

# SERVING ACROSS THE NATION



## QUARTERLY REPORT SEPTEMBER 2020



National Bank of Pakistan  
نیشنل بینک آف پاکستان



# **National Bank of Pakistan**

Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months period ended September 30, 2020

## Directors' Review

### Standalone Financial Statements

On behalf of the Board of Directors, we are pleased to present the condensed interim standalone financial statements of National Bank of Pakistan "the Bank" for the nine month period ended September 30, 2020.

#### Economic Environment

Due to continuation of factors dominated by Covid-19, Pakistan's GDP growth rate reduced to -0.4% in FY20 and is now projected to grow at about 2% in FY21 as business confidence has improved and demand indicators are showing an uptick. Triggered by a hike in food prices, headline inflation accelerated to 9.0% in September 2020, averaging 8.8% during 1<sup>st</sup> quarter of FY21. SBP and the Government have taken measures to keep inflation well-anchored within the announced range of 7%-9% during FY21. The current account recorded a surplus of USD 792 for the first quarter compared to a deficit of \$1,492 million during the same period last year. **This was reflective of the rise in home remittances** to a record \$ 7.1 billion in Q1-FY21, 31% higher than Q1-FY20. This helped in replenishing SBP's forex reserves to the pre-pandemic level of around US\$ 12.8 bn. As a result, Pakistan's forex reserve adequacy is now back above the benchmark of 3 months of import cover, and the Rupee has slightly gained against the dollar. The Roshan Digital Account initiative is likely to further boost forex reserves as these accounts offer innovative banking solutions for millions of Non Resident Pakistanis seeking to undertake banking, payment and investment activities in Pakistan.

Prioritising growth and employment, SBP has encouraged private sector credit through gradual reductions in the policy rate by a total of 625 bps from 13.25% to 7.0% and through allowing various refinance facilities. These facilities, coupled with other supervisory actions related to deferment and restructuring of loans, have increased the availability of necessary funding to households and businesses. However, inspite of this, during this period private sector credit demand remained low and the banking sector advances recorded a 2% drop from the December '19 level. As deposits increased by 15%, the banks opted to invest in government securities. Asset quality has however emerged as a key concern as the economic slowdown undermined borrowers' payback capacity and led to a rise in NPLs across the banking system.

#### Review of Financial Performance

Against this difficult environment the Bank has reported strong results with net profit doubling compared to the same period last year. Pre-provision profit, pre-tax profit and after-tax profit closed at PKR 62.6 billion "bn" (+64.3% YoY), PKR 39.3 bn (+34.6% YoY) and PKR 26.1 bn (+60% YoY), respectively. EPS improved to PKR 12.28 Sep '19: PKR 7.68); whereas RoA and RoE improved from 0.7% and 14.0% in Q3 '19 to 1.2% and 19.7% respectively in Q3 '20. This was achieved despite a combination of negative factors including reduced credit demand, lower economic activity due to the lockdowns, higher portfolio impairment and an inflationary impact on operating expenses.

Financial Performance (PKR 'Bn)	Sep '20	Sep '19	Better / (Worse)	
Total Revenue	107.57	79.43	28.14	35.4%
OPEX and Other Charges	45.00	41.36	(3.64)	(8.8%)
Profit before-provision	62.57	38.07	24.50	64.4%
Provisions/Write-off (Net)	23.30	8.89	(14.41)	(162.1%)
Profit before-tax	39.27	29.18	10.09	34.6%
<b>Profit after-tax</b>	<b>26.13</b>	<b>16.33</b>	<b>9.8</b>	<b>60.0%</b>
Financial Position (PKR 'Bn)	Sep '20	Dec '19	Better / (Worse)	
Total Assets	2,783.48	3,124.39	(340.91)	(10.9%)
Investments	1,368.39	1,439.16	(70.77)	(4.9%)
Advances – Net	892.62	1,008.14	(115.52)	(11.5%)
Deposits	2,174.93	2,198.05	(23.12)	(1.1%)
Borrowings	142.65	471.76	(329.16)	(69.8%)
<b>Net Assets</b>	<b>267.20</b>	<b>232.61</b>	<b>34.59</b>	<b>14.9%</b>

#### ▪ Mark-up/Interest Income

During the nine month under review, the Bank earned gross mark-up/interest income of PKR 206.0 bn (+23.1% YoY). The performing interest-bearing assets during the period averaged at PKR 2,395.7 bn (+16.2% YoY). Investment portfolio averaged up at 31.3% at PKR 1,393.7 bn (Sep '19: PKR 1,061.4 bn) and generated

interest/mark-up income of PKR 124.9 bn (+49.5% YoY) making 60.6% of the total mark-up income. Average loans and advances were up 3.1% at PKR 950.2 bn (Sep '19: PKR 921.8 bn) generating mark-up/interest income of PKR 78.0 bn which, compared to PKR 77.6 bn level of Sep '19, is marginally higher by 0.6%. Average interest-bearing liabilities increased by 17.5% to PKR 2,458.5 bn. Therefore, the Bank's cost of funds also increased to PKR 126.2 bn (+11.1% YoY), of which PKR 82.3 bn (Sep '19: PKR 78.0 bn) was on account of profit to the depositors. However, cost of deposits dropped by 46 bps at 5.57% for 9M '20 (9M '19: 6.03%). Overall, the Bank's net mark-up/interest income closed at PKR 79.8 bn, which was 48.2% higher against PKR 53.9 bn earned during the corresponding nine month of 2019.

#### ▪ Non mark-up/interest income

The Bank generated non mark-up income of PKR 27.7 bn (Sep '19: PKR 25.6 bn) constituting 25.8% of the total income (Sep '19 :32.2%). Branch banking operations continued generating healthy fees & commission income that closed at PKR 12.8 bn (-8.1% YoY). Dividend income dropped 46% to PKR 1.3 bn as companies resorted to retaining profits to mitigate the risks emerging after the pandemic outbreak. Reduced volatility in the forex market, coupled with lower international trade volumes, depressed the Bank's foreign exchange income by 22.4% YoY to PKR 3.4 bn (Sep '19: PKR 4.3 bn). These shrinkages were however off-set through higher gain on securities that amounted to PKR 6.9 bn (Sep '19: PKR 0.6 bn). Accordingly, the non-mark-up/ interest income of the Bank totalled at PKR 27.7 bn, being 8.4% up against PKR 25.6 bn of the similar period last year.

#### ▪ Expense Management

Operating expenses of the Bank for the period under review were PKR 45.0 bn, 8.8% up YoY. However, the Bank's cost-to-income ratio for the period improved to 41.8% as against 52.1% for the corresponding nine month period of 2019 mainly due to increase in total income. HR costs comprise 67% (Sep '19: 65.6%) of the total operating expenses, amounting to PKR 29.9 bn compared to PKR 27.0 bn for the prior comparative period..

#### ▪ Loan Losses and Provisions

Reflecting the economic environment triggered by the Covid-19 pandemic, the asset quality of the Bank came under pressure during the recent months. As of September 30, 2020, NPLs totaled PKR 172.7 bn, being PKR 24.0 bn or 16.1% higher than Dec '19 level of PKR 148.7 bn. The Bank follows a prudent approach in its identification of loan impairments to strengthen its balance sheet by maintaining a robust level of specific as well as general provisions against NPLs and other contingencies. Provision charges of PKR 23.3 bn (Sep '19: PKR 8.9 bn) were taken during the nine month period under review. Consequently, specific and general provisions increased to PKR 149.2 bn and PKR 18.6 bn. Total provisions held translate into coverage ratio of 97.2%.

#### ▪ Profit Appropriation

Profit for the nine months ended September 30, 2020 after carry forward of accumulated profit of 2019 is proposed for appropriation as follows:

	<u>(PKR 'Bn)</u>
Profit before tax for the nine months ended September 30, 2020	39.27
Taxation:	
- Current	20.13
- Prior Year	-
- Deferred	(7.00)
	<u>13.13</u>
Profit after tax for the nine month ended September 30, 2020	26.14
Unappropriated profit brought forward	88.78
Other comprehensive income - net of tax	(0.47)
Transfer from surplus on revaluation of fixed assets	0.17
Profit available for appropriations	<u>114.62</u>
<b>Appropriation:</b>	
Transfer to Statutory Reserve	2.61
<b>Unappropriated profit carried forward</b>	<u><b>112.01</b></u>

## Financial Position as of September 30, 2020

As of September 30, 2020 the Bank's balance sheet stood at PKR 2,783.5 bn which is 10.9% down from PKR 3,124.39 bn at December 31, 2019. This drop is mainly because the Bank reduced its money market borrowings by PKR 329.16 bn in line with its funding & liquidity position during the period. On the liability side, the Bank's balance sheet is driven by its wide market outreach and branch banking network where the focus remains on low-cost deposit mobilization.

### ▪ Investments

The Bank maintains an investment portfolio diversified across zero risk weighted treasury instruments and bonds, high dividend yielding equities and other interest-bearing financial instruments. As of September 30, 2020, investments (at cost) amounted to PKR 1,338.4 bn (Dec '19: PKR 1,417.7 bn), just over one-half of the Bank's balance sheet. The investment portfolio-mix gives the Bank flexibility to capitalise on short-term price movement by frequently churning the short-term portfolio.

### ▪ Loans and Advances

Gross advances of the Bank amounted to PKR 1,060.5 bn; being 7.9% down lower against Dec '19 level. The drop was due to reduced private sector credit demand and some seasonal adjustments in commodity financing. The Bank is pursuing a prudent strategy for its loan book growth across its target market. The loan book is predominantly in local currency (93.3%), and is fairly diversified. Given the Bank's systemically important role in Pakistan's financial system, the Bank is following a strategy to strengthen its resilience to shocks while continuing to support the communities it serves. At end-September 2020, the loan infection ratio stood at 16.3%. Domestic NPLs stood at PKR 128.8 billion (2019: PKR 107.7 billion) representing 74.6% (2019: 72.4%) of the total NPLs.

### ▪ Funding & Liquidity

The Bank maintains an optimum level of funding and liquidity. As of September 30, 2020, deposits closed at PKR 2,174.9 bn (-1.1% YoY). Average deposits grew by PKR 246.7 bn or 14.3% to PKR 1,974.3 bn. The majority of the Bank's funding comes from core customer deposits that contribute 89% (PKR 1,935.5 bn) of the Bank's total deposits. Compared to Dec 31, 2019 level, customer deposits have increased by PKR 138.3 bn or 7.7%. FI deposits, however, dropped during the period under review by PKR 161.4 bn and closed at PKR 239.4 bn (Dec '19: PKR 400.8 bn). The Bank is pursuing a prudent deposit mobilisation strategy, CASA ratio improved to 83.0% from 81.8% at the year-end 2019. The Bank's liquidity coverage ratio stood at 182%, and the Net Stable Funding Ratio stood at 263%, comfortably above the statutory requirement of 100%.

## Capital Strength and Adequacy

Higher profitability and earnings retention, coupled with the reduction in the conservation buffer and the RWAs has improved the Bank's Tier-1 capital adequacy ratio to 15.68% (Dec '19: 12.11%) and total capital adequacy ratio to 20.75% (Dec '19: 15.48%). The Bank's capital and related ratios remain well above minimum regulatory requirements.

## Controls & Compliance

The Bank emphasizes compliance with applicable laws, rules, regulations, and codes and recognises the need to improve its compliance & control capacity within its domestic network. A revamping of the network structure is under review to strengthen the supervision of its about 1509 branches. Significant attention is being given by the board to improving account reconciliation, complete data cleansing and building accountability of staff. Additionally priority is to be accorded to the major task of upgrading its Core Banking Application. At the Board level, there is a need for greater expertise in technology to facilitate effective oversight. This has been highlighted to the government and an appropriate nomination made over six months ago but it remains unresponded.

While significant talent at senior levels has been attracted into the Bank, outdated Staff Service Rules enable staff to file whimsical suits directly at the High Court levels and this results in the Bank facing a large number of nuisance suits that distract management from pursuing necessary reform. Additionally, while a culture that is performance driven is being inculcated, it's effectiveness is diluted by the same Staff Service Rules

prevalence. To allow the bank to reach its potential, the government's assistance is needed to repeal these Rules.

The international franchise of the Bank is being strategically streamlined to facilitate an enhanced level of compliance. To this end, work is underway to consolidate the Bank's international footprint and decisions on the closure of a number of franchises have been made.

In 2016 the Bank and its New York branch entered into a written agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators). This agreement, *inter-alia*, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements. This agreement also requires implementation of the requisite systems and controls and the allocation of adequate resources to ensure full compliance with such requirements. The Bank has undertaken significant personnel, systems and process changes in its NY operations to address identified regulatory weaknesses and ensures senior attention at Board Committee and Board levels, but a historically weak compliance culture will take time to change effectively and meanwhile the Bank remains vulnerable.

### Contingencies

There is no change in the status of the pensions related contingencies as the matter is pending adjudication before the Honourable Supreme Court of Pakistan. This issue has been discussed in detail in note 22.3.4.1 to the nine months Financial Statements.

### Credit Rating

In June 2020, M/S VIS Credit Rating Company affirmed standalone credit rating of the Bank as "AAA" (Triple AAA), the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company has also affirmed the long-term entity rating of the Bank as 'AAA' and short-term credit rating as 'AA+' (A-one Plus). Moody's Investors Service, in their report of August '2020, upgraded the Bank's 'Outlook' to Stable with a 'B3' long-term rating.

### Outlook

Going forward, there are prospects of gradual improvement in economic activity as the government is easing the lockdown while allowing many sectors to resume activities. External sector is also reasonably comfortable with the current account expected to stay range bound as oil demand and prices remain stable in the short run. However, progress will be dependent on the Covid-19 situation. A strong second wave will have serious adverse impacts on the momentum of home remittances, exports and the LSM index. Externally, the upcoming US election, political developments in the Middle East and the FATF decision will also influence the macro economic environment.

NBP is conscious of its responsibilities to its customers and the wider economy, and is endeavouring to mitigate the impact of Covid-19 by extending appropriate financial solutions to its customers. The Bank's business strategy encompasses inclusive development through reaching and supporting underserved sectors including SME, Microfinance, Agriculture Finance and finance for Micro-Housing on a priority basis. These underserved segments are the key areas in which NBP seeks to expand its contribution and leverage its natural niche. However, material growth here will be dependent upon the Government stepping forward to help address overdue from SOEs that are a considerable drag on the institution. Building a digital banking capability and a technology platform will be a central part of this strategy to make it cost effective as well ensure necessary controls.

During the pandemic, the Bank's focus is to maintain its income streams as well as asset quality, while creating liquidity for its customers so that the workers continue to get paid their wages and businesses carry on their operations uninterrupted. Given the Bank's systemically important role in Pakistan's financial system, NBP has to ensure its resilience to shocks while continuing to support the communities it serves. We have set aside high levels of provisions and we are committed to using our earnings to further strengthen our balance sheet.

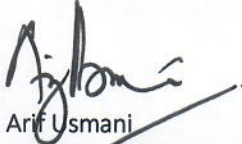


#### Acknowledgement and appreciation

On behalf of the Board and the management, we would like to acknowledge and appreciate the efforts and support of the Ministry of Finance, SBP, SECP and other regulatory bodies. Amidst the Pandemic outbreak, they have taken effective steps through prudent policies and measures to protect the common man and economy while adequately safeguarding the resilience and soundness of the banking industry in Pakistan. We would also like to express our gratitude to our shareholders, customers, employees and business partners for their patronage.

Our staff, in particular, has served with great dedication in these unprecedented circumstances to ensure that the Bank fulfils its responsibilities to the Nation. We express our strong appreciation and gratitude for our unsung heroes and their families, especially those who sacrificed their lives through customer facing functions and demonstrated their dedication to the NBP cause.

For and on behalf of the Board of Directors,



Arif Usmani  
President & CEO  
Karachi

Date: October 27, 2020



Zubyr Soomro  
Chairman

**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020**

		(Un-audited) September 30, 2020	(Audited) December 31, 2019	
Note		Rupees in '000		
<b>ASSETS</b>				
	Cash and balances with treasury banks	6	271,566,562	292,513,379
	Balances with other banks	7	14,597,584	13,220,807
	Lendings to financial institutions	8	50,281,178	144,140,344
	Investments	9	1,368,388,745	1,439,160,062
	Advances	10	892,626,890	1,008,139,084
	Fixed assets	11	54,497,593	54,303,565
	Intangible assets	12	362,914	374,950
	Right of use assets	13	6,904,235	7,221,266
	Other assets	14	124,251,943	165,315,413
			2,783,477,644	3,124,388,870
<b>LIABILITIES</b>				
	Bills payable	15	41,481,492	19,867,424
	Borrowings	16	142,595,635	471,757,352
	Deposits and other accounts	17	2,174,925,833	2,198,049,281
	Lease liability against right of use assets	18	7,794,796	7,640,188
	Deferred tax liabilities	19	6,822,937	10,915,802
	Other liabilities	20	142,654,206	183,544,990
			2,516,274,899	2,891,775,037
<b>NET ASSETS</b>			267,202,745	232,613,833
<b>REPRESENTED BY</b>				
	Share capital		21,275,131	21,275,131
	Reserves		57,463,637	52,308,742
	Surplus on revaluation of assets	21	76,456,029	70,244,060
	Unappropriated profit		112,007,948	88,785,900
			267,202,745	232,613,833
<b>CONTINGENCIES AND COMMITMENTS</b>		22		

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

  
Chairman

  
President / CEO

  
Chief Financial Officer

  
Director

  
Director



NATIONAL BANK OF PAKISTAN  
UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

		Quarter ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Note		Rupees in '000			
Mark-up / return / interest earned	23	60,771,188	69,697,575	206,029,824	167,387,548
Mark-up / return / interest expensed	24	29,366,140	51,398,066	126,181,247	113,524,522
Net mark-up / return / interest income		31,405,048	18,299,509	79,848,577	53,863,026
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	4,124,102	4,150,160	12,848,025	13,986,121
Dividend income		265,696	669,345	1,298,024	2,398,061
Foreign exchange income		652,439	801,729	3,351,403	4,319,613
Gain on securities - net	26	3,597,642	250,192	6,932,804	592,224
Other income	27	742,582	1,498,175	3,293,130	4,277,300
Total non-mark-up / interest income		9,382,461	7,369,601	27,723,386	25,573,319
Total income		40,787,509	25,669,110	107,571,963	79,436,345
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	15,451,029	13,438,784	44,701,386	41,239,673
Workers welfare fund		-	-	-	-
Other charges	29	4,251	30,924	297,489	122,095
Total non-markup / interest expenses		15,455,280	13,469,708	44,998,875	41,361,768
Profit before provisions		25,332,229	12,199,402	62,573,088	38,074,577
Provisions and write offs - net	30	7,668,269	3,402,275	23,306,701	8,892,275
PROFIT BEFORE TAXATION		17,663,960	8,797,127	39,266,387	29,182,302
Taxation	31	6,720,141	3,567,515	13,132,199	12,851,676
PROFIT AFTER TAXATION		10,943,819	5,229,612	26,134,188	16,330,626
----- Rupees -----					
Earnings per share - basic and diluted	32	5.14	2.46	12.28	7.68

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Chairman

  
President / CEO

  
Chief Financial Officer


  
Director


  
Director


**NATIONAL BANK OF PAKISTAN**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**


	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	----- Rupees in '000 -----			
Profit after taxation for the period	10,943,819	5,229,612	26,134,188	16,330,626
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Exchange gain on translation of net assets of foreign branches	2,535,365	(376,808)	2,541,476	1,147,262
Movement in surplus / (deficit) on revaluation of investments - net of tax	(5,493,686)	103,459	5,809,702	(3,294,455)
	(2,958,321)	(273,349)	8,351,178	(2,147,193)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement (loss) / gain on defined benefit obligations - net of tax	186,107	(22,978)	(471,505)	(194,660)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	575,051	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	186,107	(22,978)	103,546	(194,660)
<b>Total comprehensive income</b>	<b>8,171,605</b>	<b>4,933,285</b>	<b>34,588,912</b>	<b>13,988,773</b>


The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

  
 Chairman

  
 President / CEO

  
 Chief Financial Officer

  
 Director

  
 Director

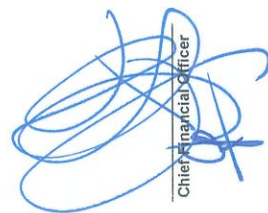


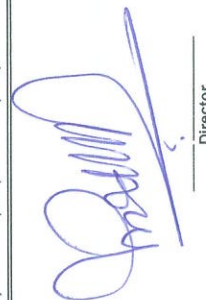
**NATIONAL BANK OF PAKISTAN  
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Share capital	Reserves					Surplus on revaluation of assets			Unappropriated profit	Total	
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets			Total
Rupees in '000												
Balance as at January 01, 2019	21,275,131	8,918,433	31,490,829	343,802	12,000,000	521,338	53,274,402	16,275,620	43,710,505	59,986,125	72,332,877	206,868,535
Profit after taxation for the nine months period ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	1,147,262	-	-	-	-	1,147,262	(3,294,455)	-	(3,294,455)	16,330,626	16,330,626
Transfer to statutory reserve	-	-	1,633,063	-	-	-	1,633,063	-	-	-	(194,660)	(2,341,853)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	(1,633,063)	-
Transfer to unappropriated profit	-	-	-	-	(4,000,000)	-	(4,000,000)	-	(179,664)	(179,664)	179,664	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	4,000,000	-
Cash dividend paid for the year ended December 31, 2018 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at October 01, 2019	21,275,131	10,065,695	33,123,892	343,802	8,000,000	521,338	52,054,727	12,981,165	43,530,841	56,512,006	91,015,444	220,857,309
Profit after taxation for the half year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	(520,815)	(520,815)
Other comprehensive income / (loss) - net of tax	-	306,097	-	-	-	-	306,097	12,678,087	1,113,855	13,791,942	(1,820,699)	12,277,340
Transfer to statutory reserve	-	-	(52,082)	-	-	-	(52,082)	-	-	-	52,082	-
Transfer from loss loan reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(59,888)	(59,888)	59,888	-
Balance as at January 01, 2020	21,275,131	10,371,792	33,071,810	343,802	8,000,000	521,338	52,308,742	25,659,252	44,584,808	70,244,060	88,785,900	232,613,834
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	26,134,188	26,134,188
Other comprehensive income / (loss) - net of tax	-	2,541,476	-	-	-	-	2,541,476	5,809,702	575,051	6,384,753	(471,505)	8,454,724
Transfer to statutory reserve	-	-	2,613,419	-	-	-	2,613,419	-	-	-	(2,613,419)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(172,784)	(172,784)	172,784	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	21,275,131	12,913,268	35,685,229	343,802	8,000,000	521,338	57,463,637	31,468,954	44,987,075	76,456,029	112,007,948	267,202,746

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

  
Chairman

  
Chief Financial Officer


  
Director

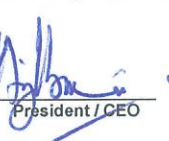
  
Director

NATIONAL BANK OF PAKISTAN  
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Note	September 30, 2020	September 30, 2019
		----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		39,266,387	29,182,302
Less: dividend income		(1,298,024)	(2,398,061)
		<u>37,968,363</u>	<u>26,784,241</u>
Adjustments:			
Depreciation on fixed assets		1,877,814	1,855,679
Depreciation on right of use assets		1,389,383	1,407,946
Amortization		113,753	272,128
Provision and write-offs - net	30	23,306,701	8,892,275
Gain on sale of fixed assets		(886)	(9,992)
Financial charges on leased assets		22,342	19,640
Financial charges on right-of-use-assets		569,621	519,090
Unrealized loss on revaluation of investments classified as held-for-trading		23,539	(36,752)
Charge for defined benefit plans - net		5,549,228	5,487,571
		<u>32,851,495</u>	<u>18,407,585</u>
		<u>70,819,858</u>	<u>45,191,826</u>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		93,459,166	39,911,329
Held-for-trading securities		(16,893,371)	75,773,340
Advances		90,785,929	(35,731,574)
Other assets (excluding advance taxation)		21,300,302	(3,386,864)
		<u>188,652,026</u>	<u>76,566,231</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		21,614,068	6,345,027
Borrowings from financial institutions		(291,459,286)	287,918,210
Deposits		(23,123,448)	(73,349,617)
Other liabilities (excluding current taxation)		(44,845,384)	(3,582,009)
		<u>(337,814,050)</u>	<u>217,331,611</u>
Financial charges paid		(591,963)	(538,730)
Income tax paid		-	(5,655,720)
Benefits paid		(1,331,960)	(2,370,185)
<b>Net cash flows generated from operating activities</b>		<u>(80,266,089)</u>	<u>330,525,033</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(36,202,346)	(215,453,745)
Net investments in held-to-maturity securities		132,368,686	(142,101,388)
Dividends received		894,024	2,398,061
Investments in fixed assets		(1,629,634)	(8,294,900)
Proceeds from sale of fixed assets		27,359	70,199
Effect of translation of net investment in foreign branches		2,541,476	1,147,262
<b>Net cash flows (used in) / generated from investing activities</b>		<u>97,999,565</u>	<u>(362,234,511)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of lease obligations		-	-
Dividend paid		(1,085)	(1,681)
<b>Net cash flow used in financing activities</b>		<u>(1,085)</u>	<u>(1,681)</u>
<b>Increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the period		<u>263,754,250</u>	<u>227,752,888</u>
Cash and cash equivalents at end of the period	33	<u>281,486,641</u>	<u>196,041,730</u>

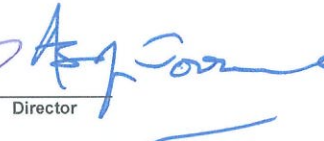
The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

  
Chairman

  
President / CEO

  
Chief Financial Officer

  
Director

  
Director

**NATIONAL BANK OF PAKISTAN**  
**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**1. STATUS AND NATURE OF BUSINESS**

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). The registered and head office of the Bank is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (December 31, 2019: 1,509) branches in Pakistan and 21 (December 31, 2019: 21) overseas branches (including the Export Processing Zone branch, Karachi).

**2. BASIS OF PRESENTATION**

**2.1 STATEMENT OF COMPLIANCE**

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as 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 the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

**2.1.2** The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008, International Financial Reporting Standard IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**2.1.3** The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**2.1.4** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5, dated March 22, 2019 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2019.

**2.1.5** These unconsolidated condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

**2.1.6 Amendments to approved accounting standards that are not effective in the current period**

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:



Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2021
- Amendments to IAS 1 Presentation of Financial Statements regarding the definition of material.	January 1, 2022
- Amendments to IFRS 3 'Business Combination' - Reference to the conceptual	January 1, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended	January 1, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 1, 2022
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investors to its associates or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

#### 2.1.7 Standards, interpretations of and amendments to approved accounting standards that are effective

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 1, 2020
- IFRS 3 - Business Combinations (Amendments)	January 1, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
- Amendment to IFRS 16 'Leases' - Covid-19 related rent	January 1, 2020

In addition, there are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies updated for presentation of these unconsolidated condensed interim financial statements are same as those followed in presentation of the unconsolidated financial statements of the Bank for the year ended December 31,

2019.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

#### **5. FINANCIAL RISK MANAGEMENT**

In order to be more responsive to the changing environment, the Bank reviews / revises its plans / procedures to help remain robust in line with emerging risks.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to September 2020. Other regulatory measures to provide an impetus to economic

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year; and
- Relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures Bank has aligned its policies / procedures and issued instructions. Following is the brief of measures taken by Bank.

##### **5.1 Credit Risk Management**

The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. It is expected that credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Bank is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak.

##### **5.2 Liquidity Risk Management**

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and Daily Liquidity Monitoring report is also being prepared to notice the changes in liquidity profile of the Bank. Liquidity buffer currently maintained is sufficient to cater to any adverse movement. Moreover the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realized in case of any adverse liquidity situation.

##### **5.3 Operational Risk Management**

The Bank is closely monitoring the situation and has undertaken required actions to ensure the safety and security of Bank staff and maintenance of service to its customers. The Senior Management of the Bank including the Covid Crises Management Team closely monitors the situation, and is taking timely decisions to resolve any concerns.

The Bank has a duly tested Business Continuity Plan (BCP) in place. The Bank has communicated with its customers on how they can connect with the Bank through its digital and online channels. The Bank continues to take measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored, in order for the Bank to meet the expectations of its stakeholders.

The Bank's operations have been stayed highly resilient, almost more than 95% branches remains open to facilitate its customers. Further, the Bank has deployed all necessary measures for the health and safety of its employees to prevent them from this pandemic situation.

##### **5.4 Information Security Risk Management**

The COVID-19 pandemic poses heightened cybersecurity risks. The Bank has taken appropriate actions to monitor and respond to these evolving cybersecurity risks and adopted a heightened state of cybersecurity as transitioned employees to remote working option, where required. The associated risks and implications posed by the pandemic have been assessed to protect the Bank's critical information assets from the increasing cyber threats and to ensure compliance with the regulatory controls.

##### **5.5 Capital Adequacy Ratio (CAR)**

The Bank has shown improvement in capital adequacy ratio from 15.48% to 20.75%. The main reasons include; relaxation Capital Conversion Buffer (CCB) requirements, and profit for the nine month period ended.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		42,405,522	48,571,567
Foreign currency		6,390,402	4,565,061
		48,795,924	53,136,628
With State Bank of Pakistan in			
Local currency current accounts	6.1	149,367,130	168,326,804
Foreign currency current accounts	6.2	10,294,475	9,116,381
Foreign currency deposit accounts	6.2	21,214,092	27,850,977
Foreign currency collection accounts		1,049,626	1,473,861
		181,925,323	206,768,023
With other central banks in			
Foreign currency current accounts	6.3	34,110,355	25,994,672
Foreign currency deposit accounts	6.3	6,600,762	4,865,977
		40,711,117	30,860,649
Prize bonds		134,198	1,748,079
		271,566,562	292,513,379

**6.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

**6.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

**6.3** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0.00% to 2.96% per annum (December 31, 2019: 0.00% to 2.17% per annum).

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	-----
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current account		-	-
In deposit accounts	7.1	11,777	5,841
Outside Pakistan			
In current accounts		8,824,676	6,476,086
In deposit accounts	7.2	5,761,131	6,738,880
		14,585,807	13,214,966
		14,597,584	13,220,807

- 7.1 These include various deposits with banks and carry interest at rates ranging from 2.00% to 8.00% per annum (December 31, 2019: 2.50% to 11.25% per annum).
- 7.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0.00% to 3.00% per annum (December 31, 2019: 0.00% to 2.17% per annum).

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	8.1	140,800	540,800
Repurchase agreement lendings (reverse repo)	8.2	40,780,044	132,180,048
Bai Muajjal receivables with State Bank of Pakistan	8.3	9,360,334	11,419,496
Letters of placement	8.4	176,150	176,150
	8.5	50,457,328	144,316,494
Less: provision held against lendings to financial institutions	8.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		<u>50,281,178</u>	<u>144,140,344</u>

- 8.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (December 31, 2019: Rs. 40.8 million) which is guaranteed by the SBP.
- 8.2 These carry mark-up at rates ranging from 7.00 % to 7.40 % per annum (December 31, 2019: 13.00% to 13.58% per annum) with maturities ranging from October 01, 2020 to October 16, 2020.
- 8.3 This represents Bai Muajjal agreements entered into with SBP and carries mark-up rate 13.00% per annum (December 31, 2019: 12.78% per annum).
- 8.4 These are overdue placements and full provision has been made against these placements as at September 30, 2020.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
<b>8.5 Particulars of lending</b>			
In local currency		50,457,328	144,316,494
In foreign currencies		-	-
		<u>50,457,328</u>	<u>144,316,494</u>
<b>8.6 Movement in provision held against lendings is as follows:</b>			
Opening balance		176,150	176,150
Charge for the period		-	-
Closing balance		<u>176,150</u>	<u>176,150</u>

8.7 Securities held as collateral against lendings to financial institutions

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Held by Bank	Further given as collateral	Total	Total
Market Treasury Bills	6,719,232	-	6,719,232	124,080,048
Pakistan Investment Bonds	34,060,812	-	34,060,812	8,100,000
<b>Total</b>	<b>40,780,044</b>	<b>-</b>	<b>40,780,044</b>	<b>132,180,048</b>

----- Rupees in '000 -----

8.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 40.783 million (December 31, 2019: Rs. 132.453 million).

8.8 Category of classification

September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
Classified Lending	Provision held	Classified Lending	Provision held

----- Rupees in '000 -----

Domestic			
Loss	176,150	176,150	176,150



## 9. INVESTMENTS

### 9.1 Investments by type:

	September 30, 2020 (Un-audited)				December 31, 2019 (Audited)			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000								
<b>Held-for-trading securities</b>								
Market Treasury Bills	50,805,291	-	(21,495)	50,783,796	26,911,821	-	(24,649)	26,887,172
Pakistan Investment Bonds	2,003,964	-		2,003,964	9,116,239	-	15,695	9,131,934
Ordinary shares of listed companies	175,338	-	(2,044)	173,294	75,705	-	(2,042)	73,663
	52,984,593	-	(23,539)	52,961,054	36,103,765	-	(10,996)	36,092,769
<b>Available-for-sale securities</b>								
Pakistan Investment Bonds	445,780,934	-	5,063,584	450,844,518	322,248,605	-	(1,961,853)	320,286,752
Market Treasury Bills	506,758,892	-	3,226,801	509,985,693	593,936,881	-	967,544	594,904,425
Ijarah Sukuks	6,000,000	-	21,200	6,021,200	2,000,000	-	(21,200)	1,978,800
Ordinary shares of listed companies	31,930,542	(5,788,151)	19,378,471	45,520,862	29,025,568	(5,723,164)	18,487,730	41,790,134
Ordinary shares of unlisted companies	2,101,182	(507,573)	-	1,593,609	2,101,182	(507,573)	-	1,593,609
Preference shares	1,445,308	(539,708)	-	905,600	570,214	(490,826)	-	79,388
Investments in mutual funds	619,646	(41,167)	1,296,228	1,874,707	619,646	(41,167)	1,324,745	1,903,224
Ordinary shares of a bank outside Pakistan	463,294	-	18,323,835	18,787,129	463,294	-	18,368,462	18,831,756
Term Finance Certificates / Musharika								
Participation Term Certificate and Sukuk Bonds	62,222,568	(5,147,339)	823,878	57,899,107	60,253,866	(4,942,505)	941,278	56,252,659
GoP Foreign Currency Bonds	10,821,490	-	220,641	11,042,131	21,138,771	-	1,337,759	22,476,530
Foreign Government Securities	3,471,572	-	57,935	3,529,507	3,474,324	-	17,527	3,491,851
Foreign Currency Debt Securities	1,827,779	-	1,202	1,828,981	1,408,492	-	13,779	1,422,271
	1,073,443,208	(12,023,937)	48,413,776	1,109,833,045	1,037,240,862	(11,705,235)	39,475,771	1,065,011,399
<b>Held-to-maturity securities</b>								
Pakistan Investment Bonds	167,687,574	-	-	167,687,574	184,864,103	-	-	184,864,103
Market Treasury Bills	-	-	-	-	114,091,320	-	-	114,091,320
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	414,973	(407,134)	-	7,839	416,707	(407,134)	-	9,573
GoP Foreign Currency Bonds	-	-	-	-	4,087,591	-	-	4,087,591
Foreign Government Securities	32,588,785	-	-	32,588,785	29,600,343	-	-	29,600,343
Foreign Currency Debt Securities	642	-	-	642	596	-	-	596
	200,691,974	(407,134)	-	200,284,840	333,060,660	(407,134)	-	332,653,526
<b>Associates</b>	4,970,863	(4,091,977)	-	878,886	4,970,863	(3,999,416)	-	971,447
<b>Joint Venture</b>	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
<b>Subsidiaries</b>	3,906,750	(1,838,263)	-	2,068,487	3,906,750	(1,838,262)	-	2,068,488
<b>Total investments</b>	1,338,359,821	(18,361,311)	48,390,237	1,368,388,745	1,417,645,333	(17,950,047)	39,464,775	1,439,160,062

(Un-audited) (Audited)  
September 30, December 31,  
2020 2019  
-----Rupees in '000 -----

9.1.1 Investments given as collateral

Pakistan Investment Bonds	12,296,044	4,150,000
Market Treasury Bills	2,550,000	327,903,770
	14,846,044	332,053,770

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	17,950,047	14,908,363
Charge / reversals		
Charge for the period	1,019,941	3,425,825
Reversals for the period	(608,675)	(384,143)
	411,266	3,041,682
Closing balance	18,361,313	17,950,047

9.2.2 Particulars of provision against debt securities

Category of classification	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	NPI	Provision		NPI	Provision	
	----- Rupees in '000 -----					
Domestic						
Doubtful	-	-		426,170		213,085
Loss	5,563,234	5,554,473		5,145,314		5,136,554
	5,563,234	5,554,473		5,571,484		5,349,639

9.3 SBP vide BPRD Circular Letter No. 13 of 2020 Para 4 (c) of Prudential Regulation R-8: Impairment in Value of Securities has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, a portion of the impairment loss, amounting to Rs. 0.844 million, resulting from the valuation of listed equity securities held under the AFS category as of September 30, 2020 has not been recognized in the unconsolidated condensed interim profit and loss account and has been taken to 'Surplus on revaluation of available for sale securities' as disclosed in note 21 of these unconsolidated condensed interim financial statements.

Had there been no relaxation, there would have had the following effect on these unconsolidated condensed interim financial statements:

	(Un-audited) September 30, 2020	Rupees in '000
Impact on Unconsolidated Condensed Interim Statement of Financial Position		
- Increase in provision for diminution in value of investments		844
- Increase in surplus on revaluation of Available for sale securities - net of tax		549
- Decrease in Unappropriated Profit		(515)
Impact on Unconsolidated Condensed Interim Profit and Loss account		
- Decrease in Profit after tax		(515)
- Decrease in taxation charge		(329)

Earnings per share for the period ended September 30, 2020 would have been lower by Rs. 0.0002 per share.

9.4 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 208,969 million (December 31, 2019: Rs. 328,496 million).

## 10. ADVANCES

	Performing		Non performing		Total	
	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000						
Loans, cash credits, running finances, etc.	831,154,139	936,148,400	163,957,237	141,787,259	995,111,376	1,077,935,659
Islamic financing and related assets	32,534,680	33,880,111	602,988	203,934	33,137,668	34,084,045
Net Investment in finance lease	40,207	71,576	-	-	40,207	71,576
Bills discounted and purchased	24,013,336	32,463,246	8,156,494	6,760,324	32,169,830	39,223,770
Advances - gross	887,742,362	1,002,563,333	172,716,719	148,751,717	1,060,459,081	1,151,315,050
Provision against advances						
- Specific	-	-	149,232,401	134,170,016	149,232,402	134,170,016
- General	18,599,789	9,005,950	-	-	18,599,789	9,005,950
	18,599,789	9,005,950	149,232,401	134,170,016	167,832,191	143,175,966
Advances - net of provision	869,142,573	993,557,383	23,484,318	14,581,701	892,626,890	1,008,139,084

### 10.1 Net investment in finance lease

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Not later than one year	Over five years	Total	Not later than one year	Later than one and less than five years	Total
Rupees in '000						
Lease rentals receivable	(6,997)	-	(6,244)	11,634	10,434	-
Residual value	46,536	-	47,351	45,666	9,617	-
Minimum lease payments	39,538	-	41,106	57,300	20,051	-
Financial charges for future periods	849	-	899	4,982	793	-
Present value of minimum lease payments	38,689	-	40,207	52,318	19,258	-

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favour of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 17.30% (December 31, 2019: 10.19% to 19.46%) per annum.

### 10.2 Particulars of advances (Gross)

In local currency	989,108,060	1,052,019,665
In foreign currencies	71,351,021	99,295,385
	1,060,459,081	1,151,315,050

(Un-audited)  
September 30,  
2020

(Audited)  
December 31,  
2019

Rupees in '000

**10.3** Advances includes Rs. 172,717 million (2019: Rs.148,752 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----				
<b>Domestic</b>				
Other assets especially mentioned	4,361,710	146,285	1,290,081	78,430
Substandard	13,562,004	3,211,401	10,292,449	2,550,709
Doubtful	12,558,344	6,270,747	6,439,788	3,207,031
Loss	98,340,146.89	97,035,070	89,680,047	88,523,275
	<b>128,822,204</b>	<b>106,663,503</b>	<b>107,702,365</b>	<b>94,359,445</b>
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	43,894,515	42,568,899	41,049,352	39,810,571
	<b>43,894,515</b>	<b>42,568,899</b>	<b>41,049,352</b>	<b>39,810,571</b>
<b>Total</b>	<b>172,716,719</b>	<b>149,232,402</b>	<b>148,751,717</b>	<b>134,170,016</b>

**10.4** Particulars of provision against advances

Note	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	134,170,016	9,005,950	143,175,966	126,266,039	7,207,104	133,473,143
Exchange adjustments	2,880,328	32,451	2,912,779	3,803,802	28,732	3,832,534
Charge for the period / year	15,934,778	9,913,330	25,848,108	11,335,930	2,018,117	13,354,047
Reversals	(3,682,680)	(351,942)	(4,034,622)	(4,681,591)	(248,003)	(4,929,594)
	<b>12,252,098</b>	<b>9,561,388</b>	<b>21,813,486</b>	<b>6,654,339</b>	<b>1,770,114</b>	<b>8,424,453</b>
Amounts written off	(24,127)	-	(24,127)	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	(45,915)	-	(45,915)	(232,480)	-	(232,480)
Amount charged off international branches 10.4.4	-	-	-	(1,776,734)	-	(1,776,734)
Other movement	-	-	-	(511,946)	-	(511,946)
Closing balance	<b>149,232,402</b>	<b>18,599,789</b>	<b>167,832,191</b>	<b>134,170,016</b>	<b>9,005,950</b>	<b>143,175,966</b>

**10.4.1** Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	106,663,503	18,358,828	125,022,331	94,359,445	8,550,135	102,909,580
In foreign currencies	42,568,899	240,961	42,809,860	39,810,571	455,815	40,266,386
	<b>149,232,402</b>	<b>18,599,789</b>	<b>167,832,191</b>	<b>134,170,016</b>	<b>9,005,950</b>	<b>143,175,966</b>



- 10.4.2** The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Bank has also maintained general provision in respect of its underperforming portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

- 10.4.3** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019. Bank is following up for its extension.

- 10.4.4** This includes fully provided loans granted outside Pakistan which are charged-off as per local regulations of the host country. Charging-off does not affect the Bank's right to pursue recovery against these loans.

- 10.4.5** State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions. During the period ended September 30, 2020, 81 borrowers having aggregate outstanding exposure of Rs. 27,695 million have availed regulatory relief extended by SBP.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	2,066,464	2,114,172
Property and equipment		52,431,129	52,189,393
		<u>54,497,593</u>	<u>54,303,565</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		1,993,205	1,999,863
Equipment		14,526	15,446
Advances to suppliers and contractors		58,733	58,372
License and implementation fee for core banking software		-	40,491
		<u>2,066,464</u>	<u>2,114,172</u>
		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
		----- Rupees in '000 -----	
<b>11.2 Additions to fixed assets</b>			
The following material additions have been made to fixed assets during the period:			
Capital work-in-progress		107,974	90,340
Property and equipment			
Building on freehold land		3,622	-
Building on leasehold land		59,728	53,296
Furniture and fixture		628,703	380,013
Computer and peripheral equipment		110,001	149,827
Electrical, office equipment		429,120	495,308
Vehicles		195,700	129,222
		<u>1,426,873</u>	<u>1,207,666</u>
		<u>1,534,846</u>	<u>1,298,006</u>

		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
		Rupees in '000	
<b>11.3</b>	<b>Disposal of fixed assets</b>		
The net book value of material fixed assets disposed off during the period is as follows:			
	Furniture and fixture	1,519	1,310
	Computer and peripheral equipment	-	104
	Vehicles	24,898	9,157
		<u>26,418</u>	<u>10,571</u>
		(Un-audited) September 30, 2020	(Audited) December 31, 2019
		Rupees in '000	
<b>12.</b>	<b>INTANGIBLE ASSETS</b>		
	Computer Software	<u>362,914</u>	<u>374,950</u>
		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
		Rupees in '000	
<b>12.1</b>	<b>Additions to intangible assets</b>		
The following additions have been made to intangible assets during the period:			
	Directly purchased	<u>94,788</u>	<u>375,641</u>
		(Un-audited) September 30, 2020	(Audited) December 31, 2019
		Rupees in '000	
<b>13.</b>	<b>RIGHT OF USE ASSETS</b>		
The recognized right of use assets relate to the following types of assets:			
	Balance as at January 01	7,221,266	7,908,684
	Additions during the period	1,072,352	1,185,554
	Depreciation charged for the period	<u>1,389,383</u>	<u>1,872,972</u>
	<b>Balance as at</b>	<u>6,904,235</u>	<u>7,221,266</u>

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
<b>14. OTHER ASSETS</b>			
Income / return / mark-up accrued in local currency - net of provision		37,803,458	53,660,237
Income / return / mark-up accrued in foreign currency		2,730,144	2,551,275
Advances, deposits, advance rent and other prepayments		4,379,942	7,816,695
Income tax refunds receivable and advance taxation		31,422,959	51,823,127
Compensation for delayed tax refunds		16,819,576	13,722,128
Non-banking assets acquired in satisfaction of claims		3,273,015	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Unrealized gain on forward foreign exchange contracts		12,572	-
Commission receivable on Government treasury transactions		12,263,467	4,065,704
Stationery and stamps on hand		496,602	435,733
Barter trade balances		195,399	195,399
Receivable on account of Government transactions		323,172	323,172
Receivable from Government under VHS scheme		418,834	418,834
Receivable against sale of shares		43,646	310,374
Acceptances		16,720,194	26,934,779
Others		9,423,894	9,941,052
		<u>136,535,297</u>	<u>175,691,785</u>
Less: Provision held against other assets	14.1	<u>12,760,569</u>	<u>10,853,587</u>
Other assets (net of provision)		<u>123,774,728</u>	<u>164,838,198</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>477,215</u>	<u>477,215</u>
<b>Other assets - total</b>		<u><u>124,251,943</u></u>	<u><u>165,315,413</u></u>
<b>14.1 Provision held against other assets</b>			
Income / mark-up accrued in local currency		152,607	152,607
Advances, deposits, advance rent and other prepayments		837,949	837,949
Stationery and stamps on hand		96,542	96,542
Barter trade balances		195,399	195,399
Receivable on account of Government transactions		323,172	323,172
Receivable from Government under VHS scheme		418,834	418,834
Protested bills		4,011,843	2,555,322
Provision against FE-25 loans		1,734,591	1,734,591
Ex-MBL / NDFC - other assets		534,173	534,173
Assets Acquired from CIRC		208,423	208,423
Others		4,247,036	3,796,575
		<u>12,760,569</u>	<u>10,853,587</u>
<b>14.1.1 Movement in provision held against other assets</b>			
Opening balance		10,853,587	8,884,661
Charge for the year		930,120	1,589,466
Transfer in		976,862	457,739
Adjustment of compensation claimed by SBP to SBP balances		-	(78,279)
Closing balance		<u>12,760,569</u>	<u>10,853,587</u>
<b>15. BILLS PAYABLE</b>			
In Pakistan		40,704,843	19,648,708
Outside Pakistan		<u>776,649</u>	<u>218,716</u>
		<u><u>41,481,492</u></u>	<u><u>19,867,424</u></u>

(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----	

## 16. BORROWINGS

### Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme	2,599,394	1,908,291
Under Export Refinance Scheme (New Scheme)	24,048,249	20,687,441
Financing Scheme for Renewable Energy	405,724	236,175
Refinance Facility for Modernization of SMEs	44,654	45,000
Financing Facility for storage of Agriculture Produce (FFSAP)	290,262	284,012
Under Long-Term Financing Facility (LTFF)	15,382,195	8,923,286
Refinance Scheme for Payment of Wages and Salaries	372,371	-
	<b>43,142,849</b>	<b>32,084,205</b>

Repurchase agreement borrowings  
Bai Muajjal

	14,846,044	332,053,770
	79,788,437	59,069,167
	<b>137,777,330</b>	<b>423,207,142</b>

### Unsecured

Call borrowings	2,538,424	39,052,969
Overdrawn nostro accounts	2,279,881	3,467,767
Bai Muajjal	-	6,029,474
	<b>4,818,305</b>	<b>48,550,210</b>
	<b>142,595,635</b>	<b>471,757,352</b>

### 16.1 Particulars of borrowings with respect to currencies

In local currency	142,595,635	432,843,644
In foreign currencies	-	38,913,708
	<b>142,595,635</b>	<b>471,757,352</b>

### 16.2 Mark-up / interest rates and other terms are as follows:

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3.00% (December 31, 2019: 3.00%).
- Repurchase agreement borrowings carry mark-up ranging from 6.95% to 7.05% per annum (December 31, 2019: 13.20% to 13.32% per annum) having maturity on ranging from October 1, 2020 to October 19, 2020.
- Call borrowings carry interest ranging from 0.00% to 0.77% per annum (December 31, 2019: 1.75% to 4.00% per annum).

### 16.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

### 16.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5 -10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 14,846 million (December 31, 2019: Rs. 332,054 million).

## 17. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
<b>Customers</b>						
Current deposits - remunerative	367,972,265	-	367,972,265	320,884,110	-	320,884,110
Current deposits - non-remunerative	419,850,303	125,370,781	545,221,084	387,100,580	138,036,876	525,137,456
Savings deposits	610,900,574	59,801,120	670,701,694	533,399,568	52,363,840	585,763,408
Term deposits	261,616,855	84,966,026	346,582,881	285,062,513	75,428,176	360,490,689
Others	5,039,120	4,080	5,043,200	4,970,352	3,924	4,974,276
	1,665,379,117	270,142,007	1,935,521,124	1,531,417,123	265,832,816	1,797,249,939
<b>Financial Institutions</b>						
Current deposits	218,158,071	1,289,530	219,447,601	357,600,795	1,225,295	358,826,090
Savings deposits	2,418,087	-	2,418,087	4,405,416	2,911,091	7,316,507
Term deposits	7,265,113	7,995,130	15,260,243	21,888,152	5,932,636	27,820,788
Others	1,963,222	315,556	2,278,778	6,549,217	286,740	6,835,957
	229,804,493	9,600,216	239,404,709	390,443,580	10,355,762	400,799,342
	1,895,183,610	279,742,223	2,174,925,833	1,921,860,703	276,188,578	2,198,049,281

- 17.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,471 million (December 31, 2019: Rs.85,488 million).

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
-----Rupees in '000 -----		
<b>18. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS</b>		
Lease liabilities included in the statement of financial position	7,794,796	7,640,188
Of which are:		
Current lease liability	1,452,665	1,237,717
Non-current lease liability	6,342,132	6,402,471
	7,794,796	7,640,188
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	3,318,452	1,948,040
One to five years	8,467,299	6,610,167
More than five years	13,848,895	6,652,960
Total undiscounted lease liabilities	25,634,645	15,211,167



(Un-audited)	(Audited)
September 30,	December 31,
2020	2019
-----Rupees in '000 -----	

## 19. DEFERRED TAX LIABILITIES

### Deductible temporary differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Other provisions

(10,705)	(10,705)
(4,106,604)	(3,852,716)
(236,751)	(236,751)
(7,072,096)	(2,625,495)
(115,222)	(115,222)
(105,416)	(105,416)
(11,646,794)	(6,946,305)

### Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Other

1,483,470	1,689,317
16,944,822	13,816,519
41,439	41,439
-	2,314,832
18,469,731	17,862,107
6,822,937	10,915,802

## 20. OTHER LIABILITIES

- Mark-up / return / interest payable in local currency
- Mark-up / return / interest payable in foreign currencies
- Unearned commission and income on bills discounted
- Accrued expenses
- Advance payments
- Unclaimed dividends
- Unrealized loss on forward foreign exchange contracts
- Unrealized loss on put option
- Branch adjustment account
- Employee benefits:
  - Pension fund
  - Post retirement medical benefits
  - Benevolent fund
  - Gratuity scheme
  - Compensated absences
- Staff welfare fund
- Liabilities relating to Barter trade agreements
- Provision against off-balance sheet obligations
- Provision against contingencies
- Payable to brokers
- PIBs short selling
- Acceptances
- Others

25,182,266	57,027,903
280,950	439,959
1,981,449	3,045,278
21,439,078	19,000,508
368,827	397,099
185,583	186,668
1,355,892	4,358,883
306,339	306,339
422,364	926,311
15,186,478	14,785,647
19,548,128	18,333,947
2,165,580	1,749,006
2,573,137	2,206,599
8,758,508	8,344,182
371,257	371,257
2,222,303	5,539,436
627,494	627,494
4,368,062	4,629,645
194,017	38,667
2,331,308	256,284
16,720,194	26,934,779
16,064,992	14,039,099
142,654,206	183,544,990

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
<b>21. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of			
- Available-for-sale securities	9.1	48,413,776	39,475,771
- Fixed assets		44,978,813	44,576,547
- Non-banking assets		2,539,696	2,539,695
		<u>95,932,285</u>	<u>86,592,013</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(16,944,822)	(13,816,519)
- Fixed assets		(2,489,995)	(2,489,995)
- Non-banking assets		(41,439)	(41,439)
		<u>(19,476,256)</u>	<u>(16,347,953)</u>
		<u>76,456,029</u>	<u>70,244,060</u>
<b>22. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	22.1	204,885,284	161,579,745
Commitments	22.2	1,494,742,202	1,761,652,119
Other contingent liabilities	22.3	36,659,571	30,664,297
		<u>1,736,287,058</u>	<u>1,953,896,161</u>
<b>22.1 Guarantees</b>			
Financial guarantees		141,061,399	101,841,274
Performance guarantees		63,823,885	59,738,471
		<u>204,885,284</u>	<u>161,579,745</u>
<b>22.2 Commitments</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,034,836,782	937,616,635
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	458,398,157	801,290,548
- forward government securities transactions	22.2.2	850,000	22,164,581
Commitments for acquisition of:			
- operating fixed assets		657,264	566,855
Other commitments	22.2.3	-	13,500
		<u>1,494,742,202</u>	<u>1,761,652,119</u>
<b>22.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		306,733,125	478,842,756
Sale		151,665,031	322,447,792
		<u>458,398,157</u>	<u>801,290,548</u>

Commitments for outstanding forward foreign exchange contracts are disclosed in these condensed unconsolidated nine months period financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>22.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	-	256,814
Sale	850,000	21,907,767
	<u>850,000</u>	<u>22,164,581</u>

Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated condensed interim financial statements at contracted rates.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>22.2.3 Professional services to be received</b>	-	13,500
<b>22.3 Other contingent liabilities</b>		
<b>22.3.1 Claim against the Bank not acknowledged as debt</b>	<u>36,659,571</u>	<u>30,664,297</u>

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (December 31, 2019: Rs.1,597 million).

## 22.3.2 Taxation

The current status of tax contingencies for the period ended September 30, 2020 is given below:

- Tax returns of the Bank have been filed up to tax year 2019 and amended by tax authorities up to tax year 2018. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is ongoing. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2019.
- The matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013 during the year which issue was decided by the learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of contingencies as on September 30, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 18.629 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on September 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1.0 billion and Rs. 1.4 billion respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.  
  
Sindh High Court through interim order has instructed the taxation officer not to take any coercive measures.  
  
Bank's tax advisors expect a favourable decision on this issue from appellate fora.
- The Bank has filed an Appeal before the Appellate Tribunal, Sindh Revenue Board against the Order passed by Commissioner (Appeals) Sindh Revenue Board confirming the levy of Sindh Sales Tax on the services provided by the Bank to State Bank of Pakistan for the tax periods January 2015 to March 2015 amounting to Rs.76.767 million and the rate differential amount of Rs. 11.987 million for the tax periods January 2014 to December 2014 aggregating to Rs. 88.754 million along with the penalties and default surcharge thereon. It is pertinent to mention that the aforesaid differential amount has already been paid by availing the tax amnesty in 2019. Further, no provision has been made for the amount relating to State Bank of Pakistan in these unconsolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.

- e) The Bank filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December -2016 wherein the principal demand of Rs. 386 million was raised.

The Honorable Appellate Tribunal, PRA accepted the appeal and set aside the impugned Order passed by the Commissioner HQ, PRA. No correspondence has been received till date.

### **22.3.3 Contingencies in respect of employees benefits and related matters**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019, except for the below mentioned updates.

#### **22.3.4.1 Pensionary benefits to retired employees**

This has been explained in note 25.3.3.1 to the financial statement of the year ended December 31, 2019. Subsequently, the hearing of the pension case was fixed on March 12, 2020, however the same was adjourned as the counsel for both parties submitted to the Supreme Court of Pakistan ('SCP') that it would be more appropriate if the hearing, of the present case, can be arranged at Karachi. The Review Petition is ongoing and is expected to be listed for hearing soon. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the year ended December 31, 2019 amounted to Rs. 67.1 billion), excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2020 onward will also increase by Rs. 7.0 billion due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been considered made in these unconsolidated interim financial statements for the above mentioned amount as the Bank is confident about the favorable outcome of the matter.

#### **22.3.4.2 Post retirement medical facilities**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

#### **22.3.4.3 Restoration of Commuted Pension**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

#### **22.3.4.4 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

#### **22.3.4.5 Golden Handshake (GHS)**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

#### **22.3.4.6 Litigation related to management trainee program**

This has been explained in note 25.3.3.6 to the financial statement of the year ended December 31, 2019. Subsequently, the matter of out of court settlements has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances. were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these unconsolidated condensed interim financial statements.

#### **22.3.4.7 Foreign Exchange repatriation case**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

#### **22.3.4.8 Compliance and risk matters relating to anti-money laundering**

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2019.

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	Rupees in '000	
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances		77,998,330	77,568,579
Investments		124,877,180	83,524,273
On securities purchased under resale agreements		1,900,668	4,713,757
Balances with other banks		1,253,646	1,580,939
		<u>206,029,824</u>	<u>167,387,548</u>
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		82,348,030	78,014,089
Borrowings		6,090,877	4,501,937
Cost of foreign currency swaps against foreign currency deposits		6,454,405	4,938,013
Finance charge on lease liability against right of use assets		569,621	519,090
Securities sold under repurchase agreements		30,718,314	25,551,393
		<u>126,181,247</u>	<u>113,524,522</u>
<b>25. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		976,411	357,476
Consumer finance related fees		497,017	580,357
Card related fees		774,605	521,239
Credit related fees		131,317	184,247
Investment banking fees		428,625	393,621
Commission on trade		2,105,286	3,320,428
Commission on guarantees		303,540	318,531
Commission on cash management		6,173	16,185
Commission on remittances including home remittances		692,007	1,170,737
Commission on bancassurance		190,917	267,469
Commission on government transactions		6,626,430	6,658,586
Others		115,697	197,245
		<u>12,848,025</u>	<u>13,986,121</u>
<b>26. GAIN ON SECURITIES - NET</b>			
Realized	26.1	6,956,343	555,472
Unrealized - held-for-trading	9.1	(23,539)	36,752
		<u>6,932,804</u>	<u>592,224</u>
<b>26.1 Realized gain on</b>			
Federal Government Securities		5,258,905	322,704
Shares		1,018,758	204,305
Ijarah Sukuks		8	28,463
Foreign Securities		678,672	-
		<u>6,956,343</u>	<u>555,472</u>
<b>27. OTHER INCOME</b>			
Rent on property		30,827	37,368
Gain on sale of fixed assets - net		886	9,992
Postal, SWIFT and other charges recovered		-	34,132
Compensation for delayed tax refunds	27.1	3,097,448	4,184,109
Remittances expense reimbursed by SBP		112,861	-
Others		51,108	11,699
		<u>3,293,130</u>	<u>4,277,300</u>

**27.1** This represents compensation on delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	(Un-audited) Nine months ended September 30, 2020 ----- Rupees in '000 -----	(Un-audited) Nine months ended September 30, 2019 ----- Rupees in '000 -----
<b>28. OPERATING EXPENSES</b>		
<b>Total compensation expenses</b>	<b>29,884,883</b>	<b>27,047,528</b>
<b>Property expenses</b>		
Rent and taxes	288,108	738,129
Insurance	10,162	8,644
Utilities cost	783,460	828,498
Security (including guards)	1,908,345	1,680,277
Repair and maintenance (including janitorial charges)	849,320	639,439
Depreciation	332,939	350,518
Depreciation on non banking assets	11,838	22,183
Depreciation on Ijarah assets	67,393	128,361
Depreciation on right of use assets	1,389,383	1,407,946
	<b>5,640,948</b>	<b>5,803,995</b>
<b>Information technology expenses</b>		
Software maintenance	803,777	601,199
Hardware maintenance	8,897	10,121
Depreciation	196,642	215,037
Amortization	113,753	272,128
Network charges	362,919	344,124
	<b>1,485,988</b>	<b>1,442,609</b>
<b>Other operating expenses</b>		
Directors' fees and reimbursement of other expenses	27,839	26,231
Fees and allowances to Shariah Board	6,974	6,930
Legal and professional charges	986,175	492,524
Outsourced services costs	598,230	564,277
Travelling and conveyance	353,786	537,699
NIFT clearing charges	118,074	102,754
Depreciation	1,269,002	1,139,580
Training and development	40,865	81,431
Postage and courier charges	150,982	129,399
Communication	216,787	209,673
Stationery and printing	878,548	678,523
Marketing, advertisement and publicity	118,971	181,046
Contributions for other Corporate and Social Responsibility	85,447	14,962
Auditors' remuneration	263,227	242,934
Entertainment	158,996	203,001
Clearing, verification, license fee charges	215,944	345,443
Brokerage	82,246	57,517
Financial charges on leased assets	22,342	19,640
Insurance	366,599	372,938
Vehicle expenses	105,073	96,203
Repairs and maintenance	259,415	234,833
Deposit premium expense	1,030,977	929,881
Others	333,068	278,122
	<b>7,689,567</b>	<b>6,945,541</b>
	<b>44,701,386</b>	<b>41,239,673</b>

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>29. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		297,404	115,499
Penalties imposed by other regulatory bodies (Central bank of international branches)		85	6,596
		<u>297,489</u>	<u>122,095</u>
<b>30. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	9.2	411,266	2,798,225
Provisions against loans and advances	10.4	21,813,486	5,854,713
Provision against other assets		1,081,949	239,337
		<u>23,306,701</u>	<u>8,892,275</u>
<b>31. TAXATION</b>			
Current		20,135,237	13,778,105
Prior years		-	1,056,841
Deferred		<u>(7,003,038)</u>	<u>(1,983,270)</u>
		<u>13,132,199</u>	<u>12,851,676</u>
<b>32. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit for the period (Rupees in 000's)		<u>26,134,188</u>	<u>16,330,626</u>
Weighted average number of ordinary shares (in 000's)		<u>2,127,513</u>	<u>2,127,513</u>
Earnings per share - basic and diluted (Rupees)		<u>12.28</u>	<u>7.68</u>
		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
		----- Rupees in '000 -----	----- Rupees in '000 -----
<b>33. CASH AND CASH EQUIVALENT</b>			
Cash and balances with treasury banks		271,566,562	215,143,461
Balances with other banks		14,597,584	21,091,113
Call money lendings		140,800	40,800
Call money borrowings		(2,538,424)	(36,667,032)
Overdrawn nostro		<u>(2,279,881)</u>	<u>(3,566,612)</u>
		<u>281,486,641</u>	<u>196,041,730</u>
<b>34. FAIR VALUE MEASUREMENTS</b>			
The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.			
The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments			

### 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 categorized:

	At September 30, 2020 (Un-audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				
<b>On balance sheet financial instruments</b>					
<b>Financial assets - measured at fair value</b>					
<b>Investments</b>					
Market Treasury Bills	562,606,272	-	562,606,272	-	562,606,272
Pakistan Investment Bonds	451,011,699	-	451,011,699	-	451,011,699
Ijarah Sukuks	6,021,200	-	6,021,200	-	6,021,200
Ordinary shares of listed companies	45,694,156	45,694,156	-	-	45,694,156
Preference shares	905,600	905,600	-	-	905,600
Investments in mutual funds	1,874,707	-	1,874,707	-	1,874,707
Term Finance Certificates / Musharika and Sukuk Bonds	57,899,107	-	57,899,107	-	57,899,107
GoP Foreign Currency Bonds	11,042,131	-	11,042,131	-	11,042,131
Foreign Government Securities	3,529,507	-	3,529,507	-	3,529,507
Foreign Currency Debt Securities	1,828,981	-	1,828,981	-	1,828,981
Ordinary shares of a bank outside Pakistan	18,787,129	18,787,129	-	-	18,787,129
	1,161,200,489	65,386,885	1,095,813,604	-	1,161,200,489
<b>Financial assets - disclosed but not measured at fair value</b>					
Cash and balances with treasury banks	271,566,562	-	-	-	-
Balances with other banks	14,597,584	-	-	-	-
Lending to financial instruments	50,281,178	-	-	-	-
<b>Investments</b>					
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Pakistan Investment Bonds	167,687,574	-	-	-	-
Market Treasury Bills	-	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	32,588,785	-	-	-	-
Foreign Currency Debt Securities	642	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,839	-	-	-	-
Advances	892,626,890	-	-	-	-
Other assets	72,962,868	-	-	-	-
	1,503,913,531	-	-	-	-
	2,665,114,020	65,386,885	1,095,813,604	-	1,161,200,489
<b>Off-balance sheet financial instruments - measured at fair value</b>					
<b>Commitments</b>					
Foreign exchange contracts purchase and sale	458,398,157	-	1,355,905	-	1,355,905
Forward government securities transactions	850,000	-	(272)	-	(272)



December 31, 2019 (Audited)

Carrying value	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				

**On balance sheet financial instruments****Financial assets - measured at fair value****Investments**

Market Treasury Bills	621,791,597	-	621,791,597	-	621,791,597
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	1,978,800	-	1,978,800	-	1,978,800
Ordinary shares of listed companies	41,863,797	41,863,797	-	-	41,863,797
Preference shares	79,388	35,956	-	43,432	79,388
Investments in mutual funds	1,903,224	-	1,903,224	-	1,903,224
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	3,491,851	-	3,491,851	-	3,491,851
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,099,510,559	69,935,702	1,029,531,425	43,432	1,099,510,559

**Financial assets - disclosed but not measured at fair value**

Cash and balances with treasury banks	292,513,379	-	-	-	-
Balances with other banks	13,220,807	-	-	-	-
Lending to financial instruments	144,140,344	-	-	-	-
<b>Investments</b>					
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Market Treasury Bills	114,091,320	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	29,600,343	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance	9,573	-	-	-	-
Advances	1,008,139,084	-	-	-	-
Other assets	94,348,508	-	-	-	-
	1,886,609,257	-	-	-	-
	2,986,119,816	69,935,702	1,029,531,425	43,432	1,099,510,559

**Off-balance sheet financial instruments - measured at fair value**

Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

## Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Mutual Funds	MUFAP
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

### 34.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

At September 30, 2020 (Un-audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				
Land and building (property and equipment)	52,244,190	-	52,244,190	-	52,244,190
Non-banking assets acquired in satisfaction of claims	3,273,015	-	3,273,015	-	3,273,015
	55,517,205	-	55,517,205	-	55,517,205

December 31, 2019 (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				
Land & building (property and equipment)	48,569,603	-	48,569,603	-	48,569,603
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,854,456	-	51,854,456	-	51,854,456

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Nine months ended September 30, 2020 (Un-audited)

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
Rupees in '000							
<b>Profit and loss account</b>							
Net mark-up / return / interest income / (expense)	(63,844,298)	11,736,987	36,865,968	88,981,491	2,050,516	4,057,913	79,848,577
Inter segment revenue - net	103,165,286	(10,564,668)	(32,498,318)	(64,047,478)	-	3,945,178	-
Non mark-up / return / interest income	9,720,969	435,424	2,098,861	10,344,723	1,618,315	3,505,094	27,723,386
Total income	49,041,957	1,607,744	6,466,511	35,278,736	3,668,830	11,508,185	107,571,963
Segment direct expenses	20,503,170	1,563,638	619,277	264,335	4,171,262	2,054,303	29,175,985
Inter segment expense allocation	-	-	-	-	-	15,822,890	15,822,890
Total expenses	20,503,170	1,563,638	619,277	264,335	4,171,262	17,877,193	44,998,875
Provisions and write offs - net	457,558	5,988,895	16,179,725	113,869	(369,305)	935,959	23,306,701
Profit / (loss) before taxation	28,081,229	(5,944,789)	(10,332,491)	34,900,532	(133,127)	(7,304,967)	39,266,387

September 30, 2020 (Un-audited)

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
Rupees in '000							
<b>Statement of financial position</b>							
Cash and balances with treasury and other banks	83,183,066	5,695,396	251,630	141,645,114	55,205,197	183,743	286,164,146
Investments	-	-	32,071,053	1,252,521,753	48,990,045	34,805,894	1,368,388,745
Net inter segment lending	1,593,782,230	-	-	-	-	192,298,130	1,786,080,360
Lendings to financial institutions	-	-	-	40,918,194	-	9,362,984	50,281,178
Advances - performing	199,763,797	115,153,686	504,242,495	-	25,963,347	42,619,035	887,742,362
Advances - non-performing	4,101,321	24,432,601	45,083,527	-	43,894,515	55,204,755	172,716,719
Provision against Advances	(7,007,162)	(20,230,042)	(42,227,065)	-	(42,809,860)	(55,558,061)	(167,832,191)
Advances - Net	196,857,957	119,356,245	507,098,958	-	27,048,002	42,265,729	892,626,890
Others	32,891,229	2,249,612	24,435,289	4,386,020	4,595,943	117,458,591	186,016,685
Total assets	1,906,714,482	127,301,253	563,856,930	1,439,471,081	135,839,187	396,375,069	4,569,558,004
<b>Borrowings</b>							
Deposits and other accounts	3,070,175	-	40,072,589	96,914,460	2,538,411	-	142,595,635
Net inter segment borrowing	1,861,845,390	-	171,011,000	-	75,471,348	66,598,095	2,174,925,833
Others	-	124,480,755	315,033,312	1,282,503,649	54,314,312	9,748,331	1,786,080,360
Total liabilities	41,798,917	2,820,497	37,580,086	10,486,016	3,274,128	102,793,787	198,753,431
Equity	1,906,714,482	127,301,252	563,856,987	1,389,904,126	135,598,198	179,140,213	4,302,355,259
Total equity and liabilities	-	-	159,943	49,566,956	240,989	217,234,857	267,202,745
	1,906,714,482	127,301,252	563,856,930	1,439,471,081	135,839,187	396,375,070	4,569,558,004
Contingencies and commitments	139,345,882	-	682,988,287	855,628,458	20,907,203	37,417,228	1,736,287,058

**Nine months ended September 30, 2019 (Un-audited) (Restated)**

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
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Rupees in '000

**Profit and loss account**

Net mark-up / return / interest income / (expense)	(58,426,762)	10,350,458	38,777,945	56,676,686	2,228,037	4,256,661	53,863,026
Inter segment revenue - net	105,269,169	(11,242,758)	(38,459,123)	(60,442,025)	-	4,874,737	-
Non mark-up / return / interest income	10,933,031	682,493	1,815,652	6,727,992	1,246,994	4,167,156	25,573,319
Total income	57,775,438	(209,807)	2,134,474	2,962,653	3,475,032	13,298,554	79,436,345
Segment direct expenses	21,109,383	1,609,613	598,709	248,967	3,080,333	2,248,384	28,895,389
Inter segment expense allocation	-	-	-	-	-	12,466,379	12,466,379
Total expenses	21,109,383	1,609,613	598,709	248,967	3,080,333	14,714,762	41,361,768
Provisions and write offs - net	381,614	610,457	5,877,517	2,143,712	(191,603)	70,579	8,892,275
Profit / (loss) before taxation	36,284,441	(2,429,877)	(4,341,752)	569,974	586,302	(1,486,787)	29,182,302

**December 31, 2019 (Audited) - (Restated)**

	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
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Rupees in '000

**Statement of financial position**

Cash and balances with treasury and other banks	163,574,415	12,045,241	238,501	82,716,513	42,748,449	4,411,067	305,734,186
Investments	-	-	38,801,666	1,316,800,220	61,079,182	22,478,994	1,439,160,062
Net inter segment lending	1,631,300,101	-	-	-	-	138,613,215	1,769,913,316
Lendings to financial institutions	-	-	-	132,718,198	-	11,422,146	144,140,344
Advances - performing	221,997,792	144,537,546	538,385,369	-	55,382,884	42,259,742	1,002,563,333
- non-performing	3,166,450	17,309,704	32,196,797	-	41,049,352	55,029,414	148,751,717
Provision against Advances	(6,573,731)	(14,087,130)	(23,223,824)	-	(40,266,386)	(59,024,895)	(143,175,966)
Advances - net	218,590,511	147,760,120	547,358,342	-	56,165,850	38,264,261	1,008,139,084
Others	25,307,037	1,853,736	40,745,805	3,971,387	4,014,363	151,322,866	227,215,194
Total assets	2,038,772,064	161,659,097	627,144,314	1,536,206,318	164,007,844	366,512,549	4,894,302,186
Borrowings	1,695,414	-	30,388,706	400,759,524	38,913,708	-	471,757,352
Deposits and other accounts	1,972,722,005	-	76,371,345	-	85,487,723	63,468,208	2,198,049,281
Net inter segment borrowing	-	156,924,272	488,444,930	1,081,180,371	36,248,475	7,115,268	1,769,913,316
Others	64,354,645	4,734,825	31,794,954	17,079,796	1,988,871	102,015,313	221,968,404
Total liabilities	2,038,772,064	161,659,097	626,999,935	1,499,019,691	162,638,777	172,598,789	4,661,688,353
Equity	-	-	144,380	37,186,627	1,369,066	193,913,760	232,613,833
Total equity and liabilities	2,038,772,064	161,659,097	627,144,315	1,536,206,318	164,007,843	366,512,549	4,894,302,186

**Contingencies and commitments**

	833,218,160	-	236,880,686	823,455,129	28,997,140	31,345,046	1,953,896,161
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The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and key management personnel. The details of investment in subsidiary companies, joint venture and associated undertakings and their provisions are stated in note 9 of the financial statement of the Bank.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actual valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	September 30, 2020 (Un-audited)						December 31, 2019 (Audited)													
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A. Ac)	Provision Fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A. Ac)	Provision Fund	Other related parties
		</																		

	September 30, 2023 (Un-audited)										December 31, 2019 (Audited)									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (NIDA A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (NIDA A/c)	Provident Fund	Other related parties
	Rupees in '000										Rupees in '000									
<b>Other Assets</b>																				
Interest / mark-up accrued	-	-	229,781	1,705,416	-	-	-	-	-	-	-	-	204,443	1,710,481	-	-	-	-	-	-
Other receivable	-	-	74,957	-	-	-	-	-	-	-	-	-	78,982	-	-	-	-	-	-	-
	-	-	304,738	1,705,416	-	-	-	-	-	-	-	-	283,425	1,710,481	-	-	-	-	-	-
<b>Borrowings</b>																				
Opening balance	-	-	-	-	270,814	-	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Borrowings during the year	-	-	-	-	(270,344)	-	-	-	-	-	-	-	-	-	241,555	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	8,870	-	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-

Deposits and other accounts																				
Opening balance	3,835	84,715	1,522,762	-	-	73	-	1,235,120	13,266,883	40,416,083	10,732	80,688	1,120,160	-	-	1,085	11,100,000	458,328	12,465,939	-
Received during the year	7,016	533,683	144,728	-	-	46,326,996	-	2,853,027	1,274,512	556,409	23,314	625,431	403,078	-	-	45,832,581	-	11,785,192	2,246,185	273,659,365
Withdrawn during the year	(6,345)	(496,347)	(146,295)	-	-	(46,326,035)	-	(2,606,046)	(1,512,319)	(564,107)	(22,146)	(591,554)	(446)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)
Transfer in (out) - net	72	1,821	-	-	-	-	-	-	-	(40,290,295)	(8,065)	(16,840)	-	-	-	-	-	-	-	45,155,158
Closing balance	4,638	133,471	1,521,224	-	-	35	-	1,482,102	13,650,050	118,091	3,835	84,715	1,522,762	-	-	73	-	1,235,120	13,266,883	40,416,083
Other Liabilities																				
Other payables to subsidiaries	-	-	2,979	-	-	-	-	-	-	-	-	-	7,395	-	-	-	-	-	-	-
Lease Finance liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
paid to subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies and commitments																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,493,085

\* Transfer in / (out) - not due to retirement / appointment of directors and changes in key management executives.

September 30, 2020 (Un-audited)

September 30, 2019 (Un-audited)

	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Others	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Others
Rupees in '000														
<b>Income</b>														
Mark-up / return / interest earned	-	16,261	-	9	-	-	15,302	-	13,099	-	45,462	-	-	2,659,130
Commission received from subsidiaries	-	683	-	-	-	-	-	-	1,731	-	-	-	-	-
Dividend income	-	27,418	-	-	-	-	-	-	-	-	-	-	-	-
Rent income / lighting and power and bank charges	-	22,182	3,479	-	-	-	14,585	-	26,158	3,479	-	-	-	11,668
<b>Expense</b>														
Mark-up / return / interest paid	-	26,908	-	300	108,346	865,880	3,141	-	23,510	-	237	214,424	1,259,478	1,350,561
Remuneration to key management executives including charge for defined benefit plan	375,861	-	-	-	-	-	-	352,909	-	-	-	-	-	-
Commission paid to subsidiaries	-	3,441	-	-	-	-	-	-	1,296	-	-	-	-	-
Annual Subscription and miscellaneous charges	-	-	-	-	-	-	10,712	-	-	-	-	-	-	890
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	1,565	-	-	-	-	-	-	1,565

36.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 6,626 million for the nine months period ended September 30, 2020. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 305,453 million, Rs. 885,491 million and Rs. 993,627 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 28,810 million and Rs. 54,252 million respectively.

### 37. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>Minimum Capital Requirement</b>		
Paid-up capital	<u>190,746,715</u>	<u>162,369,773</u>
<b>Capital Adequacy Ratio</b>		
Eligible Common Equity Tier 1 Capital	<u>168,663,086</u>	<u>142,716,150</u>
Eligible Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>168,663,086</u>	<u>142,716,150</u>
Eligible Tier 2 Capital	<u>54,586,003</u>	<u>39,816,053</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>223,249,089</u>	<u>182,532,203</u>
<b>Risk Weighted Assets</b>		
Credit Risk	<u>807,571,510</u>	<u>913,568,310</u>
Market Risk	<u>94,714,097</u>	<u>91,752,716</u>
Operational Risk	<u>173,619,541</u>	<u>173,619,541</u>
Total	<u>1,075,905,148</u>	<u>1,178,940,567</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>15.68%</u>	<u>12.11%</u>
Tier 1 Capital Adequacy Ratio	<u>15.68%</u>	<u>12.11%</u>
Total Capital Adequacy Ratio	<u>20.75%</u>	<u>15.48%</u>
<b>Leverage Ratio</b>		
Eligible Tier-1 Capital	<u>168,663,086</u>	<u>142,716,150</u>
Total Exposures	<u>4,063,905,144</u>	<u>4,252,343,911</u>
Leverage Ratio	<u>4.15%</u>	<u>3.36%</u>
<b>Liquidity Coverage Ratio</b>		
Total High Quality Liquid Assets	<u>1,098,584,906</u>	<u>890,965,256</u>
Total Net Cash Outflow	<u>604,871,618</u>	<u>603,741,462</u>
Liquidity Coverage Ratio	<u>182%</u>	<u>148%</u>
<b>Net Stable Funding Ratio</b>		
Total Available Stable Funding	<u>2,136,923,678</u>	<u>2,040,913,906</u>
Total Required Stable Funding	<u>813,725,598</u>	<u>875,207,068</u>
Net Stable Funding Ratio	<u>263%</u>	<u>233%</u>

### 38. ISLAMIC BANKING BUSINESS

The Bank is operating 189 (December 31, 2019: 190) Islamic banking branches and no Islamic banking windows at the end of period September 30, 2020.

September 30, 2020

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		4,647,208	4,405,856
Balances with other banks		11,777	5,841
Due from financial institutions	38.1	9,360,334	11,419,496
Investments	38.2	31,835,743	19,416,280
Islamic financing and related assets - net	38.3	32,534,521	33,880,482
Fixed assets		150,611	174,862
Right of use assets		786,736	861,049
Other assets		6,034,233	5,888,864
<b>Total Assets</b>		<b>85,361,163</b>	<b>76,052,730</b>
<b>LIABILITIES</b>			
Bills payable		497,317	256,804
Deposits and other accounts	38.4	66,572,658	63,285,896
Lease liability against right of use assets		924,982	943,375
Due to head office		4,293,251	2,784,801
Other liabilities		7,405,327	3,767,018
		<b>79,693,535</b>	<b>71,037,894</b>
<b>NET ASSETS</b>		<b>5,667,628</b>	<b>5,014,836</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		3,360,000	2,200,000
Reserves		-	-
Surplus on revaluation of assets		685,135	775,696
Unappropriated / unremitted profit	38.5	1,622,493	2,039,140
		<b>5,667,628</b>	<b>5,014,836</b>

The profit and loss account of the Bank's Islamic banking branches for the nine months period ended September 30, 2020 is as follows:

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	Rupees in '000	
Profit / return earned	38.6	6,180,566	5,065,725
Profit / return expensed	38.7	2,748,247	2,339,058
<b>Net profit / return</b>		<b>3,432,319</b>	<b>2,726,667</b>
<b>Other income</b>			
Fee and commission income		265,220	273,463
Foreign exchange income		49,943	55,995
Other income		796	4,705
<b>Total other income</b>		<b>315,959</b>	<b>334,163</b>
<b>Total income</b>		<b>3,748,278</b>	<b>3,060,830</b>
<b>Other expenses</b>			
Operating expenses		1,724,149	1,763,770
Other charges		2,053	380
		<b>1,726,202</b>	<b>1,764,150</b>
<b>Profit before provisions</b>		<b>2,022,076</b>	<b>1,296,680</b>
Provisions charge / (reversal) and write offs - net		399,583	(75,662)
<b>Profit before taxation</b>		<b>1,622,493</b>	<b>1,372,342</b>
Taxation		-	-
<b>Profit after taxation</b>		<b>1,622,493</b>	<b>1,372,342</b>



38.1	Due from Financial Institutions	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		Rupees in '000			Rupees in '000		
	Unsecured	-	-	-	-	-	-
	Bai Muajjal Receivable from State Bank of Pakistan	9,360,334	-	9,360,334	11,419,496	-	11,419,496
		9,360,334	-	9,360,334	11,419,496	-	11,419,496

This represent Bai Muajjal agreement with Government of Pakistan and State Bank of Pakistan which carries profit rate 13.00% per annum. (2019: 12.78%)

38.2	Investments by segments:	September 30, 2020 (Un-audited)				December 31, 2019 (Audited)			
		Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
		Rupees in '000				Rupees in '000			
	Federal Government Securities:	6,000,000	-	21,200	6,021,200	2,000,000	-	(21,200)	1,978,800
	- Ijarah Sukuks	6,000,000	-	21,200	6,021,200	2,000,000	-	(21,200)	1,978,800
	Non Government Debt Securities	4,500,000	-	322,961	4,822,961	4,400,000	-	602,100	5,002,100
	- Listed	20,781,415	(130,807)	340,974	20,991,582	12,371,391	(130,807)	194,796	12,435,380
	- Unlisted	25,281,415	(130,807)	663,935	25,814,543	16,771,391	(130,807)	796,896	17,437,480
	Total Investments	31,281,415	(130,807)	685,135	31,835,743	18,771,391	(130,807)	775,696	19,416,280

38.3	Islamic financing and related assets - net	(Un-audited)	(Audited)
		September 30, 2020	December 31, 2019
		Rupees in '000	
	Ijarah	187,062	255,639
	Murabaha	3,672,901	1,716,542
	Musawama	-	22,243
	Diminishing Musharaka	15,395,607	15,869,641
	Istisna	864,836	-
	Other Islamic Modes (Wakala tul Istismar)	8,500,000	8,500,000
	Advances against Islamic assets (Murabaha, DM, Istisna, Musawama)	3,075,895	7,180,631
	Inventory related to Islamic financing (Istisna)	1,441,367	539,349
	Gross Islamic financing and related assets	33,137,668	34,084,045
	Less: provision against Islamic financings	(602,988)	(203,324)
	- Specific	(159)	(239)
	- General	(603,147)	(203,563)
	Islamic financing and related assets - net of provision	32,534,521	33,880,482

(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----	

#### 38.4 Deposits and other accounts

##### Customers

Current deposits	21,198,181	20,550,756
Savings deposits	34,534,575	22,671,179
Term deposits	8,588,158	12,720,085
	<u>64,320,914</u>	<u>55,942,020</u>

##### Financial Institutions

Current deposits	617,280	815,386
Savings deposits	634,464	3,028,490
Term deposits	1,000,000	3,500,000
	<u>2,251,744</u>	<u>7,343,876</u>
	<u>66,572,658</u>	<u>63,285,896</u>

#### 38.5 Unappropriated / unremitted profit

Opening balance	2,039,140	(57,150)
Add: Islamic banking profit for the period	1,622,493	2,039,140
Less: Transferred / remitted to head office	(2,039,140)	57,150
Closing balance	<u>1,622,493</u>	<u>2,039,140</u>

(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
----- Rupees in '000 -----	

#### 38.6 Profit / return earned

##### Profit earned on:

Financing	3,136,237	2,371,138
Investments	2,075,074	1,703,922
Placements	23,470	131,522
Others (Bai Muajjal)	945,785	859,143
	<u>6,180,566</u>	<u>5,065,725</u>

#### 38.7 Profit / return expensed

Deposits and other accounts	2,339,136	1,945,627
Finance charge on right of use assets	69,081	67,351
Others (General Account)	340,030	326,080
	<u>2,748,247</u>	<u>2,339,058</u>

39. GENERAL

39.1 Figures have been rounded off to the nearest thousand rupees.

40. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue on Oct 27, 2020 by the Board of Directors of the Bank.

  
Chairman

  
President / CEO

  
Chief Financial Officer

  
Director

  
Director

# **National Bank of Pakistan**

Consolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months period ended September 30, 2020

# Directors' Review

## Consolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with consolidated interim financial statement of National Bank of Pakistan "the Bank" and its subsidiaries for the nine month period ended September 30, 2020.

Consolidated after-tax profit for the nine month period ended September 30, 2020 amounted to PKR 26.2 billion, being 57.4% higher than PKR 16.6 billion earned for the corresponding nine months of 2019. For the period under review, the Bank's subsidiaries contributed a net profit of PKR 223.8 million (Sep '19: PKR 141.0 million) towards the Group's profitability, and the share of profits/(loss) from associates was PKR 6.6 million (Sep '19: PKR (51.0) million). A loss of PKR 241.4 million was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS stood at Rs. 12.28 as compared to Rs. 7.80 for the corresponding nine month period of the prior year. As of September 30, 2020, consolidated assets of the Bank were 10.9% lower at PKR 2,792.4 billion compared to the September 30, 2019 level of PKR 3,132.4 billion.

Consolidated operating results and appropriation of profits as recommended by the Board are given below:

	<u>(PKR 'Bn)</u>
Profit before tax for the nine month period ended September 30, 2020	39.41
Taxation:	
- Current	20.24
- Prior Year	-
- Deferred	(7.00)
	<u>13.24</u>
Profit after tax for the nine month period ended September 30, 2020	<u>26.17</u>
Unappropriated profit brought forward	93.47
Other comprehensive income - net of tax	(0.47)
Non-controlling interest	(0.06)
Transfer from surplus on revaluation of fixed assets	0.17
Profit available for appropriations	<u>119.28</u>
Appropriation:	
Transfer to Statutory Reserve	<u>(2.61)</u>
Unappropriated profit carried forward	<u>116.67</u>

For and on behalf of the Board of Directors

  
 Arif Usmani  
 President & CEO

  
 Zubyr Soomro  
 Chairman

Karachi  
 Date: October 27, 2020

**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020**

(Un-audited)      (Audited)  
September 30,      December 31,  
2020                      2019  
Note ----- Rupees in '000 -----

**ASSETS**

Cash and balances with treasury banks	6	272,011,923	293,198,090
Balances with other banks	7	15,197,248	13,598,325
Lendings to financial institutions	8	50,281,178	144,140,344
Investments	9	1,371,735,137	1,442,403,957
Advances	10	893,213,205	1,008,398,612
Fixed assets	11	55,172,354	54,919,564
Intangible assets	12	1,058,132	1,070,766
Right of use assets	13	7,309,856	7,447,414
Other assets	14	126,401,160	167,183,196
		<b>2,792,380,193</b>	<b>3,132,360,268</b>

**LIABILITIES**

Bills payable	15	41,481,492	19,867,424
Borrowings	16	142,595,635	471,757,352
Deposits and other accounts	17	2,174,983,353	2,197,984,573
Liabilities against assets subject to finance lease	18	197,355	194,403
Lease liability against right of use assets	19	8,173,224	7,831,350
Deferred tax liabilities	20	6,778,430	10,869,353
Other liabilities	21	144,090,465	184,633,258
		<b>2,518,299,955</b>	<b>2,893,137,713</b>

**NET ASSETS**

**274,080,238      239,222,555**

**REPRESENTED BY**

Share capital		21,275,131	21,275,131
Reserves		58,525,017	53,260,789
Surplus on revaluation of assets	22	76,683,462	70,358,587
Unappropriated profit		116,674,404	93,465,516
		<b>273,158,014</b>	<b>238,360,023</b>
Non-controlling interest		922,224	862,532
		<b>274,080,238</b>	<b>239,222,555</b>

**CONTINGENCIES AND COMMITMENTS**

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

  
Chairman

  
President / CEO

  
Chief Financial Officer

  
Director


  
Director



**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

		Quarter ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Note		Rupees in '000			
Mark-up / return / interest earned	24	60,812,317	69,760,964	206,205,915	167,547,883
Mark-up / return / interest expensed	25	29,363,265	51,393,952	126,171,151	113,509,111
Net mark-up / return / interest income		31,449,052	18,367,012	80,034,764	54,038,772
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	26	4,394,122	4,418,793	13,707,840	14,983,836
Dividend income		260,850	672,204	1,281,163	2,400,920
Foreign exchange income		721,277	869,188	3,549,299	4,539,883
Gain on securities - net	27	3,615,189	255,028	6,944,056	608,854
Share of loss from joint venture - net of tax		(23,732)	542	(241,355)	(38,649)
Share of (loss) / profit from associates - net of tax		69,588	(21,629)	6,622	(51,000)
Other income	28	746,917	1,511,789	3,291,120	4,329,221
Total non-mark-up / interest income		9,784,211	7,705,915	28,538,745	26,773,065
Total income		41,233,263	26,072,927	108,573,509	80,811,837
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	29	15,761,532	13,769,792	45,635,096	42,415,301
Workers welfare fund		-	-	-	-
Other charges	30	4,240	31,183	298,692	124,557
Total non-markup / interest expenses		15,765,772	13,800,975	45,933,788	42,539,858
Profit before provisions		25,467,491	12,271,952	62,639,721	38,271,979
Provisions and write offs - net	31	7,644,801	3,418,512	23,226,260	8,678,196
<b>PROFIT BEFORE TAXATION</b>		17,822,690	8,853,440	39,413,461	29,593,783
Taxation	32	6,753,384	3,594,737	13,232,740	12,956,129
<b>PROFIT AFTER TAXATION</b>		11,069,306	5,258,703	26,180,721	16,637,654
Attributable to:					
Shareholders of the Bank		11,054,438	5,248,935	26,121,029	16,601,919
Non-controlling interest		14,868	9,768	59,692	35,735
		11,069,306	5,258,703	26,180,721	16,637,654
<b>----- Rupees -----</b>					
Earnings per share - basic and diluted	33	5.20	2.47	12.28	7.80

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

  
Chairman

  
President / CEO

  
Chief Financial Officer

  
Director


  
Director





**NATIONAL BANK OF PAKISTAN**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**


	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Rupees in '000			
Profit after taxation for the period	11,069,306	5,258,703	26,180,721	16,637,654
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	2,523,407	(708,607)	2,650,809	1,711,487
Movement in surplus on revaluation of investments - net of tax	(5,365,753)	175,036	5,907,214	(2,763,317)
	(2,842,346)	(533,571)	8,558,023	(1,051,830)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	186,107	(22,977)	(471,505)	(194,660)
Movement in surplus on revaluation of fixed assets - net of tax	448	-	590,444	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	186,554	(22,977)	118,939	(194,660)
<b>Total comprehensive income</b>	<b>8,413,514</b>	<b>4,702,155</b>	<b>34,857,683</b>	<b>15,391,164</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Bank	8,398,646	4,692,387	34,797,991	15,355,429
Non-controlling interest	14,868	9,768	59,692	35,735
	<b>8,413,514</b>	<b>4,702,155</b>	<b>34,857,683</b>	<b>15,391,164</b>

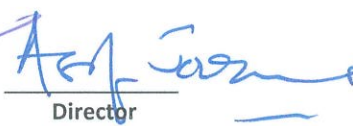
The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

  
 Chairman

  
 President / CEO

  
 Chief Financial Officer

  
 Director

  
 Director

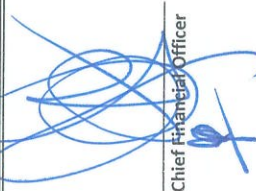
**NATIONAL BANK OF PAKISTAN  
CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

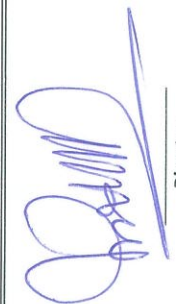
	Share capital	Reserves			Surplus on revaluation of assets			Sub Total	Non-Controlling Interest	Total			
		Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments				Fixed / non-banking assets		
											Total		
Rupees in '000													
Balance as at January 01, 2019	21,275,131	9,333,431	31,587,874	12,000,000	521,338	53,442,643	15,149,774	44,112,403	59,262,177	76,239,599	210,219,550	841,745	211,061,295
Profit after taxation for the nine months period ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	1,711,487	-	-	-	1,711,487	(2,763,317)	-	(2,763,317)	16,601,919	16,601,919	35,735	16,637,654
Transfer to statutory reserve	-	-	1,633,063	-	-	1,633,063	-	-	-	(194,660)	(1,246,490)	-	(1,246,490)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(179,664)	(179,664)	179,664	-	-	-
Transfer from loss loan reserve to unappropriated profit	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid for the year ended December 31, 2018 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening Balance as at October 01, 2019	21,275,131	11,044,918	33,220,837	8,000,000	521,338	52,787,193	12,386,456	43,932,741	56,319,198	95,193,459	225,574,981	877,480	226,452,461
Profit after taxation for the three months period ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	525,678	-	-	-	525,678	12,866,996	1,232,283	14,099,279	(19,214)	(19,214)	28,752	9,538
Transfer to statutory reserve	-	-	(52,082)	-	-	(52,082)	-	-	-	(1,820,699)	12,804,258	-	12,804,258
Transfer from loss loan reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	52,082	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(59,888)	(59,888)	59,888	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(43,700)	(43,700)
Opening Balance as at January 01, 2020	21,275,131	11,570,596	33,168,855	8,000,000	521,338	53,260,789	25,253,452	45,105,135	70,358,587	93,465,516	238,360,023	862,532	239,222,555
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	2,650,809	-	-	-	2,650,809	5,907,214	590,444	6,497,658	26,121,029	26,121,029	59,692	26,180,721
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	(471,505)	8,676,962	-	8,676,962
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	2,613,419	-	-	2,613,419	-	-	-	(2,613,419)	-	-	-
Transfer from loss loan reserve to unappropriated profit - net of tax	-	-	-	-	-	-	-	(172,784)	(172,784)	172,784	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	21,275,131	14,221,405	35,782,274	8,000,000	521,338	58,525,017	31,160,666	45,522,796	76,683,462	116,674,404	273,158,014	922,224	274,080,238

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

  
Chairman

  
President/CEO

  
Chief Financial Officer

  
Director

  
Director



NATIONAL BANK OF PAKISTAN  
CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

September 30, September 30,  
2020 2019  
Note ----- Rupees in '000 -----

**CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation	39,413,461	29,593,783
Less dividend income	(1,281,163)	(2,400,920)
	<u>38,132,298</u>	<u>27,192,863</u>
Adjustments:		
Depreciation on fixed assets	1,976,282	1,942,455
Depreciation on right of use assets	1,520,625	1,434,121
Amortization	132,972	276,499
Provision and write-offs - net	23,226,260	8,678,196
Gain on sale of fixed assets	(6,308)	(16,117)
Financial charges on leased assets	33,169	32,776
Financial charges on right-of-use-assets	585,008	526,806
Unrealized loss on revaluation of investments classified as held-for-trading	24,911	(42,308)
Charge for defined benefit plans - net	5,549,228	5,487,571
Share of loss from joint venture - net of tax	241,355	38,649
Share of loss / (gain) from associates - net of tax	(6,622)	51,000
	<u>33,276,881</u>	<u>18,409,648</u>
	<u>71,409,179</u>	<u>45,602,511</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	93,459,166	39,911,329
Held-for-trading securities	(16,990,790)	75,987,012
Advances	90,496,791	(35,972,431)
Other assets (excluding advance taxation)	20,779,436	(4,122,457)
	<u>187,744,603</u>	<u>75,803,453</u>
<b>Increase/ (decrease) in operating liabilities</b>		
Bills payable	21,614,068	6,345,027
Borrowings from financial institutions	(291,459,286)	287,918,210
Deposits	(23,001,220)	(73,153,550)
Other liabilities (excluding current taxation)	(44,497,393)	(3,495,305)
	<u>(337,343,831)</u>	<u>217,614,382</u>
Financial charges paid	(618,177)	(32,776)
Income tax paid	(173,567)	(5,883,757)
Benefits paid	(1,331,960)	(2,370,185)
<b>Net cash flows generated from operating activities</b>	<u>(80,313,754)</u>	<u>330,733,628</u>

**CASH FLOW FROM INVESTING ACTIVITIES**

Net investments in available-for-sale securities	(36,265,062)	(215,607,060)
Net investments in held-to-maturity securities	132,439,134	(142,601,356)
Dividends received	877,163	2,400,920
Investments in fixed assets	(1,684,097)	(8,810,669)
Proceeds from sale of fixed assets	64,868	111,760
Effect of translation of net investment in foreign branches	2,650,809	1,711,487
<b>Net cash flows (used in) / generated from investing activities</b>	<u>98,082,814</u>	<u>(362,794,918)</u>

**CASH FLOW FROM FINANCING ACTIVITIES**

Payments of lease obligations	(52,789)	(53,585)
Dividend paid	(1,085)	(1,681)
<b>Net cash flow used in financing activities</b>	<u>(53,874)</u>	<u>(55,266)</u>
<b>Increase in cash and cash equivalents</b>	<u>17,715,187</u>	<u>(32,116,556)</u>
Cash and cash equivalents at beginning of the period	<u>264,816,479</u>	<u>228,999,744</u>
Cash and cash equivalents at end of the period	<u>282,531,666</u>	<u>196,883,188</u>

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

  
 Chairman

  
 President / CEO

  
 Chief Financial Officer

  
 Director

  
 Director

**NATIONAL BANK OF PAKISTAN**  
**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

**1. THE GROUP AND ITS OPERATIONS**

**1.1 The "Group" consists of:**

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- CJSC Subsidiary Bank of NBP in Tajikistan
- NBP Exchange Company Limited, Pakistan
- National Bank Modaraba Management Company Limited, Pakistan
- First National Bank Modaraba, Pakistan
- Taurus Securities Limited, Pakistan
- NBP Fund Management Limited, Pakistan
- Cast-N-Link Products Limited

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the Ultimate Holding Company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset.

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). The registered and head office of the Bank is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (December 31, 2019: 1,509) branches in Pakistan and 21 (December 31, 2019: 21) overseas branches (including the Export Processing Zone branch, Karachi).

CJSC Subsidiary Bank of NBP in Kazakhstan, CJSC Subsidiary Bank of NBP in Tajikistan, NBP Exchange Company Limited, National Bank Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NBP Fund Management Limited is 54%, First National Bank Modaraba 30% and Cast-N-Link Products Limited 76.51%.

**1.2 BASIS OF CONSOLIDATION**

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

## 2. BASIS OF PRESENTATION

### 2.1 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as 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 the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

2.1.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008, International Financial Reporting Standard IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1.3 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

2.1.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5, dated March 22, 2019 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2019.

#### 2.1.5 Amendments to approved accounting standards that are not effective in the current period

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2021
- Amendments to IAS 1 Presentation of Financial Statements regarding the definition of material.	January 1, 2022
- Amendments to IFRS 3 'Business Combination' - Reference to the conceptual framework	January 1, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.	January 1, 2022

- |  |  |
|--|--|
| - Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract  | January 1, 2022  |
| - Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investors to its associates or joint | Effective date deferred indefinitely. Adoption is still permitted. |

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

#### 2.1.6 Standards, interpretations of and amendments to approved accounting standards that are effective

The following new standards and interpretations of and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard, interpretation or amendment:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 1, 2020
- IFRS 3 - Business Combinations (Amendments)	January 1, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 1, 2020

In addition, there are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated condensed interim financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adapted for presentation of these consolidated condensed interim financial statements are same as those followed in presentation of the consolidated financial statements of the Group for the year ended December 31, 2019.

### 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

In order to be more responsive to the changing environment, the Group reviews/ revises its plans/ procedures to help remain robust in line with emerging risks

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to September 2020. Other regulatory measures to provide an impetus to economic activity include;

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year; and
- Relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures Group has aligned its policies / procedures and issued instructions. Following is the brief of measures taken by Group.

### **5.1 Credit Risk Management**

The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. It is expected that credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. The Risk Management function of the Group is regularly conducting assessments of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Group is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak.

### **5.2 Liquidity Risk Management**

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and Daily Liquidity Monitoring report is also being prepared to notice the changes in liquidity profile of the Bank. Liquidity buffer currently maintained is sufficient to cater to any adverse movement. Moreover the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realized in case of any adverse liquidity situation.

### **5.3 Operational Risk Management**

The Group is closely monitoring the situation and has undertaken required actions to ensure the safety and security of Group staff and maintenance of service to its customers. The Senior Management of the Group including the Covid Crises Management Team closely monitors the situation, and is takes timely decisions to resolve any concerns.

The Group has a duly tested Business Continuity Plan (BCP) in place. The Group has communicated with its customers on how they can connect with the Group through its digital and online channels. The Group continues to take measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored, in order for the Group to meet the expectations of its stakeholders.

The Group's operations have been stayed highly resilient, almost more than 95% branches remains open to facilitate its customers. Further, the Bank has deployed all necessary measures for the health and safety of its employees to prevent them from this pandemic situation.

### **5.4 Information Security Risk Management**

The COVID-19 pandemic poses heightened cybersecurity risks. The Group has taken appropriate actions to monitor and respond to these evolving cybersecurity risks and adopted a heightened state of cybersecurity as transitioned employees to remote working option, where required. The associated risks and implications posed by the pandemic have been assessed to protect the Bank's critical information assets from the increasing cyber threats and to ensure compliance with the regulatory controls.

### **5.5 Capital Adequacy Ratio (CAR)**

The Group has shown improvement in capital adequacy ratio from 15.82% to 21.09%. The main reasons include; relaxation in Capital Conversion Buffer (CCB) requirements, and profit for the nine months period ended.



	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note	-----	Rupees in '000 -----

## 6. CASH AND BALANCES WITH TREASURY BANKS

### In hand

Local currency	42,603,499	48,684,542
Foreign currency	6,637,005	4,984,290
	49,240,505	53,668,832

### With State Bank of Pakistan in

Local currency current accounts	6.1	149,367,910	168,479,311
Foreign currency current accounts	6.2	10,294,475	9,116,381
Foreign currency deposit accounts	6.2	21,214,092	27,850,977
Foreign currency collection accounts		1,049,626	1,473,861
		181,926,103	206,920,530

### With other central banks in

Foreign currency current accounts	6.3	34,110,355	25,994,672
Foreign currency deposit accounts	6.3	6,600,762	4,865,977
		40,711,117	30,860,649
Prize bonds		134,198	1,748,079
		272,011,923	293,198,090

- 6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 6.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 6.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0.00% to 2.96% per annum (December 31, 2019: 0.00% to

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note	-----	Rupees in '000 -----

## 7. BALANCES WITH OTHER BANKS

### In Pakistan

In current accounts	7.1	38,836	10,446
In deposit accounts		133,237	178,710
		172,073	189,156

### Outside Pakistan

In current accounts	7.2	9,139,767	6,670,289
In deposit accounts		5,885,408	6,738,880
		15,025,174	13,409,169
		15,197,248	13,598,325

- 7.1 These include various deposits with banks and carry interest at rates ranging from 2.00% to 8.00% per annum (December 31, 2019: 2.50% to 11.25% per annum).
- 7.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0.00% to 3.00% per annum (December 31, 2019: 0.00% to 2.17% per annum).

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	8.1	140,800	540,800
Repurchase agreement lendings (Reverse Repo)	8.2	40,780,044	132,180,048
Bai Muajjal receivables with State Bank of Pakistan	8.3	9,360,334	11,419,496
Letters of placement	8.4	176,150	176,150
	8.5	50,457,328	144,316,494
Less: provision held against lendings to financial institutions	8.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		50,281,178	144,140,344

- 8.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (December 31, 2019: Rs. 40.8 million) which is guaranteed by the SBP.
- 8.2 These carry mark-up at rates ranging from 7.00 % to 7.40 % per annum (December 31, 2019: 13.00% to 13.58% per annum) with maturities ranging from October 01, 2020 to October 16, 2020.
- 8.3 This represent Bai Muajjal agreement with Government of Pakistan and State Bank of Pakistan which carries profit rate 13.00% per annum. (December 31, 2019: 12.78%)
- 8.4 These are overdue placements and full provision has been made against these placements as at September 30, 2020.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>8.5 Particulars of lending</b>		
In local currency	50,457,328	144,316,494
In foreign currencies	-	-
	<u>50,457,328</u>	<u>144,316,494</u>
<b>8.6 Movement in provision held against lendings is as follows:</b>		
Opening balance	176,150	176,150
Charge for the period	-	-
Closing balance	<u>176,150</u>	<u>176,150</u>

8.7 Securities held as collateral against lendings to financial institutions

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Held by Bank	Further given as collateral	Total	Total
Rupees in '000				
Market Treasury Bills	6,719,232	-	6,719,232	124,080,048
Pakistan Investment Bonds	34,060,812	-	34,060,812	8,100,000
Total	40,780,044	-	40,780,044	132,180,048

8.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 40,783 million (December 31, 2019: Rs. 132,453 million).

8.8 Category of classification

September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
Classified Lending	Provision held	Classified Lending	Provision held
Rupees in '000			
Domestic			
Loss	176,150	176,150	176,150

9. INVESTMENTS

9.1 Investments by type:

Held-for-trading securities

Market Treasury Bills  
Pakistan Investment Bonds  
Ijarah Sukuks  
Ordinary shares of listed companies  
Investment in mutual funds  
Foreign Government Securities

Available-for-sale securities

Market Treasury Bills  
Pakistan Investment Bonds  
Ijarah Sukuks  
Ordinary shares of listed companies  
Ordinary shares of unlisted companies  
Preference shares  
Term Finance Certificates / Musharika  
Participation Term Certificate and Sukuk Bonds  
GoP Foreign Currency Bonds  
Foreign Government Securities  
Foreign Currency Debt Securities  
Investments in mutual funds  
Ordinary shares of a bank outside Pakistan

Held-to-maturity securities

Market Treasury Bills  
Pakistan Investment Bonds  
Debentures, Bonds, Sukuks, Participation Term  
Certificates and Term Finance Certificates  
GoP Foreign Currency Bonds  
Foreign Government Securities  
Foreign Currency Debt Securities

Associates

Joint Venture

Subsidiaries

Total Investments

September 30, 2020 (Un-audited)				December 31, 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							
50,805,291	-	(21,495)	50,783,796	27,007,755	-	(24,649)	26,983,106
2,003,964	-	-	2,003,964	9,116,239	-	15,695	9,131,934
-	-	-	-	71,299	-	-	71,299
318,369	-	(2,044)	316,325	178,596	-	(2,042)	176,554
436,256	-	(1,372)	434,884	130,305	-	48,822	187,127
1,030,587	-	-	1,030,587	1,154,220	-	-	1,154,220
54,594,467	-	(24,911)	54,569,556	37,666,414	-	37,826	37,704,240
506,853,168	-	3,226,801	510,079,969	593,936,881	-	967,544	594,904,425
445,780,934	-	5,063,584	450,844,518	322,248,605	-	(1,961,853)	320,286,752
6,054,380	-	21,200	6,075,580	2,000,000	-	(21,200)	1,978,800
31,935,694	(5,788,151)	19,400,111	45,547,654	29,062,226	(5,723,164)	18,467,531	41,806,593
2,101,182	(507,573)	-	1,593,609	2,101,182	(507,573)	-	1,593,609
1,445,308	(539,708)	-	905,600	570,214	(490,826)	-	79,388
62,222,568	(5,147,339)	823,878	57,899,107	60,253,886	(4,942,505)	941,278	56,252,659
10,821,490	-	220,641	11,042,131	21,138,771	-	1,337,759	22,476,530
3,471,572	-	57,935	3,529,507	3,474,324	-	17,527	3,491,851
1,827,779	-	1,202	1,828,981	1,408,492	-	13,779	1,422,271
619,646	(41,167)	1,296,228	1,874,707	674,078	(41,167)	1,324,745	1,957,656
463,294	-	18,323,835	18,787,130	463,294	-	18,368,462	18,831,756
1,073,597,015	(12,023,938)	48,435,415	1,110,008,493	1,037,331,953	(11,705,235)	39,455,572	1,065,082,290
245,368	-	-	245,368	114,155,009	-	-	114,155,009
167,687,574	-	-	167,687,574	184,864,103	-	-	184,864,103
452,973	(407,134)	-	45,839	416,707	(407,134)	-	9,573
-	-	-	-	4,087,591	-	-	4,087,591
32,930,056	-	-	32,930,056	30,231,741	-	-	30,231,741
642	-	-	642	596	-	-	596
201,316,613	(407,134)	-	200,909,479	333,755,747	(407,134)	-	333,348,613
1,228,704	(826,576)	-	402,128	1,223,080	(782,251)	-	440,829
5,845,481	-	-	5,845,481	5,827,985	-	-	5,827,985
1,245	(1,245)	-	-	1,245	(1,245)	-	-
1,336,583,525	(13,258,894)	48,410,504	1,371,735,137	1,415,806,424	(12,895,866)	39,493,398	1,442,403,957

(Un-audited) (Audited)  
September 30, December 31,  
2020 2019  
----- Rupees in '000 -----

**9.1.1 Investments given as collateral**

Pakistan Investment Bonds  
Market Treasury Bills

12,296,044	4,150,000
2,550,000	327,903,770
14,846,044	332,053,770

**9.2 Provision for diminution in value of investments**

**9.2.1 Opening balance**

12,895,866 10,664,680

**Charge / reversals**

Charge for the period  
Reversals for the period

971,704	2,615,328
(608,675)	(384,142)
363,029	2,231,186

**Closing Balance**

13,258,894 12,895,866

**9.2.2 Particulars of provision against debt securities**

**Category of classification**

**Domestic**

Doubtful  
Loss

September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
NPI	Provision	NPI	Provision
Rupees in '000			
-	-	426,170	213,085
5,563,234	5,554,473	5,145,314	5,136,554
5,563,234	5,554,473	5,571,484	5,349,639

**9.3** SBP vide BPRD Circular Letter No. 13 of 2020 Para 4 (c) of Prudential Regulation R-8: Impairment in Value of Securities has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, a portion of the impairment loss, amounting to Rs. 0.844 million, resulting from the valuation of listed equity securities held under the AFS category as of September 30, 2020 has not been recognized in the consolidated condensed interim profit and loss account and has been taken to 'Surplus on revaluation of available for sale securities' as disclosed in note 22 of these consolidated condensed interim financial statements.

Had there been no relaxation, there would have had the following effect on these consolidated condensed interim financial statements:

(Un-audited)  
September 30,  
2020  
Rupees in '000

Impact on Consolidated Condensed Interim Statement of Financial Position  
- Increase in provision for diminution in value of investments  
- Increase in surplus on revaluation of Available for sale securities - net of tax  
- Decrease in Unappropriated Profit

844  
549  
(515)

Impact on Consolidated Condensed Interim Profit and Loss account

- Decrease in Profit after tax  
- Decrease in taxation charge

(515)  
(329)

Earnings per share for the period ended September 30, 2020 would have been lower by Rs. 0.0002 per share.

**9.4** The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 208,969 million (December 31, 2019: Rs. 328,496 million).

# 10. ADVANCES

	Performing		Non Performing		Total	
	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----						
Loans, cash credits, running finances, etc.	831,627,265	936,301,542	164,522,779	142,383,652	996,150,045	1,078,685,194
Islamic financing and related assets	32,534,680	33,880,111	602,988	203,934	33,137,668	34,084,045
Net Investment in finance lease	40,207	71,576	28,944	28,944	69,151	100,520
Bills discounted and purchased	24,013,336	32,463,246	8,156,494	6,760,524	32,169,830	39,223,770
Advances - gross	888,215,488	1,002,716,475	173,311,205	149,377,054	1,061,526,694	1,152,093,529
Provision against advances						
- Specific						
- General	18,599,789	9,005,951	149,713,700	134,688,966	149,713,700	134,688,966
Advances - net of provision	18,599,789	9,005,951	149,713,700	134,688,966	168,313,489	143,694,917
	869,615,699	993,710,524	23,597,505	14,688,088	893,213,205	1,008,398,612

10.4

## 10.1 Net Investment in Finance Lease

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Not later than one year	Later than one and less than five years	Over five years	Total
----- Rupees in '000 -----				
Lease rentals receivable	43,843	753	-	72,908
Residual value	48,804	815	-	57,551
Minimum lease payments	92,646	1,568	-	130,459
Financial charges for future periods	25,013	51	-	29,939
Present value of minimum lease payments	67,633	1,518	-	100,520

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessee to insure the leased assets in favour of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 17.30% (December 31, 2019: 10.19% to 19.46%) per annum.

## 10.2 Particulars of advances (Gross)

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----		
In local currency	989,374,754	1,052,162,269
In foreign currencies	72,151,939	99,931,260
	1,061,526,694	1,152,093,529

- 10.3** Advances include Rs. 173,311 million (2019: Rs. 149,377 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
<b>Domestic</b>				
Other Assets Especially Mentioned	4,370,672	146,285	1,299,042	78,430
Substandard	13,562,004	3,211,401	10,292,449	2,550,709
Doubtful	12,607,632	6,270,747	6,489,076	3,207,031
Loss	98,512,908	97,160,809	89,852,808	88,647,897
	129,053,215	106,789,241	107,933,375	94,484,067
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	11,306	3,391	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	44,246,684	42,921,068	41,443,678	40,204,898
	44,257,990	42,924,459	41,443,678	40,204,898
<b>Total</b>	173,311,205	149,713,700	149,377,054	134,688,966

**10.4** Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	134,688,966	9,005,951	143,694,917	126,969,680	7,207,106	134,176,786
Exchange adjustments	2,875,903	32,451	2,908,354	3,813,805	28,732	3,842,537
Charge for the period / year	15,946,840	9,913,330	25,860,169	11,501,956	2,018,117	13,520,073
Reversals	(3,727,966)	(351,942)	(4,079,908)	(4,730,294)	(248,004)	(4,978,298)
	12,218,874	9,561,388	21,780,261	6,771,662	1,770,113	8,541,775
Amounts written off	(24,127)	-	(24,127)	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	(45,915)	-	(45,915)	(232,480)	-	(232,480)
Amount charged off international branches	10.4.4	-	-	(1,776,734)	-	(1,776,734)
Amount charged off international subsidiaries	-	-	-	(91,274)	-	(91,274)
Other adjustments	-	-	-	(220,744)	-	(220,744)
Other movement	-	-	-	(511,946)	-	(511,946)
Closing balance	149,713,700	18,599,789	168,313,489	134,588,966	9,005,951	143,694,917

#### 10.4.1 Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	106,789,241	18,358,828	125,148,069	94,484,067	8,550,136	103,034,203
In foreign currencies	42,924,459	240,961	43,165,420	40,204,898	455,815	40,660,713
	149,713,700	18,599,789	168,313,489	134,688,966	9,005,951	143,694,917

#### 10.4.2 The Group maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Group has also maintained general provision in respect of its underperforming portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

#### 10.4.3 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019. Bank is following up for its extension.

#### 10.4.4 This includes fully provided loans granted outside Pakistan which are charged-off as per local regulations of the host country. Charging-off does not affect the Group's right to pursue recovery against these loans.

#### 10.4.5 State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the period ended September 30, 2020, 81 borrowers having aggregate outstanding exposure of Rs. 27,695 million have availed regulatory relief extended by SBP.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	2,146,514	2,162,985
Property and equipment		53,025,840	52,756,579
		<u>55,172,354</u>	<u>54,919,564</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		1,993,205	2,001,776
Equipment		14,526	15,446
Advances to suppliers and contractors		58,733	58,372
License and implementation fee for core banking software		-	40,491
Software		80,050	46,900
		<u>2,146,514</u>	<u>2,162,985</u>
		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
		----- Rupees in '000 -----	
<b>11.2 Additions to fixed assets</b>			
The following material additions have been made to fixed assets during the period:			
Capital work-in-progress		107,974	90,340
Property and equipment			
Building on freehold land		3,622	-
Building on leasehold land		60,802	54,986
Furniture and fixture		686,127	410,950
Computer and peripheral equipment		139,171	182,026
Electrical, office equipment		442,825	507,082
Vehicles		196,192	132,562
Assets held under finance lease - Vehicles		55,741	84,887
		<u>1,584,478</u>	<u>1,372,493</u>
Total		<u>1,692,452</u>	<u>1,462,833</u>



	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	----- Rupees in '000 -----	

### 11.3 Disposal of fixed assets

The net book value of material fixed assets disposed off during the period is as follows:

Furniture and fixture	17,396	1,539
Computer and peripheral equipment	4,618	267
Electrical, office equipment	3,322	169
Vehicles	26,465	12,589
Assets held under finance lease - Vehicle	6,651	29,128
Assets held under Ijarah - Machinery	4	454
Assets held under Ijarah - Vehicle	8	1,838
Total	58,505	46,007

### 12. INTANGIBLE ASSETS

Computer Software	495,579	506,181
Goodwill on NBP Fund Acquisition	562,553	562,553
Others	-	2,032
	1,058,132	1,070,766

(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----	

### 12.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased	116,089	495,710
--------------------	---------	---------

(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
----- Rupees in '000 -----	

### 13. RIGHT-OF-USE ASSETS

The recognised right-of-use assets relate to the following types of assets:

Balance as at January 01	7,447,414	8,201,792
Additions during the period	1,383,067	1,185,554
Depreciation charged for the period	1,520,625	1,939,932
Balance as at	7,309,856	7,447,414

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note	Rupees in '000	

#### 14. OTHER ASSETS

Income / return / mark-up accrued in local currency - net of provision	37,811,183	53,671,771
Income / return / mark-up accrued in foreign currency	2,815,594	2,577,971
Advances, deposits, advance rent and other prepayments	4,622,396	7,989,931
Income tax refunds receivable and advance taxation	31,651,766	51,978,147
Compensation for delayed tax refunds	16,819,576	13,722,128
Non-banking assets acquired in satisfaction of claims	3,273,015	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Unrealized gain on forward foreign exchange contracts	12,572	-
Commission receivable on Government treasury transactions	12,263,467	4,065,704
Stationery and stamps on hand	496,602	435,733
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Receivable against sale / purchase of shares	81,776	492,009
Receivable from Pakistan Stock Exchange	33,014	6,331
Receivable from mutual funds	866,231	791,738
Acceptances	16,720,194	26,934,779
Others	10,081,989	10,462,646
	<b>138,695,203</b>	<b>177,559,569</b>
Less: Provision held against other assets	14.1 12,771,258	10,853,588
Other assets (net of provision)	<b>125,923,945</b>	<b>166,705,981</b>
Deficit surplus on revaluation of non-banking assets acquired in satisfaction of claims	477,215	477,215
Other assets - total	<b>126,401,160</b>	<b>167,183,196</b>

#### 14.1 Provision held against other assets

Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,011,843	2,555,322
Provision against FE-25 loans	1,734,591	1,734,591
Ex-MBL / NDFC - other assets	534,173	534,173
Assets acquired from CIRC	208,423	208,423
Others	4,257,725	3,796,576
	<b>12,771,258</b>	<b>10,853,588</b>

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>14.1.1 Movement in provision held against other assets</b>		
Opening balance	10,853,588	8,884,661
Charge for the year / period	931,140	1,589,466
Transfer in	976,862	457,738
Adjustment of compensation claimed by SBP to SBP balances	-	(78,277)
Other movement	9,669	-
Closing balance	12,771,258	10,853,588
<b>15. BILLS PAYABLE</b>		
In Pakistan	40,704,843	19,648,708
Outside Pakistan	776,649	218,716
	41,481,492	19,867,424
<b>16. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	2,599,394	1,908,291
Under Export Refinance Scheme (New Scheme)	24,048,249	20,687,441
Financing Scheme for Renewable Energy	405,724	236,175
Refinance Facility for Modernization of SMEs	44,654	45,000
Financing Facility for storage of Agriculture Produce (FFSAP)	290,262	284,012
Under Long-Term Financing Facility (LTFF)	15,382,195	8,923,286
Refinance Scheme for Payment of Wages and Salaries	372,371	-
	43,142,849	32,084,205
Repurchase agreement borrowings	14,846,044	332,053,770
Bai Muajjal	79,788,437	59,069,167
	137,777,330	423,207,142
<b>Unsecured</b>		
Call borrowings	2,538,424	39,052,969
Overdrawn nostro accounts	2,279,881	3,467,767
Bai Muajjal	-	6,029,474
	4,818,305	48,550,210
	142,595,635	471,757,352
<b>16.1 Particulars of borrowings with respect to currencies</b>		
In local currency	142,595,635	432,843,644
In foreign currencies	-	38,913,708
	142,595,635	471,757,352
<b>16.2 Mark-up / interest rates and other terms are as follows:</b>		
-	The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3.00% (December 31, 2019: 3.00%).	
-	Repurchase agreement borrowings carry mark-up ranging from 6.95% to 7.05% per annum (December 31, 2019: 13.20% to 13.32% per annum) having maturity on ranging from October 01, 2020 to October 19, 2020.	
-	Call borrowings carry interest ranging from 0.00% to 0.77% per annum (December 31, 2019: 1.75% to 4.00% per	
<b>16.3</b>	Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.	
<b>16.4</b>	Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 14,846 million (December 31, 2019: Rs. 332,054 million).	

## 17. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	-----Rupees in '000 -----					
<b>Customers</b>						
Current deposits - remunerative	367,972,265	-	367,972,265	320,884,110	-	320,884,110
Current deposits - non-remunerative	419,850,303	126,838,595	546,688,898	387,189,069	139,244,567	526,433,636
Savings deposits	610,900,574	59,908,196	670,808,770	533,399,568	52,502,297	585,901,865
Term deposits	261,616,855	84,969,879	346,586,734	285,063,204	75,448,185	360,511,389
Others	5,039,120	4,080	5,043,200	4,970,352	3,924	4,974,276
	1,665,379,117	271,720,750	1,937,099,867	1,531,506,303	267,198,973	1,798,705,276
<b>Financial Institutions</b>						
Current deposits	218,046,654	315,763	218,362,417	357,457,518	375,807	357,833,325
Savings deposits	2,255,456	-	2,255,456	4,405,416	2,911,091	7,316,507
Term deposits	7,265,113	7,721,722	14,986,835	21,655,082	5,638,426	27,293,508
Others	1,963,222	315,556	2,278,778	6,549,217	286,740	6,835,957
	229,530,445	8,353,041	237,883,486	390,067,233	9,212,064	399,279,297
	1,894,909,562	280,073,791	2,174,983,353	1,921,573,536	276,411,037	2,197,984,573

17.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,471 million (December 31, 2019: Rs. 85,488 million).

## 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- Rupees in '000 -----					
Not later than one year	80,674	11,258	69,416	74,023	17,757	56,266
Later than one year and upto five years	134,226	6,287	127,939	151,479	13,342	138,137
Over five years	-	-	-	-	-	-
	214,900	17,545	197,355	225,502	31,099	194,403

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 6M KIBOR + 1.75% per annum (December 31, 2019: 6M KIBOR + 1.75% to 6M KIBOR + 3.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	

## 19. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

Lease liabilities included in the statement of financial position	8,173,224	7,831,350
Of which are:		
Current lease liability	1,599,112	1,339,898
Non-current lease liability	6,574,112	6,491,452
	8,173,224	7,831,350
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	3,478,582	2,097,191
One to five years	8,784,777	6,753,791
More than five years	13,853,330	6,652,960
Total undiscounted lease liabilities	26,116,689	15,503,942

## 20. DEFERRED TAX LIABILITIES

(Un-audited) (Audited)  
September 30, December 31,  
2020 2019  
----- Rupees in '000-----

### Deductible Temporary Differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Other provisions
- Others

(10,705)	(10,705)
(4,177,625)	(3,905,148)
(236,751)	(236,751)
(7,072,096)	(2,625,495)
(115,222)	(115,222)
(105,416)	(105,416)
(3,827)	(3,827)
(11,721,642)	(7,002,564)

### Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Excess of accounting book value of leased assets over lease liabilities
- Other

1,500,683	1,695,407
16,944,822	13,816,519
41,439	41,439
13,128	3,720
-	2,314,832
18,500,072	17,871,917
6,778,430	10,869,353

## 21. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency	25,217,844	57,027,903
Mark-up / Return / Interest payable in foreign currencies	280,950	439,959
Unearned commission and income on bills discounted	1,999,487	3,058,753
Accrued expenses	21,536,932	19,037,792
Advance payments	405,606	430,377
Unclaimed dividends	185,583	186,668
Unrealized loss on forward foreign exchange contracts	1,355,892	4,358,883
Unrealized loss on put option	306,339	306,339
Branch adjustment account	422,364	926,311
Employee benefits:		
Pension fund	15,186,478	14,785,647
Post retirement medical benefits	19,548,128	18,333,947
Benevolent fund	2,165,580	1,749,006
Gratuity scheme	2,805,266	2,403,018
Compensated absences	8,758,508	8,344,182
Staff welfare fund	371,257	371,257
Liabilities relating to Barter trade agreements	2,222,303	5,539,436
Provision against off-balance sheet obligations	627,494	627,494
Provision against contingencies	4,368,062	4,629,645
Payable to brokers	194,017	38,667
Payable to customers	210,442	158,180
PIBs short selling	2,331,308	256,284
Acceptances	16,720,194	26,934,779
Others	16,870,431	14,688,731
	144,090,465	184,633,258

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
<b>22. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	48,435,415	39,455,572
- Fixed Assets		45,514,535	45,096,875
- Non-banking assets		2,539,695	2,539,695
- On securities of associates and joint venture		(329,927)	(385,602)
		<u>96,159,718</u>	<u>86,706,540</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(16,944,822)	(13,816,519)
- Fixed Assets		(2,489,995)	(2,489,995)
- Non-banking assets		(41,439)	(41,439)
		<u>(19,476,256)</u>	<u>(16,347,953)</u>
		<u>76,683,462</u>	<u>70,358,587</u>
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	204,885,284	161,579,745
Commitments	23.2	1,494,742,202	1,761,652,119
Other contingent liabilities	23.3	36,659,571	30,664,297
		<u>1,736,287,058</u>	<u>1,953,896,161</u>
<b>23.1 Guarantees:</b>			
Financial guarantees		141,061,399	101,841,274
Performance guarantees		63,823,885	59,738,471
		<u>204,885,284</u>	<u>161,579,745</u>
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,034,836,782	937,616,635
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	458,398,157	801,290,548
- forward government securities transactions	23.2.2	850,000	22,164,581
Commitments for acquisition of:			
- operating fixed assets		657,264	566,855
Other commitments	23.2.3	-	13,500
		<u>1,494,742,202</u>	<u>1,761,652,119</u>
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		306,733,125	478,842,756
Sale		151,665,031	322,447,792
		<u>458,398,157</u>	<u>801,290,548</u>

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated condensed interim financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>23.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	-	256,814
Sale	850,000	21,907,767
	<u>850,000</u>	<u>22,164,581</u>

Commitments for outstanding forward government securities transactions are disclosed in these consolidated condensed interim financial statements at contracted rates.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>23.2.3 Professional services to be received</b>	-	13,500
<b>23.3 Other contingent liabilities</b>		
<b>23.3.1 Claim against the Group not acknowledged as debt</b>	<u>36,659,571</u>	<u>30,664,297</u>

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (December 31, 2018: Rs. 1,597 million).

#### 23.3.2 Taxation

The current status of tax contingencies for the period ended September 30, 2020 is given below:

- a) Tax returns of the Bank have been filed up to tax year 2019 and amended by tax authorities up to tax year 2018. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2019.
- b) The matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013 during the year which issue was decided by the learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of contingencies as on September 30, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 18.629 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.
- c) Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on September 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1.0 billion and Rs. 1.4 billion respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes. Sindh High Court through interim order has instructed the taxation officer not to take any coercive measures.

Bank's tax advisors expect a favourable decision on this issue from appellate fora.

- d) The Bank has filed an Appeal before the Appellate Tribunal, Sindh Revenue Board against the Order passed by Commissioner (Appeals) Sindh Revenue Board confirming the levy of Sindh Sales Tax on the services provided by the Bank to State Bank of Pakistan for the tax periods January 2015 to March 2015 amounting to Rs.76.767 million and the rate differential amount of Rs. 11.987 million for the tax periods January 2014 to December 2014 aggregating to Rs. 88.754 million along with the penalties and default surcharge thereon. It is pertinent to mention that the aforesaid differential amount has already been paid by availing the tax amnesty in 2019. Further, no provision has been made for the amount relating to State Bank of Pakistan in these consolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.
- e) The Bank filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December - 2016 wherein the principal demand of Rs. 386 million was raised.

The Honorable Appellate Tribunal, PRA accepted the appeal and set aside the impugned Order passed by the Commissioner HQ, PRA. No correspondence has been received till date.

### **23.3.3 Contingencies in respect of employees benefits and related matters**

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019, except for the below mentioned updates.

#### **23.3.4.1 Pensionary benefits to retired employees**

This has been explained in note 26.3.3.1 to the financial statement of the year ended December 31, 2019. Subsequently, the hearing of the pension case was fixed on March 12, 2020, however the same was adjourned as the counsel for both parties submitted to the Supreme Court of Pakistan ('SCP') that it would be more appropriate if the hearing, of the present case, can be arranged at Karachi. The Review Petition is ongoing and is expected to be listed for hearing soon. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the year ended December 31, 2019 amounted to Rs. 67.1 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2020 onward will also increase by Rs. 7.0 billion due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been considered made in these consolidated interim financial statements for the above mentioned amount as the Bank is confident about the

#### **23.3.4.2 Post retirement medical facilities**

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

#### **23.3.4.3 Restoration of Commuted Pension**

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

#### **23.3.4.4 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements**

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

#### **23.3.4.5 Golden Handshake (GHS)**

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.



#### **23.3.4.6 Litigation related to management trainee program**

This has been explained in note 26.3.3.6 to the financial statement of the year ended December 31, 2019. Subsequently, the matter of out of court settlements has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these consolidated condensed interim financial statements.

#### **23.3.4.7 Foreign Exchange repatriation case**

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

#### **23.3.4.8 Compliance and risk matters relating to anti-money laundering**

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	Rupees in '000	
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances		78,012,117	77,601,180
Investments		124,953,955	83,569,440
On securities purchased under resale agreements		1,975,718	4,782,282
Balances with other banks		1,264,125	1,594,981
		<u>206,205,915</u>	<u>167,547,883</u>
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		82,322,547	77,990,962
Borrowings		6,090,877	4,501,937
Cost of foreign currency swaps against foreign currency deposits		6,454,405	4,938,013
Finance charge on lease liability against right of use assets		585,008	526,806
Securities sold under repurchase agreements		30,718,314	25,551,393
		<u>126,171,151</u>	<u>113,509,111</u>
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		976,411	357,476
Consumer finance related fees		497,017	580,357
Card related fees		774,605	521,239
Credit related fees		131,317	184,247
Investment banking fees		428,625	393,621
Commission on trade		2,105,286	3,320,428
Commission on guarantees		303,730	318,531
Commission on cash management		6,689	16,185
Commission on remittances including home remittances		720,350	1,195,733
Commission on bancassurance		190,917	267,469
Commission on government transactions		6,626,430	6,658,586
Management fee and sale load		744,774	915,738
Brokerage income		84,646	46,932
Others		117,042	207,293
		<u>13,707,840</u>	<u>14,983,836</u>
<b>27. GAIN ON SECURITIES - NET</b>			
Realised	27.1	6,968,967	566,546
Unrealized - held-for-trading	9.1	(24,911)	42,308
		<u>6,944,056</u>	<u>608,854</u>
<b>27.1 Realised gain on:</b>			
Federal Government Securities		5,258,905	322,704
Shares and mutual funds		1,031,382	215,379
Ijarah Sukuks		8	28,463
Foreign Securities		678,672	-
		<u>6,968,967</u>	<u>566,546</u>
<b>28. OTHER INCOME</b>			
Rent on property		18,581	24,622
Gain on sale of fixed assets - net		6,308	16,117
Postal, SWIFT and other charges recovered		-	34,132
Compensation for delayed tax refunds	28.1	3,097,448	4,184,109
Remittances expense reimbursed by SBP		112,861	-
Digital infrastructure support income		-	33,729
Others		55,923	36,512
		<u>3,291,120</u>	<u>4,329,221</u>
<b>28.1</b>	This represents compensation on delayed refunds determined under Section 171 of Income Tax Ordinance 2001.		

	(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	----- Rupees in '000 -----	
<b>29. OPERATING EXPENSES</b>		
Total compensation expense	30,353,100	27,778,823
<b>Property expense</b>		
Rent and taxes	294,260	833,545
Insurance	17,866	33,243
Utilities cost	790,955	838,111
Security (including guards)	1,944,375	1,705,031
Repair and maintenance (including janitorial charges)	868,146	656,635
Depreciation	333,779	351,230
Depreciation on non banking assets	11,838	22,183
Depreciation on Ijarah assets	67,393	128,361
Depreciation on right of use assets	1,520,625	1,434,121
	5,849,237	6,002,459
<b>Information technology expenses</b>		
Software maintenance	805,677	603,006
Hardware maintenance	11,891	13,519
Depreciation	219,839	236,238
Amortization	132,972	276,499
Network charges	362,919	344,124
	1,533,298	1,473,385
<b>Other operating expenses</b>		
Directors' fees and reimbursement of other expenses	27,839	26,231
Directors' fees and allowances - subsidiaries	6,990	4,416
Fees and allowances to Shariah Board	6,974	6,930
Legal and professional charges	998,965	508,241
Outsourced services costs	598,230	564,277
Travelling and conveyance	370,069	566,152
NIFT clearing charges	118,074	102,754
Depreciation	1,343,433	1,204,443
Training and development	46,806	87,263
Postage and courier charges	157,519	140,630
Communication	240,655	233,870
Stationery and printing	891,347	692,978
Marketing, advertisement and publicity	120,673	182,946
Donations	100	-
Contributions for other Corporate and Social Responsibility	85,447	14,962
Auditors' Remuneration	269,005	247,185
Financial charges on leased assets	33,169	32,776
Insurance	369,694	372,938
Entertainment	165,098	208,559
Clearing, verification, license fee charges	223,977	351,201
Vehicle Expenses	105,073	96,203
Repairs and maintenance	259,415	234,833
Brokerage	78,876	56,886
Deposit premium expense	1,030,977	929,881
Others	351,058	294,077
	7,899,462	7,160,634
	45,635,096	42,415,301
<b>30. OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	297,404	115,499
Penalties imposed by other regulatory bodies (Central bank of international branches)	85	6,596
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	1,203	2,462
	298,692	124,557

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	----- Rupees in '000 -----	
<b>31. PROVISIONS &amp; WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	9.2	363,029	2,544,850
Provisions against loans and advances	10.4	21,780,261	5,894,009
Provision against other assets		1,082,969	239,337
		<u>23,226,260</u>	<u>8,678,196</u>

<b>32. TAXATION</b>			
Current		20,235,017	13,891,040
Prior years		-	1,056,841
Deferred		<u>(7,002,277)</u>	<u>(1,991,752)</u>
		<u>13,232,740</u>	<u>12,956,129</u>

		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
<b>33. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit for the period (Rupees in 000's)		<u>26,121,029</u>	<u>16,601,919</u>
Weighted average number of ordinary shares (000's)		<u>2,127,513</u>	<u>2,127,513</u>
Earnings per share - basic and diluted (Rupees)		<u>12.28</u>	<u>7.80</u>

		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
		----- Rupees in '000 -----	
<b>34. CASH AND CASH EQUIVALENT</b>			
Cash and balances with treasury banks		272,011,923	215,588,505
Balances with other banks		15,197,248	21,487,527
Call money lendings		140,800	40,800
Call money borrowings		(2,538,424)	(36,667,032)
Overdrawn nostro		<u>(2,279,881)</u>	<u>(3,566,612)</u>
		<u>282,531,666</u>	<u>196,883,188</u>

### 35. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

#### 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:

September 30, 2020 (Un-audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	562,700,548	-	562,700,548	-	562,700,548
Pakistan Investment Bonds	451,011,699	-	451,011,699	-	451,011,699
Ijarah Sukuks	6,075,580	-	6,075,580	-	6,075,580
Ordinary shares of listed companies	45,863,979	45,863,979	-	-	45,863,979
Investment in mutual funds	2,309,591	-	2,309,591	-	2,309,591
Preference shares	905,600	905,600	-	-	905,600
Term Finance Certificates / Musharika and Sukuk Bonds	57,899,107	-	57,899,107	-	57,899,107
GoP Foreign Currency Bonds	11,042,131	-	11,042,131	-	11,042,131
Foreign Government Securities	4,560,094	-	4,560,094	-	4,560,094
Foreign Currency Debt Securities	1,828,981	-	1,828,981	-	1,828,981
Ordinary shares of a bank outside Pakistan	18,787,130	18,787,130	-	-	18,787,130
	1,162,984,440	65,556,709	1,097,427,731	-	1,162,984,439
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	272,011,923	-	-	-	-
Balances with other banks	15,197,248	-	-	-	-
Lendings to financial institutions	50,281,178	-	-	-	-
Investments					
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Market Treasury Bills	245,368	-	-	-	-
Pakistan Investment Bonds	167,687,574	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	45,839	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	32,930,056	-	-	-	-
Foreign Currency Debt Securities	642	-	-	-	-
Advances	893,213,205	-	-	-	-
Other Assets	74,235,871	-	-	-	-
	1,507,442,513	-	-	-	-
	2,670,426,953	65,556,709	1,097,427,731	-	1,162,984,439
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	458,398,157	-	1,355,905	-	1,355,905
Forward government securities transactions	850,000	-	(272)	-	(272)
December 31, 2019 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	621,887,531	-	621,887,531	-	621,887,531
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	2,050,099	-	2,050,099	-	2,050,099
Ordinary shares of listed companies	41,983,147	41,983,147	-	-	41,983,147
Investments in mutual funds	2,144,783	-	2,144,783	-	2,144,783
Preference shares	79,388	35,956	-	43,432	79,388
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	4,646,071	-	4,646,071	-	4,646,071
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,101,192,921	70,055,052	1,031,094,437	43,432	1,101,192,921

December 31, 2019 (Audited)				
Carrying Value	Level 1	Level 2	Level 3	Total
Rupees in '000				

#### Financial assets - disclosed but not measured at fair value

Cash and balances with treasury banks	293,198,090	-	-	-	-
Balances with other banks	13,598,325	-	-	-	-
Lending to financial instruments	144,140,344	-	-	-	-
Investments					
Market Treasury Bills	114,155,009	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term					
Certificates and Term Finance Certificates	9,573	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	30,231,741	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Advances	1,008,398,612	-	-	-	-
Other assets	95,539,678	-	-	-	-
	1,889,817,271	-	-	-	-
	2,991,010,192	70,055,052	1,031,094,437	43,432	1,101,192,921

#### Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

#### Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Mutual Funds	MUFAP
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

### 35.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

September 30, 2020 (Un-audited)					
Carrying Value	Level 1	Level 2	Level 3	Total	
----- Rupees in '000 -----					
Land & building (property and equipment)	52,250,726	-	52,250,726	-	52,250,726
Non-banking assets acquired in satisfaction of claims	3,273,015	-	3,273,015	-	3,273,015
	55,523,741	-	55,523,741	-	55,523,741

December 31, 2019 (Audited)					
Carrying Value	Level 1	Level 2	Level 3	Total	
----- Rupees in '000 -----					
Land & building (property and equipment)	48,575,943	-	48,575,943	-	48,575,943
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,860,796	-	51,860,796	-	51,860,796

36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Nine months ended September 30, 2020 (Un-audited)						
Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total

Profit and loss account

Rupees in '000						
Net mark-up / return / interest income / (expense)	11,736,987	36,865,968	88,981,491	2,050,516	4,244,099	80,034,764
Inter segment revenue - net	(10,564,668)	(32,498,318)	(64,047,478)	-	3,945,178	-
Non mark-up / return / interest income	9,720,969	435,424	2,071,443	1,618,315	4,347,871	28,538,745
Total Income	49,041,957	1,607,744	6,439,093	3,668,830	12,537,148	108,573,509
Segment direct expenses	20,503,170	1,563,638	619,277	4,171,262	2,989,216	30,110,898
Inter segment expense allocation	-	-	-	-	15,822,890	15,822,890
Total expenses	20,503,170	1,563,638	619,277	4,171,262	18,812,106	45,933,788
Provisions and write offs - net	457,558	5,988,895	16,179,725	113,869	(369,305)	855,518
Profit / (loss) before taxation	28,081,229	(5,944,790)	(10,359,909)	34,900,531	(133,126)	39,413,461

September 30, 2020 (Un-audited)

Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
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Statement of financial position

Rupees in '000						
Cash and balances with treasury and other banks	81,661,842	5,695,396	251,630	141,645,114	55,205,197	2,749,991
Investments	-	-	32,071,053	1,252,521,753	48,990,045	38,152,285
Net inter segment lending	1,593,782,230	-	-	-	-	192,298,130
Lendings to financial institutions	-	-	-	40,918,194	-	9,362,984
Advances - performing	199,746,023	115,153,686	504,242,495	-	25,963,347	43,109,936
- non-performing	3,902,032	24,432,601	45,083,527	-	43,894,515	55,998,530
Provision against advances	(7,071,212)	(20,230,042)	(42,227,065)	-	(42,809,860)	(55,975,312)
Advances - Net	196,576,844	119,356,245	507,098,958	-	27,048,002	43,133,154
Others	32,955,279	2,249,612	24,435,289	4,386,020	4,595,943	121,319,372
Total Assets	1,904,976,195	127,301,252	563,856,930	1,439,471,081	135,839,187	407,015,914
Borrowings	2,853,112	-	40,072,589	96,914,460	2,538,411	217,063
Deposits and other accounts	1,860,324,166	-	171,011,000	-	75,471,348	68,176,839
Net inter segment borrowing	-	124,480,755	315,033,312	1,282,503,649	54,314,312	9,748,331
Others	41,798,917	2,820,497	37,580,086	10,486,016	3,274,128	104,761,321
Total liabilities	1,904,976,195	127,301,252	563,696,987	1,389,904,126	135,598,198	182,903,554
Equity	-	-	159,943	49,566,956	240,989	224,112,360
Total equity and liabilities	1,904,976,195	127,301,252	563,856,930	1,439,471,081	135,839,187	407,015,914

Contingencies and commitments

139,345,882	-	682,988,287	855,628,458	20,907,203	37,417,228	1,736,287,058
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**Nine months ended September 30, 2019 (Un-audited) - (Restated)**

Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
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Rupees in '000

**Profit and loss account**

Net mark-up / return / interest income / (expense)	(58,426,762)	10,350,458	38,777,945	56,676,686	2,228,037	4,432,408	54,038,772
Inter segment revenue - net	105,269,169	(11,242,758)	(38,459,123)	(60,442,025)	-	4,874,737	-
Non mark-up / return / interest income	10,933,031	682,493	1,815,652	6,727,992	1,246,994	5,366,903	26,773,065
Total Income	57,775,438	(209,807)	2,134,474	2,962,653	3,475,032	14,674,048	80,811,837
Segment direct expenses	21,109,383	1,609,613	598,709	248,967	3,080,333	3,426,474	30,073,480
Inter segment expense allocation	-	-	-	-	-	12,466,379	12,466,379
Total expenses	21,109,383	1,609,613	598,709	248,967	3,080,333	15,892,853	42,539,859
Provisions and write offs - net	381,614	610,457	5,877,517	2,143,712	(191,603)	(143,500)	8,678,196
Profit / (loss) before taxation	36,284,440	(2,429,877)	(4,341,752)	569,974	586,303	(1,075,305)	29,593,783

**December 31, 2019 (Audited) - (Restated)**

Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others	Total
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Rupees in '000

**Statement of financial position**

**Cash and balances with treasury and other banks**

Investments	162,051,623	12,045,241	238,501	82,716,513	42,748,449	6,996,087	306,796,415
Net inter segment lending	-	-	38,801,666	1,316,800,220	61,079,182	25,722,890	1,442,403,957
Lendings to financial institutions	1,631,300,100	-	-	-	-	138,613,215	1,769,913,315
Advances - performing	-	-	-	132,718,198	-	11,422,146	144,140,344
- non-performing	221,843,742	144,537,540	530,385,309	-	55,302,884	42,566,934	1,002,716,475
Provision against advances	2,973,437	17,309,704	32,196,797	-	41,049,352	55,847,764	149,377,054
Advances - net	(6,664,995)	(14,087,130)	(23,223,824)	-	(40,266,389)	(59,452,580)	(143,694,917)
Others	218,152,184	147,760,120	547,358,342	-	56,165,847	38,962,118	1,008,398,613
Total Assets	25,398,302	1,853,736	40,745,805	3,971,387	4,014,363	154,637,349	230,620,940
	2,036,902,209	161,659,097	627,144,314	1,536,206,318	164,007,841	376,353,805	4,902,273,583

**Borrowings**

**Deposits and other accounts**

**Net inter segment borrowing**

Others	64,354,645	4,734,824	31,794,954	17,079,796	1,988,871	103,442,698	223,395,788
Total liabilities	2,036,902,210	161,659,096	626,999,935	1,499,019,691	162,638,777	175,831,319	4,663,051,028
Equity	-	-	144,380	37,186,627	1,369,066	200,522,487	239,222,555
Total equity and liabilities	2,036,902,209	161,659,097	627,144,314	1,536,206,318	164,007,841	376,353,805	4,902,273,583

**Contingencies and commitments**

	833,218,160	-	236,880,686	823,455,129	28,997,140	31,345,046	1,953,896,161
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### 37. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and key management personnel. The details of investment in subsidiary companies, joint venture and associated undertaking and their provisions are stated in note 9 of the financial statement of the Group.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	September 30, 2020 (Un-audited)							December 31, 2019 (Audited)										
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A. A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A. A/c)	Provident Fund	Other related parties
Rupees in '000																		
Balances with other banks																		
In current accounts	-	-	-	2,872	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	2,872	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
Advances																		
Opening balance	-	228,805	3,036,750	-	-	-	-	-	23,386,325	-	222,967	3,105,907	-	-	-	-	-	217,063
Addition during the period / year	-	64,850	-	-	-	-	-	-	89,720,074	-	74,615	-	-	-	-	-	-	11,246,254
Repaid during the period / year	-	(26,003)	(65,633)	-	-	-	-	-	(89,881,015)	-	(22,888)	(69,157)	-	-	-	-	-	(14,896,873)
Transfer in / (out) - net*	-	(8,785)	-	-	-	-	-	-	(23,232,496)	-	(45,889)	-	-	-	-	-	-	26,819,881
Closing balance	-	258,856	2,971,117	-	-	-	-	-	(7,112)	-	228,805	3,036,750	-	-	-	-	-	23,386,325
	-	-	2,827,375	-	-	-	-	-	-	-	-	2,827,375	-	-	-	-	-	-
Provisions against loans																		
	-	-	1,705,416	-	-	-	-	-	-	-	-	1,710,481	-	-	-	-	-	-
Other Assets																		
Interest / mark-up accrued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings																		
Opening balance	-	-	-	279,814	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Borrowings during the period / year	-	-	-	(270,944)	-	-	-	-	-	-	-	-	241,566	-	-	-	-	-
Settled during the period / year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	8,870	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Deposits and other accounts																		
Opening balance	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083	10,732	80,688	-	-	1,085	11,100,000	458,328	12,465,939	-
Received during the period / year	7,076	533,683	-	-	46,328,996	-	2,853,027	1,274,512	556,409	23,314	625,431	-	-	45,832,581	11,785,192	2,246,185	273,669,395	-
Withdrawn during the period / year	(6,345)	(496,347)	-	-	(46,329,035)	-	(2,606,046)	(1,512,315)	(564,107)	(22,146)	(591,564)	-	-	(45,833,593)	(11,100,000)	(1,415,241)	(278,409,470)	-
Transfer in / (out) - net*	72	1,421	-	-	-	-	-	-	(40,290,295)	(8,065)	(19,840)	-	-	-	-	-	-	45,156,158
Closing balance	4,638	133,471	-	-	35	-	1,482,102	13,059,080	118,091	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083
Contingencies and commitments																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463,085

\* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

	September 30, 2020 (Un-audited)					September 30, 2019 (Un-audited)						
	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Others
Rupees in '000												

#### Income

Mark-up / return / interest earned	-	-	9	-	-	15,302	-	-	45,462	-	-	2,659,130
Debits due by Companies in which Directors of the Bank Is Interested as Directors	-	-	-	-	-	-	-	-	-	-	-	-
Rent income / lighting and power and bank charges	-	3,479	-	-	-	14,585	-	3,479	-	-	-	11,668

#### Expense

Mark-up / return / interest paid	-	-	300	108,346	865,880	3,141	-	-	237	214,424	1,259,478	1,350,561
Remuneration to key management executives including charge for defined benefit plan	375,861	-	-	-	-	-	352,909	-	-	-	-	-
Annual Subscription and miscellaneous charges	-	-	-	-	-	10,712	-	-	-	-	-	890
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	1,565	-	-	-	-	-	1,565

### 37.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 6,626 million for the nine months period ended September 30, 2020. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 305,453 million, Rs. 885,491 million and Rs. 993,627 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 28,810 million and Rs. 54,252 million respectively.

### 38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000-----		

#### Minimum Capital Requirement

Paid-up capital	<u>196,474,551</u>	<u>168,001,436</u>
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#### Capital Adequacy Ratio

Eligible Common Equity Tier 1 Capital	<u>172,576,945</u>	<u>146,628,152</u>
Eligible Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>172,576,945</u>	<u>146,628,152</u>
Eligible Tier 2 Capital	<u>56,092,837</u>	<u>41,295,951</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>228,669,782</u>	<u>187,924,103</u>

#### Risk Weighted Assets

Credit Risk	<u>813,064,114</u>	<u>918,174,576</u>
Market Risk	<u>94,714,097</u>	<u>93,146,479</u>
Operational Risk	<u>176,625,691</u>	<u>176,625,691</u>
Total	<u>1,084,403,902</u>	<u>1,187,946,746</u>

#### Common Equity Tier 1 Capital Adequacy ratio

Common Equity Tier 1 Capital Adequacy ratio	<u>15.91%</u>	<u>12.34%</u>
Tier 1 Capital Adequacy Ratio	<u>15.91%</u>	<u>12.34%</u>
Total Capital Adequacy Ratio	<u>21.09%</u>	<u>15.82%</u>

#### Leverage Ratio

Tier-1 Capital	<u>172,576,945</u>	<u>146,628,152</u>
Total Exposures	<u>4,072,807,693</u>	<u>4,260,315,310</u>
Leverage Ratio	<u>4.24%</u>	<u>3.44%</u>

#### Liquidity Coverage Ratio

Total High Quality Liquid Assets	<u>1,098,584,906</u>	<u>890,965,256</u>
Total Net Cash Outflow	<u>604,871,618</u>	<u>603,741,462</u>
Liquidity Coverage Ratio	<u>182%</u>	<u>148%</u>

#### Net Stable Funding Ratio

Total Available Stable Funding	<u>2,136,923,678</u>	<u>2,040,913,906</u>
Total Required Stable Funding	<u>813,725,598</u>	<u>875,207,068</u>
Net Stable Funding Ratio	<u>263%</u>	<u>233%</u>

### 39. ISLAMIC BANKING BUSINESS

The bank is operating 189 (December 31, 2019: 190) Islamic banking branches and no Islamic banking windows at the end of nine months period ended September 30, 2020.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		4,647,208	4,405,856
Balances with other banks		11,777	5,841
Due from financial institutions	39.1	9,360,334	11,419,496
Investments	39.2	31,835,743	19,416,280
Islamic financing and related assets - net	39.3	32,534,521	33,880,482
Fixed assets		150,611	174,862
Right of use assets		786,736	861,049
Other assets		6,034,233	5,888,864
<b>Total Assets</b>		<b>85,361,163</b>	<b>76,052,730</b>
<b>LIABILITIES</b>			
Bills payable		497,317	256,804
Deposits and other accounts	39.4	66,572,658	63,285,896
Lease liability against right of use assets		924,982	943,375
Due to Head Office		4,293,251	2,784,801
Other liabilities		7,405,327	3,767,018
		<b>79,693,535</b>	<b>71,037,894</b>
<b>NET ASSETS</b>		<b>5,667,628</b>	<b>5,014,836</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		3,360,000	2,200,000
Reserves		-	-
Surplus on revaluation of assets		685,135	775,696
Unappropriated / unremitted profit	39.5	1,622,493	2,039,140
		<b>5,667,628</b>	<b>5,014,836</b>

The profit and loss account of the Bank's Islamic banking branches for the nine months period ended September 30, 2020 is as follows:

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
		Rupees in '000	
Profit / return earned	39.6	6,180,566	5,065,725
Profit / return expensed	39.7	2,748,247	2,339,058
Net Profit / return		<b>3,432,319</b>	<b>2,726,667</b>
<b>Other income</b>			
Fee and commission income		265,220	273,463
Foreign exchange income		49,943	55,995
Other income		796	4,705
Total other income		<b>315,959</b>	<b>334,163</b>
Total Income		<b>3,748,278</b>	<b>3,060,830</b>
<b>Other expenses</b>			
Operating expenses		1,724,149	1,763,770
Other charges		2,053	380
		<b>1,726,202</b>	<b>1,764,150</b>
Profit before provisions		<b>2,022,076</b>	<b>1,296,680</b>
Provisions charge / (reversal) and write offs - net		<b>399,583</b>	<b>(75,662)</b>
Profit before taxation		<b>1,622,493</b>	<b>1,372,342</b>
Taxation		-	-
Profit after taxation		<b>1,622,493</b>	<b>1,372,342</b>

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	In Local Currency	In Foreign currencies	Total	In Foreign currencies
	Rupees in '000			

### 39.1 Due from Financial Institutions

#### Unsecured

Bai Muajjal Receivable from State Bank of Pakistan

	9,360,334	-	9,360,334	11,419,496	-	11,419,496
	9,360,334	-	9,360,334	11,419,496	-	11,419,496

This represent Bai Muajjal agreement with Government of Pakistan and State Bank of Pakistan which carries profit rate 13.00% per annum. (December 31, 2019: 12.78%)

### 39.2 Investments by segments:

#### Federal Government Securities:

-Ijarah Sukukls

	6,000,000	21,200	6,021,200	2,000,000	-	(21,200)	1,978,800
	6,000,000	-	6,021,200	2,000,000	-	(21,200)	1,978,800

#### Non Government Debt Securities

-Listed

-Unlisted

#### Total Investments

	4,500,000		322,961	4,822,961		-	602,100	5,002,100
	20,781,415	(130,807)	340,974	20,991,582		(130,807)	194,796	12,435,380
	25,281,415	(130,807)	663,935	25,814,543		(130,807)	796,896	17,437,480
	31,281,415	(130,807)	685,135	31,835,743		(130,807)	775,696	19,416,280

### 39.3 Islamic financing and related assets - net

Ijarah

Murabaha

Musawama

Diminishing Musharaka

Istisna

Other Islamic Modes (Wakala tul Istismar)

Advances against Islamic assets (Ijarah, Murbaha, DM, Istasna)

Inventory related to Islamic financing (Istisna)

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

Islamic financing and related assets - net of provision

(Un-audited) (Audited)  
September 30, December 31,  
2020 2019  
----- Rupees in '000 -----

187,062	255,639
3,672,901	1,716,542
-	22,243
15,395,607	15,869,641
864,836	-
8,500,000	8,500,000
3,075,895	7,180,631
1,441,367	539,349
33,137,668	34,084,045

(602,988)	(203,324)
(159)	(239)
(603,147)	(203,563)
32,534,521	33,880,482

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
<b>39.4 Deposits</b>		
<b>Customers</b>		
Current deposits	21,198,181	20,550,756
Savings deposits	34,534,575	22,671,179
Term deposits	8,588,158	12,720,085
	<u>64,320,914</u>	<u>55,942,020</u>
<b>Financial Institutions</b>		
Current deposits	617,280	815,386
Savings deposits	634,464	3,028,490
Term deposits	1,000,000	3,500,000
	<u>2,251,744</u>	<u>7,343,876</u>
	<u>66,572,658</u>	<u>63,285,896</u>
<b>39.5 Unappropriated/ Unremitted profit / (loss)</b>		
Opening Balance	2,039,140	(57,150)
Add: Islamic banking profit / (loss) for the period	1,622,493	2,039,140
Less: Transferred / remitted to head office	(2,039,140)	57,150
Closing balance	<u>1,622,493</u>	<u>2,039,140</u>
	(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	----- Rupees in '000 -----	
<b>39.6 Profit / return earned</b>		
Profit earned on:		
Financing	3,136,237	2,371,138
Investments	2,075,074	1,703,922
Placements	23,470	131,522
Others (Bai Muajjal)	945,785	859,143
	<u>6,180,566</u>	<u>5,065,725</u>
<b>39.7 Profit / return expensed</b>		
Deposits and other accounts	2,339,136	1,945,627
Finance charge on right of use assets	69,081	67,351
Others (General Account)	340,030	326,080
	<u>2,748,247</u>	<u>2,339,058</u>

40. GENERAL

40.1 Figures have been rounded off to the nearest thousand rupees.

41. DATE OF AUTHORIZATION FOR ISSUE

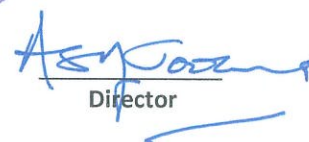
The consolidated condensed interim financial statements were authorized for issue on Oct 27, 2020 by the Board of Directors of the Bank.

  
Chairman

  
President / CEO

  
Chief Financial Officer

  
Director

  
Director

## HEAD OFFICE:

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