,174,731	2,087,744	2,086,629	1,931,898
Total	7,309,460	6,424,900	7,257,916	6,201,412



10.3 Particulars of provision against advances

Note	31 March 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments	162,781	9,647	172,428	104,015	16,608	120,623
Charge for the period / year						
- Specific provision	111,798	-	111,798	2,092,790	-	2,092,790
- General provision as per regulations 10.3.1	-	-	-	-	25,191	25,191
- As per IFRS 9 in overseas branches 10.3.2	-	(9,853)	(9,853)	-	(30,774)	(30,774)
Reversals	(51,091)	-	(51,091)	(345,809)	-	(345,809)
	60,707	(9,853)	50,854	1,746,981	(5,583)	1,741,398
Amounts written off	-	-	-	(1,479)	-	(1,479)
Closing balance	6,424,900	3,389,103	9,814,003	6,201,412	3,389,309	9,590,721

10.3.1 General provision represents provision amounting to Rs. 263.290 million (31 December 2019: Rs. 263.290 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. 125.813 million (31 December 2019: Rs. 126.019 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 31 March 2020 amounts to Rs. 3,000 million (31 December 2019: 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) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,445,787	1,597,551
Property and equipment	11.2	36,058,067	34,974,094
		<u>37,503,854</u>	<u>36,571,645</u>
11.1 Capital work-in-progress			
Civil works		483,609	652,132
Advance payment for purchase of equipments		90,921	68,212
Advance payment towards suppliers, contractors and property		846,993	854,366
Consultants' fee and other charges		24,264	22,841
		<u>1,445,787</u>	<u>1,597,551</u>
11.2	This includes right-of-use assets amounting to Rs. 8,384.161 million (31 December 2019: Rs. 8,198.691 million).		
11.3 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Three months period ended	
		31 March 2020	31 March 2019
		(Rupees in '000)	
Capital work-in-progress		1,041,801	759,767
Property and equipment			
Leasehold land		159,888	—
Building on leasehold land		752,303	9,842
Furniture and fixture		76,481	73,384
Electrical, office and computer equipment		390,916	154,061
Vehicles		146,871	101,808
Improvements to leasehold building		50,857	45,838
		<u>1,577,316</u>	<u>384,933</u>
Total		<u>2,619,117</u>	<u>1,144,700</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		1,007	1,464
Electrical, office and computer equipment		1,246	1,825
Vehicles		16,065	8,364
Improvements to leasehold building		—	1,067
Total		<u>18,318</u>	<u>12,720</u>



		(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
12. INTANGIBLE ASSETS			
Computer software		300,104	366,340
TRE certificates		2,500	2,500
		302,604	368,840
		(Un-audited) Three months period ended 31 March 2020 (Rupees in '000)	31 March 2019
12.1 Additions to intangible assets			
Computer software - directly purchased		16,117	130
		(Un-audited) 31 March 2020	(Audited) 31 December 2019
13. OTHER ASSETS	Note		
Income / mark-up accrued in local currency - net of provision		13,976,194	19,900,665
Income / mark-up accrued in foreign currencies - net of provision		952,283	600,408
Advances, deposits, advance rent and other prepayments		878,049	583,324
Advance taxation (payments less provisions)		1,401,146	708,375
Non-banking assets acquired in satisfaction of claims		873,544	874,900
Mark to market gain on forward foreign exchange contracts		5,336,447	1,032,137
Acceptances		46,622,752	36,264,680
Stationery and stamps on hand		272,658	240,307
Receivable from SBP on encashment of Government Securities		60,691	41,680
ATM settlement account		891,662	239,233
Receivable against securities		76,816	54,247
Others		875,106	1,245,305
		72,217,348	61,785,261
Less: Provision held against other assets	13.1	(7,747)	(7,383)
Other Assets (net of provision)		72,209,601	61,777,878
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		34,000	34,482
Other Assets - total		72,243,601	61,812,360



	Note	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
13.1 Provision held against other assets			
Receivable against consumer loans	13.1.1	7,747	7,383
13.1.1 Movement in provision held against other assets			
Opening balance		7,383	7,279
Charge for the period / year		1,120	2,108
Reversals for the period / year		(756)	(1,658)
		364	450
Amount written off		–	(346)
Closing balance		7,747	7,383
14. CONTINGENT ASSETS			
There were no contingent assets of the Group as at 31 March 2020 (31 December 2019: Nil).			
15. BILLS PAYABLE			
In Pakistan		15,764,718	20,131,529
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		47,480,834	42,657,650
Under renewable energy		5,094,407	3,946,903
Under long term financing for imported and locally manufactured plant and machinery		20,896,286	19,796,175
Under modernisation of small and medium enterprises		330,929	310,422
Under women entrepreneurship		19,098	19,159
Under financing facility for storage of agricultural produce		90,092	2,869
		73,911,646	66,733,178
Repurchase agreement borrowings		121,500,422	153,365,059
Borrowing from financial institutions		2,500,672	7,742,380
Total secured		197,912,740	227,840,617
Unsecured			
Call borrowings		1,000,000	–
Overdrawn nostro accounts		1,461,070	904,417
Total unsecured		2,461,070	904,417
		200,373,810	228,745,034



17. DEPOSITS AND OTHER ACCOUNTS

	31 March 2020 (Un-audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	295,792,119	37,403,479	333,195,598	280,876,055	34,758,774	315,634,829
Savings deposits	243,960,282	39,590,037	283,550,319	222,230,042	38,657,119	260,887,161
Term deposits	174,132,254	39,899,011	214,031,265	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	124,367,055	677,837	125,044,892	96,456,401	771,529	97,227,930
Others	12,610,586	8,192,425	20,803,011	11,695,770	8,186,073	19,881,843
	850,862,296	125,762,789	976,625,085	773,374,468	116,364,047	889,738,515
Financial institutions						
Current deposits	2,959,738	224,806	3,184,544	1,717,690	1,234,067	2,951,757
Savings deposits	2,545,336	405	2,545,741	4,298,015	16	4,298,031
Term deposits	1,575,000	103,690	1,678,690	1,750,000	114,123	1,864,123
Current deposits - remunerative	6,351,147	245,099	6,596,246	4,578,433	192,643	4,771,076
Others	9,214	-	9,214	6,622	-	6,622
	13,440,435	574,000	14,014,435	12,350,760	1,540,849	13,891,609
	864,302,731	126,336,789	990,639,520	785,725,228	117,904,896	903,630,124

	Note	(Un-audited) 31 March 2020	(Audited) 31 December 2019
		(Rupees in '000)	
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	3,993,600	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.3	3,998,400	3,998,400
		14,992,000	14,992,800



18.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	semi - annually
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 (subject to a cap) and / or have them immediately written off (either partially or in full).

18.2 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	Neither 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 (subject to a cap) and / or have them immediately written off (either partially or in full).



18.3 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%; per each semi-annual period; 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 (subject to a cap) and / or have them immediately written off (either partially or in full).

(Un-audited) (Audited)
31 March 31 December
2020 2019
(Rupees in '000)

19. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on

Accelerated tax depreciation	902,098	960,906
Surplus on revaluation of fixed assets / non - banking assets	974,666	984,461
Remeasurement of defined benefit plan	165,629	165,629
Surplus on revaluation of available for sale investments	1,842,657	829,057
	3,885,050	2,940,053

Deductible Temporary Differences on

Provision against diminution in the value of investments	(776,552)	(677,904)
Provision against loans and advances, off balance sheet, etc.	(743,420)	(731,573)
Impairment as per IFRS 9 in overseas branches	(158,461)	(149,087)
Provision for compensated absences	(292)	(292)
Recognised tax losses	(2,863)	(2,863)
Intangible assets	(663)	(627)
	(1,682,251)	(1,562,346)
	2,202,799	1,377,707



	(Un-audited) 31 March 2020	(Audited) 31 December 2019
Note		
	(Rupees in '000)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	4,302,258	4,945,307
Mark-up / return / interest payable in foreign currencies	286,745	253,121
Unearned commission income	237,065	241,742
Accrued expenses	2,293,178	1,283,934
Acceptances	46,622,752	36,264,680
Unclaimed dividends	420,818	426,525
Mark to market loss on forward foreign exchange contracts	4,000,362	1,767,178
Branch adjustment account	4,227,019	2,336,825
Payable to defined benefit plan	579,726	473,227
Charity payable	42,677	43,474
Provision against off - balance sheet items	20.1 125,951	129,369
Security deposits against leases / ijarah	6,659,858	6,532,535
Provision for compensated absences	753,800	722,300
Special exporters' accounts in foreign currencies	64,033	194,604
Other security deposits	611,551	592,271
Workers' welfare fund	1,861,426	1,752,086
Payable to SBP / NBP	1,299,073	210,373
Payable to supplier against murabaha	336,631	186,648
Insurance payable	482,573	455,266
Lease liability against right - of - use assets	8,452,485	8,316,718
Payable against sale of marketable securities on behalf of customers	165,888	131,368
Others	1,377,244	1,069,521
	<u>85,203,113</u>	<u>68,329,071</u>
20.1 Provision against off-balance sheet obligations		
Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	2,226	9,738
Charge for the period / year	4,734	30,897
Reversals for the period / year	(10,378)	(27,866)
	(5,644)	3,031
Closing balance	<u>125,951</u>	<u>129,369</u>



(Un-audited)
31 March
 Note **2020**
(Rupees in '000)

(Audited)
31 December
2019

21. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of:

- Investments	21.1	5,339,643	2,436,773
- Fixed assets		5,467,762	5,495,269
- Non-banking assets acquired in satisfaction of claims		34,000	34,482
		10,841,405	7,966,524

Deferred tax on surplus on revaluation of:

- Investments		1,842,674	829,984
- Fixed assets		1,039,641	1,049,269
- Non-banking assets acquired in satisfaction of claims		5,371	5,540
		2,887,686	1,884,793
		7,953,719	6,081,731

21.1 Investments

Available for sale securities		5,240,911	2,374,823
Unrealised surplus on equity accounting		89,398	62,485
Non-controlling interest		9,334	(535)
		5,339,643	2,436,773
Less: related deferred tax		1,842,674	829,984
		3,496,969	1,606,789

22. NON - CONTROLLING INTEREST

Opening balance		105,510	106,678
Gain / (loss) attributable to non - controlling interest		239	(3,736)
(Loss) / gain on equity attributable to non - controlling interest		(9,869)	2,568
Closing balance		95,880	105,510

23. CONTINGENCIES AND COMMITMENTS

Guarantees	23.1	85,863,122	81,086,627
Commitments	23.2	348,414,453	346,877,061
Other contingent liabilities	23.3	4,643,206	4,673,685
		438,920,781	432,637,373

23.1 Guarantees:

Financial guarantees		17,950,623	16,237,352
Performance guarantees		67,912,499	64,849,275
		85,863,122	81,086,627



	Note	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
23.2 Commitments:			
Documentary credits and short term trade-related transactions			
- letters of credit		157,966,275	145,745,358
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	185,211,598	197,844,773
- forward lending	23.2.2	4,277,345	2,214,998
Commitments for acquisition of:			
- Operating fixed assets		959,235	1,071,932
		<u>348,414,453</u>	<u>346,877,061</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		96,694,312	106,704,798
Sale		88,517,286	91,139,975
		<u>185,211,598</u>	<u>197,844,773</u>
The maturities of above contracts are spread over the periods upto one year.			
23.2.2 Commitments in respect of forward lending		<u>4,277,345</u>	<u>2,214,998</u>
23.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
		(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
23.3 Claims against the Bank not acknowledged as debts		<u>4,643,206</u>	<u>4,673,685</u>
23.4 Other contingent liabilities			

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2018 (Tax Year 2019). The income tax assessments of the Bank are complete upto tax year 2017.

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. 482.233 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. 347.617 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. 207.679 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 2017 (Accounting Year 2016) by disallowing certain expenses resulting in an impact of Rs. 198.516 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.



24. DERIVATIVE INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter - bank foreign exchange market.

24.1 Product Analysis

Counter Parties	31 March 2020 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
			(Rupees in '000)			
Banks						
Hedging	12,896,774	(64,392)	89,414,720	(3,323,834)	102,311,494	(3,388,226)
Other Entities						
Hedging	82,900,104	4,724,311	–	–	82,900,104	4,724,311
Total						
Hedging	<u>95,796,878</u>	<u>4,659,919</u>	<u>89,414,720</u>	<u>(3,323,834)</u>	<u>185,211,598</u>	<u>1,336,085</u>
	31 December 2019 (Audited)					
	(Rupees in '000)					
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	–	–	61,436,210	156,206
Total						
Hedging	<u>68,097,975</u>	<u>182,674</u>	<u>129,746,798</u>	<u>(917,715)</u>	<u>197,844,773</u>	<u>(735,041)</u>



24.2 Maturity Analysis

31 March 2020 (Un-audited)					
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	250	59,921,256	(1,831,644)	470,804	(1,360,840)
1 to 3 months	585	60,205,145	(1,529,192)	1,680,815	151,623
3 to 6 months	911	61,363,141	(627,040)	2,875,271	2,248,231
6 months to 1 year	62	3,722,056	-	297,071	297,071
	<u>1,808</u>	<u>185,211,598</u>	<u>(3,987,876)</u>	<u>5,323,961</u>	<u>1,336,085</u>
31 December 2019 (Audited)					
(Rupees in '000)					
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	<u>1,332</u>	<u>197,844,773</u>	<u>(1,767,178)</u>	<u>1,032,137</u>	<u>(735,041)</u>

(Un-audited)
Three months period ended
31 March 2020 **31 March 2019**
 (Rupees in '000)

25. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	13,464,954	10,842,903
On investments	18,585,553	10,077,009
On deposits with financial institutions	183,898	120,874
On securities purchased under resale agreements	62,850	434,962
On call money lendings	80,048	39,335
	<u>32,377,303</u>	<u>21,515,083</u>



		(Un-audited)	
		Three months period ended	
		31 March	31 March
		2020	2019
		(Rupees in '000)	
		Note	
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		15,381,414	9,875,281
Borrowings from SBP		348,609	266,484
Subordinated debt		548,740	415,291
Cost of foreign currency swaps		145,996	225,665
Repurchase agreement borrowings		4,465,926	785,816
Other borrowings		226,007	94,408
		<u>21,116,692</u>	<u>11,662,945</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		276,246	275,881
Consumer finance related fees		2,750	12,538
Card related fees (debit and credit cards)		136,737	99,763
Credit related fees		73,997	22,790
Commission on trade		1,003,636	811,577
Commission on guarantees		94,027	98,210
Commission on cash management		45,820	51,086
Commission on home remittances		18,468	12,756
Others		870	6,998
		<u>1,652,551</u>	<u>1,391,599</u>
28. GAIN ON SECURITIES - NET			
Realised	28.1	17	21,759
Unrealised - held for trading		—	(9,933)
		<u>17</u>	<u>11,826</u>
28.1 Realised gain on:			
Federal Government Securities		17	6
Shares		—	21,753
		<u>17</u>	<u>21,759</u>
29. OTHER INCOME			
Gain on sale of fixed assets - net		107,663	70,469
Recovery of expenses from customers		93,071	61,459
Lockers rent		2,586	2,706
Others		888	1,159
		<u>204,208</u>	<u>135,793</u>



(Un-audited)
Three months period ended
31 March 31 March
2020 2019
(Rupees in '000)

30. OPERATING EXPENSES

Total compensation expenses	3,942,711	2,886,562
Property expenses		
Rent and taxes	107,509	105,180
Insurance	4,353	3,861
Utilities cost	216,960	232,334
Security (including guards)	233,046	200,261
Repair and maintenance (including janitorial charges)	69,950	44,904
Depreciation	609,266	540,866
Amortisation	—	1,902
	1,241,084	1,129,308
Information technology expenses		
Software maintenance	3,789	2,773
Hardware maintenance	133,915	88,041
Depreciation	78,182	72,614
Amortisation	82,352	34,212
Network charges	99,319	97,819
	397,557	295,459
Other operating expenses		
Directors' fees and allowances	7,150	10,300
Fees and allowances to Shariah Board	3,180	1,953
Insurance	125,553	100,673
Legal and professional charges	36,852	42,250
Outsourced services costs	570,769	472,659
Travelling and conveyance	69,745	53,183
NIFT and other clearing charges	38,379	27,851
Depreciation	365,175	331,302
Repair and maintenance	335,504	282,160
Training and development	9,920	14,957
Postage and courier charges	57,794	36,526
Communication	86,195	71,347
Stationery and printing	189,187	169,930
Marketing, advertisement and publicity	91,026	77,924
Donations	22,000	19,500
Auditors remuneration	542	1,965
Commission and brokerage	215,079	51,287
Entertainment and staff refreshment	77,211	69,734
Vehicle running expenses	231,333	158,398
Subscriptions and publications	49,339	36,709
CNIC verification charges	17,099	26,069
Cash in transit charges	74,488	66,179
Others	69,161	28,724
	2,742,681	2,151,580
	8,324,033	6,462,909



		(Un-audited)	
		Three months period ended	
		31 March	31 March
		2020	2019
		(Rupees in '000)	
31. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		248	10,493
32. PROVISIONS AND WRITE OFFS - NET			
Provision against balances with other banks		2	–
Provision for diminution in value of investments		296,251	352,990
Provision against loans and advances - net	10.3	50,854	341,341
(Reversal) / provision against off - balance sheet items	20.1	(5,644)	30,251
Provision against other assets	13.1.1	364	59
		341,827	724,641
33. TAXATION			
Current		2,121,541	2,027,567
Prior years		–	571,907
Deferred		(188,509)	(215,837)
		1,933,032	2,383,637
34. 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		2,840,891	2,050,788
		(Number)	
Weighted average number of ordinary shares		1,111,425,416	1,111,425,416
		(Rupees)	
Basic and diluted earnings per share		2.56	1.85
35. 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	Prices quoted at Pakistan Stock Exchange Limited		
Mutual Funds	Net asset values declared by respective funds		
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, 2019.			



35.1 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:

	31 March 2020 (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	–	484,872,495	–	484,872,495
Shares	2,340,717	–	–	2,340,717
Non-Government Debt Securities	3,409,057	–	–	3,409,057
Foreign Securities	–	4,666,341	–	4,666,341
Mutual funds	–	5,485,823	–	5,485,823
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	128,433,923	–	128,433,923
Foreign Securities	–	432,721	–	432,721
Associates				
Listed shares	548,429	–	–	548,429
Mutual funds	–	915,117	–	915,117
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	96,694,312	–	96,694,312
Forward sale of foreign exchange contracts	–	(88,517,286)	–	(88,517,286)



31 December 2019 (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	–	421,258,014	–	421,258,014
Shares	3,193,692	–	–	3,193,692
Non-Government Debt Securities	3,310,377	1,849,049	–	5,159,426
Foreign Securities	–	6,434,579	–	6,434,579
Mutual funds	–	2,984,292	–	2,984,292

Financial assets - disclosed but not measured at fair value

Investments

Federal Government Securities	–	138,020,153	–	138,020,153
Foreign Securities	–	407,752	–	407,752
Associates				
Listed shares	538,332	–	–	538,332
Mutual funds	–	869,301	–	869,301

Off-balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange contracts	–	106,704,798	–	106,704,798
Forward sale of foreign exchange contracts	–	(91,139,975)	–	(91,139,975)

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

35.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.



36. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities.

37. SEGMENT INFORMATION

Segment Details with respect to Business Activities

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

Three months period ended 31 March 2020 (Un-audited)				
	Commercial banking	Retail banking	Retail brokerage	Total
	(Rupees in '000)			
Profit and loss				
Mark-up / return / profit	29,993,886	2,378,853	4,564	32,377,303
Inter segment revenue - net	3,093	8,622,720	–	8,625,813
Non mark-up / return / interest income	625,244	1,643,841	19,914	2,288,999
Total income	30,622,223	12,645,414	24,478	43,292,115
Segment direct expenses	(19,372,220)	(10,156,410)	(21,683)	(29,550,313)
Inter segment expense allocation	(8,622,720)	–	(3,093)	(8,625,813)
Total expenses	(27,994,940)	(10,156,410)	(24,776)	(38,176,126)
Provisions	(338,526)	(3,301)	–	(341,827)
Profit before tax	2,288,757	2,485,703	(298)	4,774,162
As at 31 March 2020 (Un-audited)				
Statement of financial position				
Cash and bank balances	84,864,445	13,564,144	106,474	98,535,063
Investments	636,742,599	–	223,289	636,965,888
Net inter segment lending	240,123	568,990,239	–	569,230,362
Lendings to financial institutions	2,539,346	–	–	2,539,346
Advances - performing	454,706,162	72,623,261	13	527,329,436
- non-performing	783,160	101,400	–	884,560
Others	94,782,724	15,133,168	134,167	110,050,059
Total assets	1,274,658,559	670,412,212	463,943	1,945,534,714
Borrowings	200,364,422	–	9,388	200,373,810
Subordinated debt	14,992,000	–	–	14,992,000
Deposits and other accounts	386,991,796	603,647,724	–	990,639,520
Net inter segment borrowing	568,990,239	–	240,123	569,230,362
Others	41,431,026	61,570,825	168,779	103,170,630
Total liabilities	1,212,769,483	665,218,549	418,290	1,878,406,322
Equity	61,853,076	5,193,663	81,653	67,128,392
Total equity and liabilities	1,274,622,559	670,412,212	499,943	1,945,534,714
Contingencies and commitments	243,868,579	70,830	–	243,939,409



Three months period ended 31 March 2019 (Un-audited)

	Commercial banking	Retail banking	Retail brokerage	Total
	(Rupees in '000)			
Profit and loss				
Mark-up / return / profit	19,524,129	1,986,959	3,995	21,515,083
Inter segment revenue - net	2,995	6,473,423	–	6,476,418
Non mark-up / return / interest income	885,704	986,982	10,121	1,882,807
Total income	20,412,828	9,447,364	14,116	29,874,308
Segment direct expenses	(10,577,205)	(7,646,160)	(16,844)	(18,240,209)
Inter segment expense allocation	(6,473,423)	–	(2,995)	(6,476,418)
Total expenses	(17,050,628)	(7,646,160)	(19,839)	(24,716,627)
Provisions	(724,641)	–	–	(724,641)
Profit before tax	2,637,559	1,801,204	(5,723)	4,433,040

As at 31 March 2019 (Un-audited)

Statement of financial position				
Cash and bank balances	64,936,671	10,915,823	46,722	75,899,216
Investments	386,077,350	–	263,614	386,340,964
Net inter segment lending	224,539	485,373,960	–	485,598,499
Lendings to financial institutions	–	–	–	–
Advances - performing	393,829,906	66,212,311	88	460,042,305
- non-performing	552,137	38,707	–	590,844
Others	85,752,528	10,764,372	104,283	96,621,183
Total assets	931,373,131	573,305,173	414,707	1,505,093,011
Borrowings	69,193,992	–	–	69,193,992
Subordinated debt	14,995,200	–	–	14,995,200
Deposits and other accounts	294,059,138	519,399,801	–	813,458,939
Net inter segment borrowing	485,373,960	–	224,539	485,598,499
Others	26,591,521	45,329,833	86,980	72,008,334
Total liabilities	890,213,811	564,729,634	311,519	1,455,254,964
Equity	41,159,320	8,575,539	103,188	49,838,047
Total equity and liabilities	931,373,131	573,305,173	414,707	1,505,093,011
Contingencies and commitments	182,895,674	160,756	–	183,056,430

38. 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:



	31 March 2020 (Un-audited)				31 December 2019 (Audited)			
	Directors	Key management personnel	Associates	Other related parties (Rupees in '000)	Directors	Key management personnel	Associates	Other related parties
Investments								
Opening balance	-	-	1,472,165	-	-	-	957,449	-
Investment made during the period / year	-	-	-	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	8,042	-	-	-	(10,284)	-
Closing balance	-	-	1,480,207	-	-	-	1,472,165	-
Advances								
Opening balance	1,487	76,626	3,015,256	-	1,313	53,257	1,359,059	-
Addition during the period / year	8,418	110,030	10,144,752	-	55,443	363,717	33,451,951	-
Repaid during the period / year	(9,042)	(111,937)	(10,482,225)	-	(55,269)	(340,348)	(31,795,754)	-
Closing balance	863	74,719	2,677,783	-	1,487	76,626	3,015,256	-
Operating fixed assets								
Right of use	-	-	6,290	-	-	-	-	-
Other Assets								
Interest / mark-up accrued	-	51	2,956	-	-	55	10,067	-
L/C acceptances	-	-	480,055	-	-	-	350,867	-
Unrealised gain on foreign exchange contracts	-	-	149,712	-	-	-	-	-
Other receivable	-	-	75	-	-	-	1,525	-
Subordinated debt								
Opening balance	-	-	44,000	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	-	-	-	44,000	-
Redemption / sold during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	44,000	-	-	-	44,000	-
Deposits and other accounts								
Opening balance	955,078	624,163	3,536,956	513,730	587,452	816,406	4,876,833	536,801
Received during the period / year	2,227,203	937,320	28,407,318	787,354	11,221,419	2,996,758	150,071,628	29,846,047
Withdrawn during the period / year	(2,221,753)	(899,233)	(28,807,582)	(841,881)	(10,853,793)	(3,189,001)	(151,411,505)	(29,869,118)
Closing balance	960,528	662,250	3,136,692	459,203	955,078	624,163	3,536,956	513,730
Other Liabilities								
Interest / mark-up payable	1,935	2,484	13,175	7,293	3,799	4,118	15,309	2,216
Payable to staff retirement fund	-	-	-	579,726	-	-	-	473,226
L/C acceptances	-	-	480,055	-	-	-	350,867	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	16,187	-
Other liabilities	-	8	6	-	19	-	532,718	-
Contingencies and commitments								
-	-	-	4,860,022	-	-	-	729,458	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	749,840	4,237,000	-	-	201,000	8,132,000
Increased during the period / year	-	-	50,000	340,000	30,000	-	1,534,940	8,487,000
Decreased during the period / year	-	-	-	-	(30,000)	-	(986,100)	(12,382,000)
Closing balance	-	-	799,840	4,577,000	-	-	749,840	4,237,000



38.1 RELATED PARTY TRANSACTIONS

	31 March 2020 (Un-audited)				31 March 2019 (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	–	1,297	72,427	–	–	750	54,784	–
Fee and commission income	6	14	4,003	7	4	12	4,320	–
Dividend income	–	–	29,293	–	–	–	28,120	–
Other income	–	–	74	35	–	–	81	43
Expense								
Mark-up / return / interest expensed	23,670	15,759	81,615	14,604	14,954	8,803	62,351	24,986
Operating expenses	–	–	2,744	–	–	–	535	–
Salaries and allowances	–	138,345	–	–	–	111,053	–	–
Bonus	–	30,448	–	–	–	–	–	–
Contribution to defined contribution plan	–	6,725	–	–	–	5,001	–	–
Contribution to defined benefit plan	–	38,272	–	–	–	3,182	–	–
Staff provident fund	–	–	–	132,635	–	–	–	116,940
Staff gratuity fund	–	–	–	106,500	–	–	–	102,000
Directors' fees	6,850	–	–	–	10,000	–	–	–
Donation	–	–	1,500	–	–	–	1,500	–
Insurance premium paid	–	–	70,863	–	–	–	80,005	–
Insurance claims settled	–	–	5,554	–	–	–	13,551	–



39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
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	56,193,201	53,214,684
Eligible Additional Tier 1 (ADT 1) Capital	6,718,728	6,690,557
Total Eligible Tier 1 Capital	62,911,929	59,905,241
Eligible Tier 2 Capital	19,845,254	16,643,063
Total Eligible Capital (Tier 1 + Tier 2)	82,757,183	76,548,304
Risk Weighted Assets (RWAs):		
Credit Risk	484,829,278	443,518,148
Market Risk	11,152,172	12,343,837
Operational Risk	74,991,311	74,991,311
Total	570,972,761	530,853,296
Common Equity Tier 1 Capital Adequacy ratio	9.842%	10.024%
Tier 1 Capital Adequacy Ratio	11.018%	11.285%
Total Capital Adequacy Ratio	14.494%	14.420%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	62,911,929	59,905,242
Total Exposures	1,615,332,619	1,498,187,417
Leverage Ratio	3.895%	3.999%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	403,615,699	363,806,793
Total Net Cash Outflow	175,750,869	132,953,270
Liquidity Coverage Ratio	229.652%	273.635%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	875,278,322	808,044,723
Total Required Stable Funding	572,304,689	606,312,286
Net Stable Funding Ratio	152.939%	133.272%



40. ISLAMIC BANKING BUSINESS

The Bank is operating 87 (31 December 2019: 83) Islamic banking branches and 142 (31 December 2019: 142) Islamic banking windows at the end of the period / year.

		(Un-audited) 31 March 2020	(Audited) 31 December 2019
	Note		
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		4,720,597	4,553,339
Balances with other banks		3,865,214	7,297,026
Due from financial institutions	40.1	2,039,346	1,857,575
Investments	40.2	25,032,818	21,669,565
Islamic financing and related assets - net	40.3	51,656,181	50,689,875
Fixed assets		424,223	402,062
Intangible assets		—	—
Due from Head Office		—	—
Other assets		12,823,763	7,595,621
Total Assets		100,562,142	94,065,063
LIABILITIES			
Bills payable		39,979	45,838
Due to financial institutions		11,316,160	9,718,686
Deposits and other accounts	40.4	75,054,440	67,981,321
Due to Head Office		2,510,612	3,282,835
Subordinated debt		—	—
Other liabilities		3,640,260	3,773,952
		(92,561,451)	(84,802,632)
NET ASSETS		8,000,691	9,262,431
REPRESENTED BY			
Islamic Banking Fund		7,600,000	6,800,000
Reserves		—	—
Deficit on revaluation of assets		(62,526)	(88,942)
Unremitted profit	40.5	463,217	2,551,373
		8,000,691	9,262,431
CONTINGENCIES AND COMMITMENTS	40.6		



The profit and loss account of the Bank's Islamic banking branches for the period ended 31 March 2020 is as follows:

		(Un-audited)	
		Three months period ended	
	Note	31 March 2020	31 March 2019
		(Rupees in '000)	
Profit / return earned	40.7	2,178,107	1,589,939
Profit / return expensed	40.8	(1,248,409)	(785,683)
Net Profit / return		929,698	804,256
Other income			
Fee and commission income		65,703	51,538
Dividend income		12,411	345
Foreign exchange income		17,755	16,924
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		23,542	24,073
Total other income		119,411	92,880
Total income		1,049,109	897,136
Other expenses			
Operating expenses		(576,184)	(402,037)
Other charges		(41)	-
Total other expenses		(576,225)	(402,037)
Profit before provisions		472,884	495,099
Provisions and write offs - net		(9,667)	(6,399)
Profit for the period		463,217	488,700
		(Un-audited)	(Audited)
		31 March	31 December
		2020	2019
		(Rupees in '000)	
40.1 Due from Financial Institutions			
In local currency			
Bai Muajjal Receivable from the State Bank of Pakistan		2,039,346	1,857,575



	31 March 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
40.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	1,996,308	-	3,692	2,000,000	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,468,750	-	-	4,468,750	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	10,430,593	-	-	10,430,593	10,133,361	-	-	10,133,361
	16,895,651	-	3,692	16,899,343	16,602,111	-	(20,000)	16,582,111
Shares								
- Listed Companies	97,442	(63,384)	1,683	35,741	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,408,794	-	(96,627)	1,312,167	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,284,706	-	-	2,284,706	1,984,707	-	-	1,984,707
	3,693,500	-	(96,627)	3,596,873	3,438,922	-	(94,777)	3,344,145
Units of mutual funds	4,000,000	(52,865)	28,726	3,975,861	1,200,000	(47,401)	16,436	1,169,035
Associates								
- First Habib Islamic Income Fund	525,000	-	-	525,000	525,000	-	-	525,000
Total Investments	<u>25,211,593</u>	<u>(116,249)</u>	<u>(62,526)</u>	<u>25,032,818</u>	<u>21,863,475</u>	<u>(104,968)</u>	<u>(88,942)</u>	<u>21,669,565</u>

	(Un-audited) 31 March 2020	(Audited) 31 December 2019
	(Rupees in '000)	
40.3 Islamic financing and related assets		
Ijarah	2,184,538	2,365,239
Murabaha	8,001,128	8,255,703
Diminishing Musharaka	12,625,920	13,499,915
Islamic Long Term Financing Facility (ILTFF)	1,481,165	1,449,640
Istisna	3,294,820	3,929,818
Islamic Export Refinance - Istisna	1,685,800	1,685,500
Musawamah	3,466,538	3,979,048
Islamic Export Refinance - Musawamah	200,000	200,000
Running Musharaka	2,793,918	2,845,780
Islamic Export Refinance - Running Musharaka	4,032,600	2,318,300
Staff Financing	488,621	431,960
Advance against Musawamah	1,192,029	920,594
Advance against Istisna	5,056,025	4,168,944
Advance against Istisna - IERF	3,891,400	3,694,450
Advance against Ijarah	114,323	52,940
Advance against Diminishing Musharaka	642,703	815,069
Advance against IFRE	4,018	-
Advance against ILTFF	453,737	121,424
Financing against Bills - Musawamah	100,440	10,900
Gross Islamic financing and related assets	51,709,723	50,745,224
Less: provision against Islamic financings		
- Specific	31,086	32,893
- General	22,456	22,456
	(53,542)	(55,349)
Islamic financing and related assets - net of provision	51,656,181	50,689,875



	(Un-audited) 31 March 2020 (Rupees in '000)	(Audited) 31 December 2019
40.4 Deposits and Other Accounts		
Customers		
Current deposits	23,105,094	22,641,105
Savings deposits	29,411,799	22,728,291
Term deposits	19,012,125	17,144,488
	<u>71,529,018</u>	<u>62,513,884</u>
Financial Institutions		
Current deposits	15,675	4,306
Savings deposits	2,509,747	4,263,131
Term deposits	1,000,000	1,200,000
	<u>3,525,422</u>	<u>5,467,437</u>
	<u>75,054,440</u>	<u>67,981,321</u>
40.5 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,551,373	928,748
Add: Islamic Banking profit for the period / year	463,217	2,551,373
Less: Remitted to Head Office	(2,551,373)	(928,748)
Closing Balance	<u>463,217</u>	<u>2,551,373</u>
40.6 Contingencies and Commitments		
Guarantees	3,306,605	2,719,414
Commitments	10,501,307	7,710,226
	<u>13,807,912</u>	<u>10,429,640</u>
40.7 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	1,346,488	1,075,451
Investments	621,598	432,974
Placements	210,021	81,514
	<u>2,178,107</u>	<u>1,589,939</u>
40.8 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	1,195,849	732,148
Due to Financial Institutions	52,560	35,592
Due to Head Office	–	17,943
	<u>1,248,409</u>	<u>785,683</u>



40.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

40.9.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk and 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.

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 and Shariah clearance.

40.9.2 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 and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and 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.)
- Any other Shariah Compliant Product.



40.9.3 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 - Ul - 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 2019: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2019: 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.

40.9.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

	31 March 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,537,785	633,856	41.22%	232,756	36.72%
FCY Pool	16,568	15,216	91.84%	2,119	13.93%
	31 March 2019 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,020,139	382,286	37.47%	90,226	23.60%
FCY Pool	3,764	3,577	95.03%	236	6.60%



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

	(Un-audited)	
	<u>Three months period ended</u>	
	<u>31 March</u>	<u>31 March</u>
	<u>2020</u>	<u>2019</u>
	(Percentage)	
Profit rate earned	10.99%	9.23%
Profit rate distributed	7.16%	5.64%

41. GENERAL

41.1 Due to the COVID-19 pandemic, Annual General Meeting (AGM) of the Bank was rescheduled and held on April 14, 2020. Therefore, financial impact of cash dividend approved in AGM @ 35% amounting to Rs. 3,889.989 million has not been considered in these consolidated condensed interim financial statements for the period ended March 31, 2020.

41.2 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.

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

41.4 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.

42. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 23 April 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman