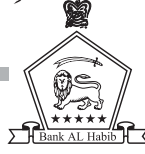




Bank AL Habib Limited
ACCOUNTS FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2020
Unaudited

هَذَا مِنْ فَضْلِ رَبِّي



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CORPORATE INFORMATION

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



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



DIRECTORS' REVIEW

It is our pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Asset Management Limited (formerly Habib Asset Management Limited) for the period ended September 30, 2020.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 1,089.2 billion as compared to Rs. 903.7 billion on December 31, 2019. In the same period, advances increased to Rs. 523.1 billion from Rs. 488.7 billion, while investments increased to Rs. 812.8 billion from Rs. 586.1 billion. The pre-tax profit of the Bank for the nine months period ended September 30, 2020 was Rs. 22.09 billion as compared to Rs. 12.88 billion during the corresponding period last year. The profit after tax for the period ended September 30, 2020 was Rs. 13.13 billion compared with Rs. 7.01 billion during 2019.

By the Grace of Allah, the Bank now has a network of 844 offices, comprising 804 branches, 36 sub-branches, and 4 Representative Offices. Our branch network includes 102 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2020.

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

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

Mansoor Ali Khan
Chief Executive

Abbas D. Habib
Chairman
Board of Directors

Karachi: October 21, 2020



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 30 ستمبر 2020 کو ختم ہونے والی مدت کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنیز الحیب کمپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب ایسٹ منجمنٹ لمیٹڈ (سابقہ حبیب ایسٹ منجمنٹ لمیٹڈ) پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 30 ستمبر 2020 کو ختم ہونے والی مدت میں ڈپازٹس بڑھ کر 1,089.2 بلین روپے ہو گئے، جو کہ 31 دسمبر 2019 کو 903.7 بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز 488.7 بلین روپے سے بڑھ کر 523.1 بلین روپے ہو گئے اور سرمایہ کاری 586.1 بلین روپے سے بڑھ کر 812.8 بلین روپے ہو گئی۔ 30 ستمبر 2020 کو ختم ہونے والے نوماہ کے لئے آپ کے بینک کا قبل از ٹیکس منافع 22.09 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 12.88 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 30 ستمبر 2020 کو ختم ہونے والی مدت کے لئے 13.13 بلین روپے رہا جبکہ گزشتہ سال یہ 7.01 بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 844 دفاتر پر مشتمل ہے، جس میں 804 برانچز، 36 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب 1102 اسلامی بینکاری برانچز اور 3 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال 2020 میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

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

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

عباس ڈی۔ حبیب
چیئرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۲۱ اکتوبر ۲۰۲۰ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

	Note	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
ASSETS			
Cash and balances with treasury banks	6	98,786,110	113,838,791
Balances with other banks	7	21,846,319	9,523,969
Lendings to financial institutions	8	2,129,818	1,857,575
Investments	9	812,806,526	586,140,504
Advances	10	523,078,446	488,669,447
Fixed assets	11	43,103,997	36,562,508
Intangible assets	12	245,016	365,428
Deferred tax assets		—	—
Other assets	13	67,586,436	61,723,889
		1,569,582,668	1,298,682,111
LIABILITIES			
Bills payable	15	20,107,337	20,168,673
Borrowings	16	287,997,748	228,745,034
Deposits and other accounts	17	1,089,170,969	903,702,782
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	14,990,400	14,992,800
Deferred tax liabilities	19	2,351,790	1,380,189
Other liabilities	20	78,203,923	68,189,523
		1,492,822,167	1,237,179,001
NET ASSETS		76,760,501	61,503,110
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		18,179,730	16,467,282
Surplus on revaluation of assets	21	11,554,654	6,013,816
Unappropriated profit		35,911,863	27,907,758
		76,760,501	61,503,110
CONTINGENCIES AND COMMITMENTS	22		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Note	Nine months period ended		Three months period ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		(Rupees in '000)			
Mark-up / return / interest earned	24	98,531,780	73,732,787	33,157,576	28,684,837
Mark-up / return / interest expensed	25	(54,450,472)	(43,718,245)	(16,146,331)	(18,193,877)
Net mark-up / interest income		44,081,308	30,014,542	17,011,245	10,490,960
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	4,737,875	4,435,125	1,713,180	1,422,598
Dividend income		388,916	349,087	193,301	164,575
Foreign exchange income		1,398,838	1,472,717	588,079	394,042
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities - net	27	14,260	(65,030)	14,243	756
Other income	28	540,272	443,386	273,494	152,143
Total non mark-up / interest income		7,080,161	6,635,285	2,782,297	2,134,114
Total income		51,161,469	36,649,827	19,793,542	12,625,074
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	(25,064,236)	(20,567,847)	(8,265,961)	(7,494,536)
Workers welfare fund		(516,496)	(321,054)	(226,840)	(103,941)
Other charges	30	(53,959)	(86,495)	(53,457)	(52,014)
Total non mark-up / interest expenses		(25,634,691)	(20,975,396)	(8,546,258)	(7,650,491)
Profit before provisions		25,526,778	15,674,431	11,247,284	4,974,583
Provisions and write offs - net	31	(3,437,360)	(2,798,996)	(1,259,088)	(644,786)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		22,089,418	12,875,435	9,988,196	4,329,797
Taxation	32	(8,954,517)	(5,869,774)	(4,078,314)	(1,785,249)
PROFIT AFTER TAXATION		13,134,901	7,005,661	5,909,882	2,544,548
		(Rupees)			
Basic and diluted earnings per share	33	11.82	6.30	5.32	2.29

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	2020	2019	2020	2019
	(Rupees in '000)			
Profit after taxation for the period	13,134,901	7,005,661	5,909,882	2,544,548
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches	398,958	649,282	(127,893)	(168,792)
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,557,282	665,726	(4,594,641)	1,008,745
	2,956,240	1,315,008	(4,722,534)	839,953
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of operating fixed assets - net of tax	3,056,238	-	-	-
Total comprehensive income	19,147,379	8,320,669	1,187,348	3,384,501

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
				(Rupees in '000)					
Balance as at 01 January 2019	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,279,509)	4,547,711	20,411,694	49,551,680
Comprehensive income for the nine months period ended 30 September 2019:									
Profit after taxation	-	-	-	-	-	-	-	7,005,661	7,005,661
Other comprehensive income - net of tax	-	-	649,282	-	-	665,726	-	-	1,315,008
Total comprehensive income for the period	-	-	649,282	-	-	665,726	-	7,005,661	8,320,669
Transfer to statutory reserve	-	700,566	-	-	-	-	-	(700,566)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(54,577)	54,577	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)
Balance as at 30 September 2019 - unaudited	11,114,254	13,443,359	1,997,519	126,500	540,000	(613,783)	4,493,134	23,992,802	55,093,785
Comprehensive income for the quarter ended 31 December 2019:									
Profit after taxation	-	-	-	-	-	-	-	4,163,075	4,163,075
Other comprehensive income - net of tax	-	-	(56,404)	-	-	2,152,657	-	149,997	2,246,250
Total comprehensive income for the period	-	-	(56,404)	-	-	2,152,657	-	4,313,072	6,409,325
Transfer to statutory reserve	-	416,308	-	-	-	-	-	(416,308)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-
Balance as at 31 December 2019 - audited	11,114,254	13,859,667	1,941,115	126,500	540,000	1,538,874	4,474,942	27,907,758	61,503,110
Comprehensive income for the nine months period ended 30 September 2020:									
Profit after taxation	-	-	-	-	-	-	-	13,134,901	13,134,901
Other comprehensive income - net of tax	-	-	398,958	-	-	2,557,282	3,056,238	-	6,012,478
Total comprehensive income for the period	-	-	398,958	-	-	2,557,282	3,056,238	13,134,901	19,147,379
Transfer to statutory reserve	-	1,313,490	-	-	-	-	-	(1,313,490)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,682)	72,682	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)
Balance as at 30 September 2020 - unaudited	11,114,254	15,173,157	2,340,073	126,500	540,000	4,096,156	7,458,498	35,911,863	76,760,501

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

MANSOOR ALI KHAN
Chief Executive

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ASHAR HUSAIN
Chief Financial Officer

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Note	30 September 2020	30 September 2019
CASH FLOW FROM OPERATING ACTIVITIES			
(Rupees in '000)			
Profit before taxation		22,089,418	12,875,435
Less: Dividend income		(388,916)	(349,087)
		21,700,502	12,526,348
Adjustments:			
Depreciation		2,074,305	1,836,198
Depreciation on right-of-use assets		1,221,292	1,011,323
Amortisation		220,727	147,322
Provisions and write-offs - net	31	3,437,360	2,798,996
Gain on sale of fixed assets - net		(276,299)	(232,228)
Charge for defined benefit plan		319,500	306,000
(Gain) / loss on securities - net		(14,260)	65,030
Charge for compensated absences		101,269	73,201
Mark - up expense on lease liability against right-of-use assets		700,527	536,283
		7,784,421	6,542,125
		29,484,923	19,068,473
(Increase) / decrease in operating assets			
Lendings to financial institutions		(272,243)	(1,812,907)
Held - for - trading securities		(60,736)	197,562
Advances		(37,241,583)	(15,732,841)
Other assets (excluding advance taxation)		(6,516,152)	(9,963,403)
		(44,090,714)	(27,311,589)
(Decrease) / increase in operating liabilities			
Bills payable		(61,336)	(5,984,277)
Borrowings from financial institutions		60,084,022	160,795,619
Deposits		185,468,187	65,408,735
Other liabilities (excluding current taxation)		6,672,735	8,540,231
		252,163,608	228,760,308
		237,557,817	220,517,192
Income tax paid		(7,787,082)	(6,311,187)
Net cash flow generated from operating activities		229,770,735	214,206,005
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(198,033,386)	(128,844,340)
Net investments in held to maturity securities		(24,499,758)	(79,982,092)
Net investments in associates		81,000	-
Net investments in subsidiaries		(683,250)	-
Dividends received		353,938	297,798
Investments in operating fixed assets		(4,351,227)	(4,080,736)
Proceeds from sale of fixed assets		377,914	285,759
Exchange differences on translation of net investment in foreign branches		398,958	649,282
Net cash used in investing activities		(226,355,811)	(211,674,329)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(2,400)	(2,400)
Dividend paid		(3,839,162)	(2,761,778)
Payment against lease liabilities		(1,472,385)	(1,595,972)
Net cash used in financing activities		(5,313,947)	(4,360,150)
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		122,458,343	82,075,690
Cash and cash equivalents at end of the period		120,559,320	80,247,216

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



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

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 804 branches (31 December 2019: 718 branches), 36 sub-branches (31 December 2019: 37 sub-branches) and 04 representative offices (31 December 2019: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2019: 03 overseas branches) and 102 Islamic Banking branches (31 December 2019: 83 Islamic Banking branches).

2. BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.
- 2.2** The financial results of the Islamic Banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 38 to these unconsolidated condensed interim financial statements.
- 2.3** These are separate financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

2.4 Statement of compliance

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

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



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

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

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

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

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2019.

3.1 Amendments to published approved accounting standards that are effective in the current period

Certain amendments to the following IFRS became effective during the period and do not have impact on Bank's unconsolidated condensed interim financial statements.

IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material

IFRS 3, 'Business Combinations' - Definition of a Business



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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this unconsolidated condensed interim financial information is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019.

5. FINANCIAL RISK MANAGEMENT

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

5.2 COVID - 19 outbreak and it's impact

During the nine months period ended September 30, 2020, the global economic environment including Pakistan has been severely affected by the COVID - 19 outbreak. To reduce the impact on businesses and economy in general, SBP has provided relief through reduction in SBP Policy Rate by 625 basis points. Other relief measures include the deferment of the repayment of principal amount of financing facility by one year, on case to case basis; reduction in the capital conservation buffer by 100 basis points to 1.5%; Refinancing schemes for payment of wages and salaries; etc.

COVID - 19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, challenges to continuity of business operations and managing cybersecurity threat. The Bank's management and Board is fully cognisant of the business challenges posed by the COVID - 19 outbreak and lock down imposed by the Government of Pakistan. The Bank continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting all possible precautionary measures.

The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations. Subsequent to the emergence of the COVID - 19 situation and in line with SBP's directives, the Bank has restructured / rescheduled a number of financing facilities after review of the restructured / rescheduled proposals as per the established policies of the Bank. The impact of such restructuring / rescheduling has also been assessed on credit risk and liquidity / maturity profile of the Bank and the Bank considers that the liquidity buffer and capital adequacy is sufficiently maintained at this stage.



	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	24,587,682	19,497,716
Foreign currencies	5,297,091	2,062,958
	29,884,773	21,560,674
In transit:		
Local currency	1,839,731	481,699
Foreign currencies	36,915	676,471
	1,876,646	1,158,170
With State Bank of Pakistan in:		
Local currency current accounts	40,628,216	59,153,555
Local currency current accounts - Islamic Banking	5,794,002	3,140,622
Foreign currency deposit accounts		
Cash reserve accounts	3,587,450	3,236,315
Cash reserve / special cash reserve accounts		
- Islamic Banking	292,547	256,350
Special cash reserve account	7,174,901	9,708,945
Local US Dollar collection account	49,470	303,328
	57,526,586	75,799,115
With National Bank of Pakistan in:		
Local currency current accounts	9,468,380	14,944,966
Prize bonds	29,725	375,866
	98,786,110	113,838,791
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	596,626	309,409
In deposit account	-	7,000,000
In saving account	256,785	508,791
	853,411	7,818,200
Outside Pakistan:		
In current account	7,362,307	1,642,734
In deposit account	13,630,605	63,037
	20,992,912	1,705,771
	21,846,323	9,523,971
Less: impairment against IFRS 9 in overseas branches	(4)	(2)
	21,846,319	9,523,969
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,129,818	1,857,575



9. INVESTMENTS

	Note	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
9.1 Investments by type:									
Held-for-trading securities									
Shares		60,736	-	(5,664)	55,072	-	-	-	-
Available-for-sale securities									
Federal Government Securities		613,981,402	(274,638)	6,870,115	620,576,879	419,402,570	(187,265)	1,895,941	421,111,246
Shares		4,326,102	(1,787,890)	489,334	3,027,546	4,326,102	(1,567,064)	428,546	3,187,584
Non Government Debt Securities		5,748,620	-	(159,718)	5,588,902	5,586,804	-	(141,759)	5,445,045
Foreign Securities		7,810,012	(55,763)	(1,196,328)	6,557,921	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds		5,175,000	(436,546)	298,376	5,036,830	3,125,000	(373,875)	233,167	2,984,292
		637,041,136	(2,554,837)	6,301,779	640,788,078	438,964,699	(2,169,452)	2,367,499	439,162,746
Held-to-maturity securities	9.3								
Federal Government Securities		169,626,343	(153,393)	-	169,472,950	145,152,375	(41,871)	-	145,110,504
Non Government Debt Securities		35,697	-	-	35,697	46,632	-	-	46,632
Foreign Securities		499,991	(858)	-	499,133	467,747	(471)	-	467,276
Others		4,481	(4,481)	-	-	-	-	-	-
		170,166,512	(158,732)	-	170,007,780	145,666,754	(42,342)	-	145,624,412
Associates		1,072,346	-	-	1,072,346	1,153,346	-	-	1,153,346
Subsidiaries		883,250	-	-	883,250	200,000	-	-	200,000
Total Investments		<u>809,223,980</u>	<u>(2,713,569)</u>	<u>6,296,115</u>	<u>812,806,526</u>	<u>585,984,799</u>	<u>(2,211,794)</u>	<u>2,367,499</u>	<u>586,140,504</u>



	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	194,354,014	153,188,536
Surplus	315,711	276,366
	194,669,725	153,464,902
9.2 Provision for diminution in the value of investments		
Opening balance	2,211,794	558,769
Exchange adjustments against IFRS 9 in overseas branches	18,646	2,909
Charge / reversals		
Charge for the period / year	283,496	1,418,245
Charge of impairment as per IFRS 9 in overseas branches for the period / year	195,152	231,871
	478,648	1,650,116
Others	4,481	-
Closing Balance	2,713,569	2,211,794
9.3 The market value of securities classified as held to maturity at 30 September 2020 amounted to Rs. 178,697 million (31 December 2019: Rs. 148,608 million).		
9.4 During the period, the Bank has acquired additional shareholding of AL Habib Asset Management Limited (formerly Habib Asset Management Limited) and increased its holding to 100%. The Bank has also made capital injection of Rs. 450 million in AL Habib Asset Management Limited.		



10. ADVANCES

	Performing		Non Performing		Total	
	(Un-audited) 30 September 2020	(Audited) 31 December 2019	(Un-audited) 30 September 2020	(Audited) 31 December 2019	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	449,582,740	407,463,485	7,519,904	6,989,020	457,102,644	414,452,505
Islamic financing and related assets	53,656,805	50,662,682	250,275	82,542	53,907,080	50,745,224
Bills discounted and purchased	24,441,407	32,876,085	199,417	186,354	24,640,824	33,062,439
Advances - gross	527,680,952	491,002,252	7,969,596	7,257,916	535,650,548	498,260,168
Provision against advances						
– Specific	–	–	6,942,497	6,201,412	6,942,497	6,201,412
– General as per regulations	263,290	263,290	–	–	263,290	263,290
– General	5,250,000	3,000,000	–	–	5,250,000	3,000,000
– As per IFRS 9 in overseas branches	116,315	126,019	–	–	116,315	126,019
	5,629,605	3,389,309	6,942,497	6,201,412	12,572,102	9,590,721
Advances - net of provision	522,051,347	487,612,943	1,027,099	1,056,504	523,078,446	488,669,447

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

10.1 Particulars of advances (Gross)

In local currency	468,865,156	409,294,620
In foreign currencies	66,785,392	88,965,548
	535,650,548	498,260,168

10.2 Advances include Rs. 7,969.596 million (31 December 2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	153,496	918	82,730	456
Substandard	217,102	47,974	377,335	84,250
Doubtful	1,094,869	487,756	1,014,818	503,459
Loss	4,354,892	4,330,649	3,696,404	3,681,349
	5,820,359	4,867,297	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	164,643	90,606	913,445	758,714
> 365 days	1,984,594	1,984,594	1,173,184	1,173,184
	2,149,237	2,075,200	2,086,629	1,931,898
Total	7,969,596	6,942,497	7,257,916	6,201,412



10.3 Particulars of provision against advances

Note	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments	149,031	9,011	158,042	104,015	16,608	120,623
Charge for the period / year						
- Specific provision	783,973	-	783,973	2,092,790	-	2,092,790
- General provision as per regulations 10.3.1	-	-	-	-	25,191	25,191
- As per IFRS 9 in overseas branches 10.3.2	-	(18,715)	(18,715)	-	(30,774)	(30,774)
- General provision for loans and advances 10.3.3	-	2,250,000	2,250,000	-	-	-
Reversals	(182,674)	-	(182,674)	(345,809)	-	(345,809)
	601,299	2,231,285	2,832,584	1,746,981	(5,583)	1,741,398
Amounts written off	(4,764)	-	(4,764)	(1,479)	-	(1,479)
Others	(4,481)	-	(4,481)	-	-	-
Closing balance	6,942,497	5,629,605	12,572,102	6,201,412	3,389,309	9,590,721

10.3.1 General provision represents provision amounting to Rs. 263.290 million (31 December 2019: Rs. 263.290 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 116.315 million (31 December 2019: Rs. 126.019 million).

10.3.3 In line with its prudent policies, the Bank has also made general provision of Rs. 2,250 million (30 September 2019: Nil) during the period, bringing the total of such provision to Rs. 5,250 million (31 December 2019: Rs. 3,000 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

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



	Note	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,289,469	1,597,551
Property and equipment	11.2	40,814,528	34,964,957
		43,103,997	36,562,508
11.1 Capital work-in-progress			
Civil works		405,085	652,132
Advance payment for purchase of equipments		56,841	68,212
Advance payment towards suppliers, contractors and property		1,792,124	854,366
Consultants' fee and other charges		35,419	22,841
		2,289,469	1,597,551
11.2	This includes right-of-use assets amounting to Rs. 9,055.627 million (31 December 2019: Rs. 8,198.691 million).		
11.3 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Nine months period ended 30 September 2020	30 September 2019
		(Rupees in '000)	
Capital work-in-progress		3,209,142	1,423,613
Property and equipment			
Leasehold land		230,797	597,059
Building on leasehold land		1,056,640	216,978
Furniture and fixture		217,263	169,064
Electrical, office and computer equipment		1,144,503	650,891
Vehicles		610,579	456,200
Improvements to leasehold building		299,593	208,721
		3,559,375	2,298,913
Total		6,768,517	3,722,526
11.4 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,883	2,548
Electrical, office and computer equipment		2,119	9,030
Vehicles		97,613	39,644
Improvements to leasehold building		–	2,309
Total		101,615	53,531



- 11.5** In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in net surplus of Rs. 3,618,097 million over the book value of the respective properties. The carrying value of revalued leasehold land and buildings on leasehold land was Rs. 24,611.033 million as at 30 September 2020. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 September 2020 would have been as follows:

	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
Leasehold land	<u>8,730,369</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>6,999,135</u>	<u>4,670,487</u>
12. INTANGIBLE ASSETS		
Computer software	<u>245,016</u>	<u>365,428</u>
	(Un-audited) Nine months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
12.1 Additions to intangible assets		
Directly purchased	<u>100,315</u>	<u>358,210</u>
	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
	Note	
13. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	15,833,181	19,895,629
Income / mark-up accrued in foreign currencies - net of provision	856,841	600,408
Advances, deposits, advance rent and other prepayments	951,469	581,084
Advance taxation (payments less provisions)	-	682,237
Non-banking assets acquired in satisfaction of claims	870,834	874,900
Mark to market gain on forward foreign exchange contracts	875,123	1,032,137
Acceptances	45,111,621	36,264,680
Stationery and stamps on hand	377,349	240,307
Receivable from SBP on encashment of Government Securities	93,884	41,680
ATM settlement account	1,413,820	239,233
Others	<u>1,176,172</u>	<u>1,244,495</u>
	<u>67,560,294</u>	<u>61,696,790</u>
Less: Provision held against other assets	13.1 (6,895)	(7,383)
Other Assets (net of provision)	<u>67,553,399</u>	<u>61,689,407</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	<u>33,037</u>	<u>34,482</u>
Other Assets - total	<u>67,586,436</u>	<u>61,723,889</u>



	Note	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
13.1 Provision held against other assets			
Receivable against consumer loans	13.1.1	<u>6,895</u>	<u>7,383</u>
13.1.1 Movement in provision held against other assets			
Opening balance		7,383	7,279
Charge for the period / year		4,850	2,108
Reversals for the period / year		(4,014)	(1,658)
		836	450
Amount written off		(1,324)	(346)
Closing balance		<u>6,895</u>	<u>7,383</u>
14. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 30 September 2020 (31 December 2019: Nil).			
15. BILLS PAYABLE			
In Pakistan		<u>20,107,337</u>	<u>20,168,673</u>
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		54,484,232	42,657,650
Under renewable energy		6,733,641	3,946,903
Under long term financing for imported and locally manufactured plant and machinery		21,901,234	19,796,175
Under modernisation of small and medium enterprises		313,298	310,422
Under women entrepreneurship		22,847	19,159
Under refinance scheme for payment of wages and salaries		9,887,940	–
Under financing facility for storage of agricultural produce		118,934	2,869
		93,462,126	66,733,178
Repurchase agreement borrowings		194,462,513	153,365,059
Borrowings from financial institutions		–	7,742,380
Total secured		<u>287,924,639</u>	<u>227,840,617</u>
Unsecured			
Overdrawn nostro accounts		73,109	904,417
		<u>287,997,748</u>	<u>228,745,034</u>



17. DEPOSITS AND OTHER ACCOUNTS

	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	344,442,699	39,889,748	384,332,447	280,838,911	34,758,774	315,597,685
Savings deposits	272,115,667	43,126,212	315,241,879	222,230,042	38,657,119	260,887,161
Term deposits	178,104,253	40,142,021	218,246,274	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	135,411,893	708,493	136,120,386	96,456,401	771,529	97,227,930
Others	14,322,458	7,926,811	22,249,269	11,695,770	8,186,073	19,881,843
	<u>944,396,970</u>	<u>131,793,285</u>	<u>1,076,190,255</u>	<u>773,337,324</u>	<u>116,364,047</u>	<u>889,701,371</u>
Financial institutions						
Current deposits	2,448,606	774,943	3,223,549	1,717,795	1,234,067	2,951,862
Savings deposits	1,648,777	17	1,648,794	4,407,712	16	4,407,728
Term deposits	565,000	135,379	700,379	1,750,000	114,123	1,864,123
Current deposits - remunerative	6,856,359	531,412	7,387,771	4,578,433	192,643	4,771,076
Others	20,221	-	20,221	6,622	-	6,622
	<u>11,538,963</u>	<u>1,441,751</u>	<u>12,980,714</u>	<u>12,460,562</u>	<u>1,540,849</u>	<u>14,001,411</u>
	<u>955,935,933</u>	<u>133,235,036</u>	<u>1,089,170,969</u>	<u>785,797,886</u>	<u>117,904,896</u>	<u>903,702,782</u>

	Note	(Un-audited)	(Audited)
		30 September 2020	31 December 2019
(Rupees in '000)			
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	3,992,800	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.3	3,997,600	3,998,400
		<u>14,990,400</u>	<u>14,992,800</u>



18.1 Term Finance Certificates - V (Unquoted)

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

18.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date
Mark-up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	Neither profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



18.3 Term Finance Certificates - VII (Unquoted)

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

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

19. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

Accelerated tax depreciation	858,184	960,038
Surplus on revaluation of fixed assets / non - banking assets	1,615,324	984,461
Remeasurement of defined benefit plan	165,629	165,629
Surplus on revaluation of available for sale investments	2,205,623	828,625
	4,844,760	2,938,753

Deductible Temporary Differences on:

Provision against diminution in the value of investments	(778,695)	(677,904)
Provision against loans and advances, off-balance sheet, etc.	(1,496,718)	(731,573)
Surplus on revaluation of held for trading investments	(1,979)	-
Impairment as per IFRS 9 in overseas branches	(215,578)	(149,087)
	(2,492,970)	(1,558,564)
	2,351,790	1,380,189



	(Un-audited) 30 September Note 2020	(Audited) 31 December 2019
	(Rupees in '000)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,909,481	4,945,307
Mark-up / return / interest payable in foreign currencies	183,588	253,120
Unearned commission income	305,148	241,742
Accrued expenses	2,723,008	1,281,288
Acceptances	45,111,621	36,264,680
Unclaimed dividends	477,351	426,525
Mark to market loss on forward foreign exchange contracts	426,132	1,767,178
Branch adjustment account	1,626,767	2,336,825
Payable to defined benefit plan	792,726	473,227
Charity payable	46,774	43,474
Provision against off - balance sheet items	20.1 134,380	129,369
Security deposits against leases / ijarah	5,327,601	6,532,535
Provision for compensated absences	824,589	722,300
Special exporters' accounts in foreign currencies	117,545	194,604
Other security deposits	631,948	592,271
Workers' welfare fund	2,268,073	1,751,577
Payable to SBP / NBP	913,058	210,373
Payable to supplier against murabaha	485,322	186,648
Insurance payable	499,411	455,266
Lease liability against right - of - use assets	9,623,088	8,316,718
Current taxation (provision less payments)	1,560,598	-
Others	1,215,714	1,064,496
	78,203,923	68,189,523
20.1 Provision against off-balance sheet obligations		
Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	1,909	9,738
Charge for the period / year	19,131	30,897
Reversals for the period / year	(16,029)	(27,866)
	3,102	3,031
Closing balance	134,380	129,369



	(Un-audited) 30 September Note 2020	(Audited) 31 December 2019
(Rupees in '000)		
21. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of:		
- Available for sale securities	9.1 6,301,779	2,367,499
- Fixed assets	9,110,629	5,495,269
- Non-banking assets acquired in satisfaction of claims	33,037	34,482
	15,445,445	7,897,250
Deferred tax on surplus on revaluation of:		
- Available for sale securities	2,205,623	828,625
- Fixed assets	1,680,134	1,049,269
- Non-banking assets acquired in satisfaction of claims	5,034	5,540
	3,890,791	1,883,434
	11,554,654	6,013,816
21.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at 01 January	5,495,269	5,605,295
Surplus on revaluation of the Bank's fixed assets during the period / year	3,726,240	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of tax	(71,743)	(71,517)
Related deferred tax liability on incremental depreciation charged during the period / year	(39,137)	(38,509)
	9,110,629	5,495,269
Less: related deferred tax liability on		
- revaluation as at 01 January	1,049,269	1,087,778
- revaluation recognised during the period / year	670,002	-
- incremental depreciation charged during the period / year	(39,137)	(38,509)
	1,680,134	1,049,269
	7,430,495	4,446,000
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 94,325,043	81,086,627
Commitments	22.2 283,614,510	346,877,061
Other contingent liabilities	22.3 4,643,206	4,673,685
	382,582,759	432,637,373



	(Un-audited) 30 September Note 2020	(Audited) 31 December 2019
	(Rupees in '000)	
22.1 Guarantees:		
Financial guarantees	19,767,135	16,237,352
Performance guarantees	74,557,908	64,849,275
	<u>94,325,043</u>	<u>81,086,627</u>
22.2 Commitments:		
Documentary credits and short term trade-related transactions		
- letters of credit	180,360,654	145,745,358
Commitments in respect of:		
- forward foreign exchange contracts	22.2.1 86,936,606	197,844,773
- forward lendings	22.2.2 8,341,990	2,214,998
Commitments for acquisition of:		
- Operating fixed assets	7,975,260	1,071,932
	<u>283,614,510</u>	<u>346,877,061</u>
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	53,151,571	106,704,798
Sale	33,785,035	91,139,975
	<u>86,936,606</u>	<u>197,844,773</u>
The maturities of above contracts are spread over the periods upto one year.		
22.2.2 Commitments in respect of forward lending	<u>8,341,990</u>	<u>2,214,998</u>
22.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	<u>4,643,206</u>	<u>4,673,685</u>



22.4 Other contingent liabilities

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

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2017 (Accounting Year 2016) by allowing certain expenses of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

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

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

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2019 by disallowing certain expenses resulting in an impact of Rs. 185.754 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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



23.2 Maturity Analysis

	30 September 2020 (Un-audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	224	40,469,900	(120,377)	229,236	108,859
1 to 3 months	227	32,097,240	(260,411)	398,360	137,949
3 to 6 months	170	9,460,268	(28,520)	210,619	182,099
6 months to 1 year	69	4,909,198	(16,824)	36,908	20,084
	690	86,936,606	(426,132)	875,123	448,991

	31 December 2019 (Audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	1,332	197,844,773	(1,767,178)	1,032,137	(735,041)

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

24. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	34,615,563	36,335,323
On investments	63,294,048	35,478,437
On deposits with financial institutions	323,058	471,316
On securities purchased under resale agreements	128,479	1,221,894
On call money lendings	170,632	225,817
	98,531,780	73,732,787



	(Un-audited)	
	Nine months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	37,812,104	34,583,790
Borrowings from SBP	1,146,982	837,757
Subordinated debt	1,422,989	1,388,377
Cost of foreign currency swaps	748,000	1,207,067
Repurchase agreement borrowings	12,459,587	4,969,090
Mark-up expense on lease liability against right-of-use assets	700,527	536,283
Other borrowings	160,283	195,881
	<u>54,450,472</u>	<u>43,718,245</u>
26. FEE AND COMMISSION INCOME		
Branch banking customer fees	757,618	813,436
Consumer finance related fees	6,523	31,832
Card related fees (debit and credit cards)	376,230	467,405
Credit related fees	204,874	113,470
Commission on trade	2,871,932	2,520,401
Commission on guarantees	282,001	292,172
Commission on cash management	126,386	146,190
Commission on home remittances	107,502	39,789
Others	4,809	10,430
	<u>4,737,875</u>	<u>4,435,125</u>
27. GAIN / (LOSS) ON SECURITIES - NET		
Realised	19,924	(65,030)
Unrealised - held for trading	(5,664)	-
	<u>14,260</u>	<u>(65,030)</u>
27.1 Realised gain / (loss) on:		
Federal Government Securities	27	100
Shares	5,188	(65,886)
Mutual Funds	14,709	756
	<u>19,924</u>	<u>(65,030)</u>
28. OTHER INCOME		
Rent on property	1,575	1,575
Gain on sale of fixed assets - net	276,299	232,228
Recovery of expenses from customers	252,459	199,720
Lockers rent	9,285	7,498
Others	654	2,365
	<u>540,272</u>	<u>443,386</u>



	(Un-audited)	
	30 September 2020	30 September 2019
Nine months period ended		
(Rupees in '000)		
29. OPERATING EXPENSES		
Total compensation expenses	11,431,128	9,325,515
Property expenses		
Rent and taxes	261,748	317,728
Insurance	4,836	12,846
Utilities cost	793,091	762,701
Security (including guards)	769,780	637,165
Repair and maintenance (including janitorial charges)	235,571	172,823
Depreciation	1,933,077	1,610,076
Amortisation	-	5,707
	3,998,103	3,519,046
Information technology expenses		
Software maintenance	4,250	3,909
Hardware maintenance	677,383	310,412
Depreciation	147,385	218,853
Amortisation	220,727	141,615
Network charges	309,141	294,236
	1,358,886	969,025
Other operating expenses		
Directors' fees and allowances	24,157	34,600
Fees and allowances to Shariah Board	9,502	7,333
Insurance	353,475	245,165
Legal and professional charges	118,151	126,660
Outsourced services costs	1,342,102	1,156,163
Travelling and conveyance	132,050	174,981
NIFT and other clearing charges	99,356	97,332
Depreciation	1,215,135	1,018,592
Repair and maintenance	959,828	840,288
Training and development	21,456	35,320
Postage and courier charges	178,885	155,577
Communication	269,044	203,661
Stationery and printing	470,160	575,816
Marketing, advertisement and publicity	278,442	220,341
Donations	115,132	58,700
Auditors remuneration	6,712	2,978
Commission and brokerage	600,969	395,457
Entertainment and staff refreshment	192,330	207,884
Vehicle running expenses	806,875	626,766
Subscriptions and publications	156,925	103,186
CNIC verification charges	59,709	107,718
Security charges	236,165	192,662
Others	629,559	167,081
	8,276,119	6,754,261
	25,064,236	20,567,847



		(Un-audited)	
		Nine months period ended	
		30 September	30 September
		2020	2019
		(Rupees in '000)	
30. OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan	53,959	86,495
31. PROVISIONS AND WRITE OFFS - NET			
	Provision for diminution in value of investments	478,648	1,392,744
	Provision against loans and advances - net	2,832,584	1,417,590
	Provision / (reversal) against off - balance sheet items	3,102	(11,699)
	Provision against other assets	836	361
	Loss on revaluation of fixed assets	122,190	-
		<u>3,437,360</u>	<u>2,798,996</u>
32. TAXATION			
	Current	10,029,693	6,271,476
	Prior years	224	571,907
	Deferred	(1,075,400)	(973,609)
		<u>8,954,517</u>	<u>5,869,774</u>
33. BASIC AND DILUTED EARNINGS PER SHARE			
	Profit for the period	13,134,901	7,005,661
		(Number)	
	Weighted average number of ordinary shares	1,111,425,416	1,111,425,416
		(Rupees)	
	Basic and diluted earnings per share	11.82	6.30
34. FAIR VALUE MEASUREMENTS			
	Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:		
	Federal Government Securities	PKRV rates (Reuters page)	
	Non Government Debt Securities	Market prices	
	Foreign Securities	Market prices / Mashreqbank PSC	
	Listed Securities	Prices quoted at Pakistan Stock Exchange Limited	
	Mutual Funds	Net asset values declared by respective funds	
	Unlisted Equity Investments	Break - up value as per latest available audited financial statements	

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies, as disclosed in the unconsolidated financial statements for the year ended December 31, 2019.



34.1 Fair value of financial assets

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

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

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

	30 September 2020 (Un-audited)			
	Level 1	Level 2 (Rupees in '000)	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	620,576,879	-	620,576,879
Shares	2,984,082	-	-	2,984,082
Non-Government Debt Securities	1,931,344	3,657,558	-	5,588,902
Foreign Securities	-	6,557,921	-	6,557,921
Mutual funds	-	5,036,830	-	5,036,830
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	167,127,752	-	167,127,752
Foreign Securities	-	505,209	-	505,209
Associates				
Listed shares	334,526	-	-	334,526
Mutual funds	-	869,147	-	869,147
Off balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	53,151,571	-	53,151,571
Forward sale of foreign exchange contracts	-	(33,785,035)	-	(33,785,035)



31 December 2019 (Audited)

Level 1	Level 2	Level 3	Total
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(Rupees in '000)

On balance sheet financial instruments

Financial assets - measured at fair value

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

Financial assets - disclosed but not measured at fair value

Investments				
Federal Government Securities	-	138,020,153	-	138,020,153
Foreign Securities	-	407,752	-	407,752
Associates				
Listed shares	360,136	-	-	360,136
Mutual funds	-	894,766	-	894,766

Off balance sheet financial instruments - measured at fair value

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

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

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



35. SEGMENT INFORMATION

Segment Details with respect to Business Activities

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

	Nine months period ended 30 September 2020 (Un-audited)		
	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit and loss account			
Mark-up / return / profit	87,124,742	11,407,038	98,531,780
Inter segment revenue - net	-	22,446,291	22,446,291
Non mark-up / return / interest income	1,986,913	5,093,248	7,080,161
Total income	89,111,655	38,946,577	128,058,232
Segment direct expenses	(54,226,849)	(25,858,314)	(80,085,163)
Inter segment expense allocation	(22,446,291)	-	(22,446,291)
Total expenses	(76,673,140)	(25,858,314)	(102,531,454)
Provisions	(3,407,547)	(29,813)	(3,437,360)
Profit before tax	9,030,968	13,058,450	22,089,418
As at 30 September 2020 (Un-audited)			
Statement of financial position			
Cash and bank balances	105,278,262	15,354,167	120,632,429
Investments	812,806,526	-	812,806,526
Net inter segment lending	-	641,141,175	641,141,175
Lendings to financial institutions	2,129,818	-	2,129,818
Advances - performing	455,665,236	66,386,111	522,051,347
- non-performing	835,474	191,625	1,027,099
Others	96,815,519	14,119,930	110,935,449
Total assets	1,473,530,835	737,193,008	2,210,723,843
Borrowings	287,997,748	-	287,997,748
Subordinated debt	14,990,400	-	14,990,400
Deposits and other accounts	418,902,361	670,268,608	1,089,170,969
Net inter segment borrowing	641,141,175	-	641,141,175
Others	40,045,235	60,617,815	100,663,050
Total liabilities	1,403,076,919	730,886,423	2,133,963,342
Equity	70,453,916	6,306,585	76,760,501
Total equity and liabilities	1,473,530,835	737,193,008	2,210,723,843
Contingencies and commitments	274,506,888	178,809	274,685,697



Nine months period ended 30 September 2019 (Un-audited)

	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit and loss account			
Mark-up / return / profit	67,386,683	6,346,104	73,732,787
Inter segment revenue - net	–	22,872,604	22,872,604
Non mark-up / return / interest income	2,465,848	4,169,437	6,635,285
Total income	69,852,531	33,388,145	103,240,676
Segment direct expenses	(37,590,103)	(27,103,538)	(64,693,641)
Inter segment expense allocation	(22,872,604)	–	(22,872,604)
Total expenses	(60,462,707)	(27,103,538)	(87,566,245)
Provisions	(2,798,996)	–	(2,798,996)
Profit before tax	6,590,828	6,284,607	12,875,435

As at 31 December 2019 (Audited)

Statement of financial position			
Cash and bank balances	113,906,872	9,455,888	123,362,760
Investments	586,140,504	–	586,140,504
Net inter segment lending	–	581,041,519	581,041,519
Lendings to financial institutions	1,857,575	–	1,857,575
Advances - performing	450,257,279	37,355,664	487,612,943
- non-performing	955,129	101,375	1,056,504
Others	91,090,056	7,561,769	98,651,825
Total assets	1,244,207,415	635,516,215	1,879,723,630
Borrowings	228,745,034	–	228,745,034
Subordinated debt	14,992,800	–	14,992,800
Deposits and other accounts	328,046,693	575,656,089	903,702,782
Net inter segment borrowing	581,041,519	–	581,041,519
Others	33,386,200	56,352,185	89,738,385
Total liabilities	1,186,212,246	632,008,274	1,818,220,520
Equity	57,995,169	3,507,941	61,503,110
Total equity and liabilities	1,244,207,415	635,516,215	1,879,723,630
Contingencies and commitments	226,672,893	159,092	226,831,985

36. RELATED PARTY TRANSACTIONS

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

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



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

	30 September 2020 (Un-audited)					31 December 2019 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	200,000	1,153,346	-	-	-	200,000	628,346	-
Investment made during the period / year	-	-	683,250	-	-	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	-	(81,000)	-	-	-	-	-	-
Closing balance	-	-	883,250	1,072,346	-	-	-	200,000	1,153,346	-
Advances										
Opening balance	1,487	76,626	15,622	3,015,256	-	1,313	53,257	-	1,359,059	-
Addition during the period / year	25,577	159,240	11,422,245	33,572,101	-	55,443	363,717	7,585,878	33,451,951	-
Repaid during the period / year	(20,972)	(138,876)	(11,296,642)	(34,663,380)	-	(55,269)	(340,348)	(7,570,256)	(31,795,754)	-
Closing balance	6,092	96,990	141,225	1,923,977	-	1,487	76,626	15,622	3,015,256	-
Operating fixed assets										
Right of use	-	-	-	4,717	-	-	-	-	7,076	-
Other assets										
Interest / mark-up accrued	-	45	-	7,054	-	-	55	-	10,667	-
L/C acceptances	-	-	-	518,216	-	-	-	-	350,867	-
Other receivable	-	-	11,599	-	-	-	-	-	1,525	-
Subordinated debt										
Opening balance	-	-	-	44,000	-	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	-	-	-	-	-	44,000	-
Closing balance	-	-	-	44,000	-	-	-	-	44,000	-
Deposits and other accounts										
Opening balance	955,078	624,163	111,826	3,536,956	513,730	587,452	816,406	47,744	4,876,833	536,801
Received during the period / year	5,392,741	2,770,696	13,305,815	119,870,988	3,156,982	11,221,419	2,996,758	8,414,981	150,071,628	29,846,047
Withdrawn during the period / year	(5,302,139)	(2,494,751)	(13,271,728)	(116,511,555)	(2,998,687)	(10,853,793)	(3,189,001)	(8,350,899)	(151,411,505)	(29,869,118)
Closing balance	1,045,680	900,108	145,913	6,896,389	672,025	955,078	624,163	111,826	3,536,956	513,730
Other liabilities										
Interest / mark-up payable	310	1,658	3	26,248	14,954	3,799	4,118	8	15,309	2,216
Payable to staff retirement fund	-	-	-	-	792,726	-	-	-	-	473,226
L/C acceptances	-	-	-	518,216	-	-	-	-	350,867	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	-	-	16,187	-
Other liabilities	-	8	1,642	-	-	-	19	542	-	-
Contingencies and commitments										
	-	-	-	2,059,435	-	-	-	-	3,385,253	-
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	749,840	4,237,000	-	-	85,000	201,000	8,132,000
Increased during the period / year	-	-	-	150,000	608,000	30,000	-	85,000	1,534,940	8,487,000
Decreased during the period / year	-	-	-	(83,000)	(50,000)	(30,000)	-	(85,000)	(986,100)	(12,382,000)
Closing balance	-	-	85,000	816,840	4,795,000	-	-	85,000	749,840	4,237,000



36.1 RELATED PARTY TRANSACTIONS

	30 September 2020 (Un-audited)					30 September 2019 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	5	4,197	2,644	166,865	–	–	3,875	297	191,850	–
Fee and commission income	16	47	16	9,196	1	18	85	16	12,228	–
Dividend income	–	–	–	53,647	–	–	–	–	49,072	–
Other income	–	–	2,162	233	89	1	–	2,165	222	140
Expense										
Mark-up / return / interest expensed	62,328	44,842	7,461	315,404	36,114	56,897	30,474	4,275	258,836	61,145
Operating expenses	–	–	4,568	4,627	–	–	–	1,982	4,011	–
Salaries and allowances	–	406,202	–	–	–	–	376,808	–	–	–
Bonus	–	92,129	–	–	–	–	50,431	–	–	–
Contribution to defined contribution plan	–	17,925	–	–	–	–	18,792	–	–	–
Contribution to defined benefit plan	–	46,188	–	–	–	–	49,861	–	–	–
Staff provident fund	–	–	–	–	448,031	–	–	–	–	394,891
Staff gratuity fund	–	–	–	–	319,500	–	–	–	–	306,000
Directors' fees	23,107	–	–	–	–	33,850	–	–	–	–
Donation	–	–	–	4,500	–	–	–	–	4,500	–
Insurance premium paid	–	–	–	129,144	–	–	–	–	126,687	–
Insurance claims settled	–	–	–	19,959	–	–	–	–	22,177	–



37. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	11,114,254	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	62,431,595	52,961,015
Eligible Additional Tier 1 (ADT 1) Capital	6,712,517	6,690,557
Total Eligible Tier 1 Capital	69,144,112	59,651,572
Eligible Tier 2 Capital	22,271,663	16,537,708
Total Eligible Capital (Tier 1 + Tier 2)	91,415,775	76,189,280
Risk Weighted Assets (RWAs):		
Credit Risk	513,175,801	443,548,469
Market Risk	10,536,240	12,343,837
Operational Risk	74,928,286	74,928,286
Total	598,640,327	530,820,592
Common Equity Tier 1 Capital Adequacy Ratio	10.429%	9.977%
Tier 1 Capital Adequacy Ratio	11.550%	11.238%
Total Capital Adequacy Ratio	15.271%	14.353%
Leverage Ratio (LR):		
Eligible Tier 1 Capital	69,144,112	59,651,572
Total Exposures	1,917,542,914	1,497,222,424
Leverage Ratio	3.606%	3.984%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	508,368,358	363,806,793
Total Net Cash Outflow	192,371,796	132,953,270
Liquidity Coverage Ratio	264.263%	273.635%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	977,347,162	808,044,723
Total Required Stable Funding	677,920,510	606,312,286
Net Stable Funding Ratio	144.168%	133.272%



38. ISLAMIC BANKING BUSINESS

The Bank is operating 102 (31 December 2019: 83) Islamic banking branches and 142 (31 December 2019: 142) Islamic banking windows at the end of the period / year.

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	7,948,527	4,553,339
Balances with other banks	52,882	7,297,026
Due from financial institutions	38.1 2,129,818	1,857,575
Investments	38.2 55,196,535	21,669,565
Islamic financing and related assets - net	38.3 53,747,956	50,689,875
Fixed assets	448,725	402,062
Intangible assets	-	-
Due from Head Office	-	-
Other assets	4,828,242	7,595,621
Total Assets	124,352,685	94,065,063
LIABILITIES		
Bills payable	77,193	45,838
Due to financial institutions	15,434,074	9,718,686
Deposits and other accounts	38.4 84,895,265	67,981,321
Due to Head Office	7,996,302	3,282,835
Subordinated debt	-	-
Other liabilities	6,593,536	3,773,952
	(114,996,370)	(84,802,632)
NET ASSETS	9,356,315	9,262,431
REPRESENTED BY		
Islamic Banking Fund	7,600,000	6,800,000
Reserves	-	-
Deficit on revaluation of assets	(99,211)	(88,942)
Unremitted profit	38.5 1,855,526	2,551,373
	9,356,315	9,262,431
CONTINGENCIES AND COMMITMENTS	38.6	



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

	Note	(Un-audited)	
		Nine months period ended	
		30 September 2020	30 September 2019
(Rupees in '000)			
Profit / return earned	38.7	6,340,799	5,779,346
Profit / return expensed	38.8	(3,081,873)	(2,953,534)
Net Profit / return		3,258,926	2,825,812
Other income			
Fee and commission income		208,470	166,862
Dividend income		83,807	3,356
Foreign exchange income		65,406	49,515
Income / (loss) from derivatives		-	-
Gain on securities		14,709	-
Other income		68,848	70,918
Total other income		441,240	290,651
Total income		3,700,166	3,116,463
Other expenses			
Operating expenses		(1,729,539)	(1,296,125)
Other charges		(44)	-
Total other expenses		(1,729,583)	1,296,125
Profit before provisions		1,970,583	1,820,338
Provisions and write offs - net		(115,057)	(51,210)
Profit for the period		1,855,526	1,769,128
		(Un-audited)	(Audited)
		30 September	31 December
		2020	2019
(Rupees in '000)			

38.1 Due from Financial Institutions

In local currency			
Bai Muajjal Receivable from the State Bank of Pakistan		2,129,818	1,857,575



	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
38.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	11,980,002	-	(174,502)	11,805,500	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,125,000	-	-	4,125,000	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	11,028,321	-	-	11,028,321	10,133,361	-	-	10,133,361
- Pakistan Energy Sukuk II	21,102,745	-	102,755	21,205,500	-	-	-	-
	48,236,068	-	(71,747)	48,164,321	16,602,111	-	(20,000)	16,582,111
Shares								
- Listed Companies	97,442	(63,384)	15,224	49,282	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,367,951	-	(95,867)	1,272,084	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,185,535	-	-	2,185,535	1,984,707	-	-	1,984,707
	3,553,486	-	(95,867)	3,457,619	3,438,922	-	(94,777)	3,344,145
Units of mutual funds	3,000,000	(52,866)	53,179	3,000,313	1,200,000	(47,401)	16,436	1,169,035
Associate								
- First Habib Islamic Income Fund	525,000	-	-	525,000	525,000	-	-	525,000
Total Investments	55,411,996	(116,250)	(99,211)	55,196,535	21,863,475	(104,968)	(88,942)	21,669,565

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
38.3 Islamic financing and related assets		
Ijarah	1,879,932	2,365,239
Murabaha	7,562,268	8,255,703
Diminishing Musharaka	11,521,793	13,499,915
Islamic Long Term Financing Facility (ILTF)	1,713,325	1,449,640
Istisna	4,250,526	3,929,818
Islamic Export Refinance - Istisna	915,000	1,685,500
Musawamah	2,780,350	3,979,048
Islamic Export Refinance - Musawamah	500,000	200,000
Running Musharaka	90,814	2,845,780
Islamic Refinance for Renewable Energy (IFRE)	14,571	-
Islamic Export Refinance - Running Musharaka	5,470,000	2,318,300
Staff Financing	561,866	431,960
Advance against Musawamah	1,810,486	920,594
Advance against Istisna	4,845,201	4,168,944
Advance against Istisna - IERF	4,717,350	3,694,450
Advance against Ijarah	182,119	52,940
Advance against Diminishing Musharaka	854,277	815,069
Advance against IFRE	875,000	-
Advance against IRF Wages and Salaries	1,750,167	-
Advance against ITERF	107,251	-
Advance against ILTF	983,007	121,424
Financing against Bills - Musawamah	521,777	10,900
Gross Islamic financing and related assets	53,907,080	50,745,224
Less: provision against Islamic financings		
- Specific	136,668	32,893
- General	22,456	22,456
	(159,124)	(55,349)
Islamic financing and related assets - net of provision	53,747,956	50,689,875



	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
38.4 Deposits and Other Accounts		
Customers		
Current deposits	32,104,355	22,641,105
Savings deposits	30,771,948	22,728,291
Term deposits	20,952,332	17,144,488
	<u>83,828,635</u>	<u>62,513,884</u>
Financial institutions		
Current deposits	12,882	4,306
Savings deposits	1,053,748	4,263,131
Term deposits	-	1,200,000
	<u>1,066,630</u>	<u>5,467,437</u>
	<u>84,895,265</u>	<u>67,981,321</u>
38.5 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,551,373	928,748
Add: Islamic Banking profit for the period / year	1,855,526	2,551,373
Less: Remitted to Head Office	(2,551,373)	(928,748)
Closing Balance	<u>1,855,526</u>	<u>2,551,373</u>
38.6 Contingencies and Commitments		
Guarantees	3,722,788	2,719,414
Commitments	13,605,388	7,710,226
	<u>17,328,176</u>	<u>10,429,640</u>
	(Un-audited)	
	Nine months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
38.7 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,490,453	3,736,806
Investments	2,506,933	1,623,700
Placements	343,413	418,840
	<u>6,340,799</u>	<u>5,779,346</u>
38.8 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	2,769,626	2,792,156
Due to Financial Institutions	176,927	107,691
Due to Head Office	135,320	53,687
	<u>3,081,873</u>	<u>2,953,534</u>



38.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

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

General Pool PKR (Mudaraba)

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

Special Pool(s) PKR (Mudaraba)

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

General Pool FCY (Mudaraba)

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

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

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

Parameters associated with risk and rewards:

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

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

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

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

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuk, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)
- Any other Shariah compliant product.



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

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

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

The Bank calculates the profit of the pool after every month. Profit is distributed at the net Income level. Net Income is calculated after deducting direct costs such as cost of murabaha, cost of takaful, depreciation on ijarah assets, amortization of premium on sukuks and loss of investments directly incurred in deriving that income.

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

The Bank's profit sharing ratio during the period was 50% (31 December 2019: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2019: 50%) of net income.

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

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

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

	30 September 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	4,363,401	1,908,470	43.74%	351,496	18.42%
FCY Pool	58,053	53,186	91.62%	5,797	10.90%
	30 September 2019 (Un-audited)				
LCY Pool	3,825,265	1,436,000	37.54%	409,258	28.50%
FCY Pool	18,040	17,145	95.04%	1,731	10.10%



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

	(Un-audited)	
	Nine months period ended	
	30 September	30 September
	2020	2019
	(Percentage)	
Profit rate earned	9.24%	10.43%
Profit rate distributed	5.10%	6.52%

39. GENERAL

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

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

39.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation. However, there were no material reclassification to report.

40. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 21 October 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

	Note	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
ASSETS			
Cash and balances with treasury banks	7	98,786,228	113,838,856
Balances with other banks	8	21,867,758	9,526,278
Lendings to financial institutions	9	2,129,818	1,857,575
Investments	10	813,253,386	586,510,554
Advances	11	522,937,170	488,652,848
Fixed assets	12	43,113,083	36,571,645
Intangible assets	13	306,956	368,840
Deferred tax assets		—	—
Other assets	14	67,716,756	61,812,360
		1,570,111,155	1,299,138,956
LIABILITIES			
Bills payable	16	20,107,337	20,168,673
Borrowings	17	287,997,748	228,745,034
Deposits and other accounts	18	1,089,045,090	903,592,980
Liabilities against assets subject to finance lease		—	—
Subordinated debt	19	14,990,400	14,992,800
Deferred tax liabilities	20	2,311,452	1,377,707
Other liabilities	21	78,375,527	68,329,071
		1,492,827,554	1,237,206,265
NET ASSETS		77,283,601	61,932,691
REPRESENTED BY:			
Share capital		11,114,254	11,114,254
Reserves		18,179,730	16,467,282
Surplus on revaluation of assets	22	11,611,462	6,081,731
Unappropriated profit		36,265,878	28,163,914
Equity attributable to the shareholders of the Holding Company		77,171,324	61,827,181
Non-controlling interest	23	112,277	105,510
Total equity		77,283,601	61,932,691
CONTINGENCIES AND COMMITMENTS	24		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



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

	Note	Nine months period ended		Three months period ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		(Rupees in '000)			
Mark-up / return / interest earned	26	98,545,078	73,744,299	33,164,355	28,689,248
Mark-up / return / interest expensed	27	(54,449,096)	(43,716,560)	(16,146,520)	(18,193,320)
Net mark-up / interest income		44,095,982	30,027,739	17,017,835	10,495,928
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	4,832,482	4,457,661	1,770,848	1,428,513
Dividend income		336,133	301,801	191,938	162,463
Foreign exchange income		1,398,838	1,472,717	588,079	394,042
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities - net	29	14,260	(65,030)	14,243	756
Share of profit from associates		95,790	65,213	53,392	27,880
Other income	30	559,337	442,315	270,968	152,383
Total non mark-up / interest income		7,236,840	6,674,677	2,889,468	2,166,037
Total income		51,332,822	36,702,416	19,907,303	12,661,965
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	(25,152,726)	(20,615,875)	(8,308,425)	(7,510,916)
Workers welfare fund		(516,496)	(321,054)	(226,840)	(103,941)
Other charges	32	(53,959)	(86,495)	(53,457)	(52,014)
Total non mark-up / interest expenses		(25,723,181)	(21,023,424)	(8,588,722)	(7,666,871)
Profit before Provisions		25,609,641	15,678,992	11,318,581	4,995,094
Provision and write offs - net	33	(3,440,819)	(2,811,919)	(1,242,181)	(657,709)
Extra ordinary / unusual items		-	-	-	-
Profit before Taxation		22,168,822	12,867,073	10,076,400	4,337,385
Taxation	34	(8,931,573)	(5,873,455)	(4,082,796)	(1,786,375)
PROFIT AFTER TAXATION		13,237,249	6,993,618	5,993,604	2,551,010
Attributable to:					
Shareholders of the Holding Company		13,232,760	7,003,015	5,989,007	2,557,141
Non-controlling interest		4,489	(9,397)	4,597	(6,131)
		13,237,249	6,993,618	5,993,604	2,551,010
(Rupees)					
Basic and diluted earnings per share attributable to the equity holders of the Holding Company	35	11.91	6.30	5.39	2.30

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



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

	Nine months period ended		Three months period ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(Rupees in '000)			
Profit after taxation for the period	13,237,249	6,993,618	5,993,604	2,551,010
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches	398,958	649,282	(127,893)	(168,792)
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,548,453	646,097	(4,582,848)	997,049
	2,947,411	1,295,379	(4,710,741)	828,257
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of operating fixed assets - net of tax	3,056,238	-	-	-
Total comprehensive income	19,240,898	8,288,997	1,282,863	3,379,267
Attributable to:				
Shareholders of the Holding Company	19,234,131	8,304,578	1,271,323	3,388,068
Non-controlling interest	6,767	(15,581)	11,540	(8,801)
	19,240,898	8,288,997	1,282,863	3,379,267

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Attributable to the shareholders of the Holding Company										
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Sub-total	Non-controlling interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets				
	(Rupees in '000)										
Balance as at 01 January 2019	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,172,343)	4,547,711	20,641,220	49,888,372	106,678	49,995,050
Comprehensive income for the nine months period ended 30 September 2019:											
Profit after taxation	-	-	-	-	-	-	-	7,003,015	7,003,015	(9,397)	6,993,618
Other comprehensive income - net of tax	-	-	649,282	-	-	652,281	-	-	1,301,563	(6,184)	1,295,379
Total comprehensive income for the period	-	-	649,282	-	-	652,281	-	7,003,015	8,304,578	(15,581)	8,288,997
Transfer to statutory reserve	-	700,566	-	-	-	-	-	(700,566)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(54,577)	54,577	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)	-	(2,778,564)
Balance as at 30 September 2019 - unaudited	11,114,254	13,443,359	1,997,519	126,500	540,000	(520,062)	4,493,134	24,219,682	55,414,386	91,097	55,505,483
Comprehensive income for the quarter ended 31 December 2019:											
Profit after taxation	-	-	-	-	-	-	-	4,192,351	4,192,351	5,661	4,198,012
Other comprehensive income - net of tax	-	-	(56,404)	-	-	2,126,851	-	149,997	2,220,444	8,752	2,229,196
Total comprehensive income for the period	-	-	(56,404)	-	-	2,126,851	-	4,342,348	6,412,795	14,413	6,427,208
Transfer to statutory reserve	-	416,308	-	-	-	-	-	(416,308)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-	-	-
Balance as at 31 December 2019 - audited	11,114,254	13,859,667	1,941,115	126,500	540,000	1,606,789	4,474,942	28,163,914	61,827,181	105,510	61,932,691
Comprehensive income for the nine months period ended 30 September 2020:											
Profit after taxation	-	-	-	-	-	-	-	13,232,760	13,232,760	4,489	13,237,249
Other comprehensive income - net of tax	-	-	398,958	-	-	2,546,175	3,056,238	-	6,001,371	2,278	6,003,649
Total comprehensive income for the period	-	-	398,958	-	-	2,546,175	3,056,238	13,232,760	19,234,131	6,767	19,240,898
Transfer to statutory reserve	-	1,313,490	-	-	-	-	-	(1,313,490)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,682)	72,682	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)	-	(3,889,988)
Balance as at 30 September 2020 - unaudited	11,114,254	15,173,157	2,340,073	126,500	540,000	4,152,964	7,458,498	36,265,878	77,171,324	112,277	77,283,601

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

ANWAR HAJI KARIM <i>Director</i>	MANSOOR ALI KHAN <i>Chief Executive</i>	SYED HASAN ALI BUKHARI <i>Director</i>	ASHAR HUSAIN <i>Chief Financial Officer</i>	ABBAS D. HABIB <i>Chairman</i>
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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020**

	Note	30 September 2020	30 September 2019
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		22,168,822	12,867,073
Less: Dividend income		(336,133)	(301,801)
		21,832,689	12,565,272
Adjustments:			
Depreciation		2,076,123	1,837,911
Depreciation on right-of-use assets		1,221,292	1,011,323
Amortisation		221,445	147,877
Provisions and write-offs - net	33	3,440,819	2,811,919
Gain on sale of fixed assets - net		(276,387)	(232,245)
Charge for defined benefit plan		319,500	306,000
(Gain) / loss on securities - net		(14,260)	65,030
Share of profit from associates		(95,790)	(65,213)
Charge for compensated absences		101,926	73,201
Mark-up expense on lease liability against right-of-use assets		700,527	536,283
		7,695,195	6,492,086
		29,527,884	19,057,358
(Increase) / decrease in operating assets			
Lendings to financial institutions		(272,243)	(1,812,907)
Held-for-trading securities		(60,736)	197,562
Advances		(37,116,906)	(15,727,213)
Other assets (excluding advance taxation)		(6,583,863)	(9,970,377)
		(44,033,748)	(27,312,935)
(Decrease) / increase in operating liabilities			
Bills payable		(61,336)	(5,984,277)
Borrowings from financial institutions		60,084,022	160,795,619
Deposits		185,452,110	65,396,201
Other liabilities (excluding current taxation)		6,728,005	8,541,860
		252,202,801	228,749,403
		237,696,937	220,493,826
Income tax paid		(7,802,640)	(6,314,494)
		229,894,297	(214,179,332)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(198,204,454)	(128,837,383)
Net investments in held to maturity securities		(24,499,758)	(79,982,092)
Net investments in associates		(481,022)	49,073
Dividends received		300,878	249,710
Investments in operating fixed assets		(4,352,999)	(4,082,503)
Proceeds from sale of fixed assets		378,207	285,822
Exchange differences on translation of net investment in foreign branches		398,958	649,282
		(226,460,190)	(211,668,091)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(2,400)	(2,400)
Dividend paid		(3,839,162)	(2,761,778)
Payment against lease liabilities		(1,472,385)	(1,595,972)
		(5,313,947)	(4,360,150)
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		122,460,717	82,096,704
Cash and cash equivalents at end of the period		120,580,877	80,247,795

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



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

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding Company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited
- AL Habib Asset Management Limited (formerly Habib Asset Management Limited)

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 804 branches (31 December 2019: 718 branches), 36 sub-branches (31 December 2019: 37 sub-branches) and 04 representative offices (31 December 2019: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2019: 03 overseas branches) and 102 Islamic Banking branches (31 December 2019: 83 Islamic Banking branches).

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

1.4 The Bank has invested in 100% shares of AL Habib Asset Management Limited (formerly Habib Asset Management Limited). The Company was incorporated in Pakistan on 30 September 2005 as an unquoted public limited company under repealed Companies Ordinance, 1984. The Company has been issued a license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services as a Non-Banking Finance Company. The principal business of the Company is to provide Investment Advisory Services and Asset Management Services.

The Company is managing following funds:

- First Habib Income Fund
- First Habib Stock Fund
- First Habib Cash Fund
- First Habib Islamic Stock Fund
- First Habib Islamic Income Fund
- First Habib Asset Allocation Fund

The Company has been assigned as Asset Management rating of "AM2" by Pakistan Credit Rating Agency Limited (PACRA).



2. BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.
- 2.2** The financial results of the Islamic Banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 40 to these consolidated condensed interim financial statements.

2.3 Statement of compliance

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

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

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

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

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



SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular Letter No. 04 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular No. 02 of 2018 and BPRD Circular Letter No. 05 of 2019, as amended from time to time.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2019.

3.1 Amendments to published approved accounting standards that are effective in the current period

Certain amendments to the following IFRS became effective during the period and do not have impact on Group's consolidated condensed interim financial statements.

IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material

IFRS 3, 'Business Combinations' - Definition of a Business

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

5. FINANCIAL RISK MANAGEMENT

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

5.2 COVID - 19 outbreak and it's impact

During the nine months period ended September 30, 2020, the global economic environment including Pakistan has been severely affected by the COVID - 19 outbreak. To reduce the impact on businesses and economy in general, SBP has



provided relief through reduction in SBP Policy Rate by 625 basis points. Other relief measures include the deferment of the repayment of principal amount of financing facility by one year, on case to case basis; reduction in the capital conservation buffer by 100 basis points to 1.5%; Refinancing schemes for payment of wages and salaries; etc.

COVID - 19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, challenges to continuity of business operations and managing cybersecurity threat. The Bank's management and Board is fully cognisant of the business challenges posed by the COVID - 19 outbreak and lock down imposed by the Government of Pakistan. The Bank continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting all possible precautionary measures.

The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations. Subsequent to the emergence of the COVID - 19 situation and in line with SBP's directives, the Bank has restructured / rescheduled a number of financing facilities after review of the restructured / rescheduled proposals as per the established policies of the Bank. The impact of such restructuring / rescheduling has also been assessed on credit risk and liquidity / maturity profile of the Bank and the Bank considers that the liquidity buffer and capital adequacy is sufficiently maintained at this stage.

6. BUSINESS COMBINATION

During the period, the Bank acquired 21,000,000 shares of AL Habib Asset Management Limited (AHAML) (formerly Habib Asset Management Limited). As a result, the Bank has now 100% controlling interest in AHAML. Prior to the acquisition, the Bank had 30% shareholding and AHAML was classified as an associate in the consolidated financial statements of the Group.

The Group has applied the acquisition method for accounting of business combination. The cost of the acquisition comprised of cash payment made by the Bank against the acquisition of shares. Net assets acquired have been carried at the book value at the acquisition date. The excess of the cost of acquisition over the book value of the identifiable net assets acquired has been recorded as goodwill in the consolidated condensed interim financial statements. The goodwill in the consolidated condensed interim financial statement is provisional as fair value of the assets and liabilities was not determined as at the reporting date.

(Rupees in '000)

Already held equity interest in associate	81,000
Consideration paid	152,250
Total purchase consideration	233,250
Book value of identifiable net assets acquired from AHAML	174,564
Goodwill assumed in the business combination	58,686
Gain on remeasurement on previously held equity interest of associate	20,125



	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
7. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	24,587,800	19,497,781
Foreign currencies	5,297,091	2,062,958
	29,884,891	21,560,739
In transit:		
Local currency	1,839,731	481,699
Foreign currencies	36,915	676,471
	1,876,646	1,158,170
With State Bank of Pakistan in:		
Local currency current accounts	40,628,216	59,153,555
Local currency current accounts - Islamic Banking	5,794,002	3,140,622
Foreign currency deposit account		
Cash reserve account	3,587,450	3,236,315
Cash reserve / special cash reserve accounts		
- Islamic Banking	292,547	256,350
Special cash reserve account	7,174,901	9,708,945
Local US Dollar collection account	49,470	303,328
	57,526,586	75,799,115
With National Bank of Pakistan in:		
Local currency current accounts	9,468,380	14,944,966
Prize bonds	29,725	375,866
	98,786,228	113,838,856
8. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	599,258	309,758
In deposit account	-	7,000,000
In saving account	275,592	510,751
	874,850	7,820,509
Outside Pakistan:		
In current account	7,362,307	1,642,734
In deposit account	13,630,605	63,037
	20,992,912	1,705,771
	21,867,762	9,526,280
Less: impairment against IFRS 9 in overseas branches	(4)	(2)
	21,867,758	9,526,278
9. LENDINGS TO FINANCIAL INSTITUTIONS		
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,129,818	1,857,575



10. INVESTMENTS

Note	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
10.1 Investments by type:								
Held-for-trading securities								
Shares	60,736	-	(5,664)	55,072	-	-	-	-
Available-for-sale securities								
Federal Government Securities	614,128,652	(274,638)	6,882,366	620,736,380	419,545,132	(187,265)	1,899,966	421,257,833
Shares	4,530,542	(1,795,711)	490,281	3,225,112	4,431,809	(1,571,426)	431,845	3,292,228
Non Government Debt Securities	5,748,620	-	(159,718)	5,588,902	5,586,804	-	(141,759)	5,445,045
Foreign Securities	7,810,012	(55,763)	(1,196,328)	6,557,921	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds	5,175,000	(436,546)	298,376	5,036,830	3,125,000	(373,875)	233,167	2,984,292
	637,392,826	(2,562,658)	6,314,977	641,145,145	439,212,968	(2,173,814)	2,374,823	439,413,977
Held-to-maturity securities								
10.3 Federal Government Securities	169,626,343	(153,393)	-	169,472,950	145,152,375	(41,871)	-	145,110,504
Non Government Debt Securities	35,697	-	-	35,697	46,632	-	-	46,632
Foreign Securities	499,991	(858)	-	499,133	467,747	(471)	-	467,276
Others	4,481	(4,481)	-	-	-	-	-	-
	170,166,512	(158,732)	-	170,007,780	145,666,754	(42,342)	-	145,624,412
Associates	2,045,389	-	-	2,045,389	1,472,165	-	-	1,472,165
Total Investments	809,665,463	(2,721,390)	6,309,313	813,253,386	586,351,887	(2,216,156)	2,374,823	586,510,554



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

10.1.1 Investments given as collateral

Market Treasury Bills

Carrying value	194,354,014	153,188,536
Surplus	315,711	277,366
	194,669,725	153,465,902

10.2 Provision for diminution in the value of investments

Opening balance	2,216,156	561,323
Exchange adjustments against IFRS 9 in overseas branches	18,646	2,909
Charge / reversals		
Charge for the period / year	286,955	1,420,053
Charge of impairment as per IFRS 9 in overseas branches for the period / year	195,152	231,871
	482,107	1,651,924
Others	4,481	-
Closing Balance	2,721,390	2,216,156

10.3 The market value of securities classified as held to maturity at 30 September 2020 amounted to Rs. 178,697 million (31 December 2019: Rs. 148,608 million).

10.4 During the period, the Bank has acquired additional shareholding of AL Habib Asset Management Limited (formerly Habib Asset Management Limited) and increased its holding to 100%. The Bank has also made capital injection of Rs. 450 million in AL Habib Asset Management Limited.



11. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited) 30 September 2020	(Audited) 31 December 2019	(Un-audited) 30 September 2020	(Audited) 31 December 2019	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	449,441,464	407,446,886	7,519,904	6,989,020	456,961,368	414,435,906
Islamic financing and related assets	53,656,805	50,662,682	250,275	82,542	53,907,080	50,745,224
Bills discounted and purchased	24,441,407	32,876,085	199,417	186,354	24,640,824	33,062,439
Advances - gross	527,539,676	490,985,653	7,969,596	7,257,916	535,509,272	498,243,569
Provision against advances						
– Specific	–	–	6,942,497	6,201,412	6,942,497	6,201,412
– General as per regulations	263,290	263,290	–	–	263,290	263,290
– General	5,250,000	3,000,000	–	–	5,250,000	3,000,000
– As per IFRS 9 in overseas branches	116,315	126,019	–	–	116,315	126,019
	5,629,605	3,389,309	6,942,497	6,201,412	12,572,102	9,590,721
Advances - net of provision	521,910,071	487,596,344	1,027,099	1,056,504	522,937,170	488,652,848

11.1 Particulars of advances (Gross)

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
In local currency	468,723,880	409,278,021
In foreign currencies	66,785,392	88,965,548
	535,509,272	498,243,569

11.2 Advances include Rs. 7,969.596 million (31 December 2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 September 2020 (Un-audited)		31 December 2019 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	153,496	918	82,730	456
Substandard	217,102	47,974	377,335	84,250
Doubtful	1,094,869	487,756	1,014,818	503,459
Loss	4,354,892	4,330,649	3,696,404	3,681,349
	5,820,359	4,867,297	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	164,643	90,606	913,445	758,714
> 365 days	1,984,594	1,984,594	1,173,184	1,173,184
	2,149,237	2,075,200	2,086,629	1,931,898
Total	7,969,596	6,942,497	7,257,916	6,201,412



11.3 Particulars of provision against advances

	Note	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments		149,031	9,011	158,042	104,015	16,608	120,623
Charge for the period / year							
- Specific provision		783,973	-	783,973	2,092,790	-	2,092,790
- General provision as per regulations	11.3.1	-	-	-	-	25,191	25,191
- As per IFRS 9 in overseas branches	11.3.2	-	(18,715)	(18,715)	-	(30,774)	(30,774)
- General provision for loans and advances	11.3.3	-	2,250,000	2,250,000	-	-	-
Reversals		(182,674)	-	(182,674)	(345,809)	-	(345,809)
Amounts written off		601,299	2,231,285	2,832,584	1,746,981	(5,583)	1,741,398
Others		(4,764)	-	(4,764)	(1,479)	-	(1,479)
		(4,481)	-	(4,481)	-	-	-
Closing balance		6,942,497	5,629,605	12,572,102	6,201,412	3,389,309	9,590,721

11.3.1 General provision represents provision amounting to Rs. 263.290 million (31 December 2019: Rs. 263.290 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

11.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 116.315 million (31 December 2019: Rs. 126.019 million).

11.3.3 In line with its prudent policies, the Bank has also made general provision of Rs. 2,250 million (30 September 2019: Nil) during the period, bringing the total of such provision to Rs. 5,250 million (31 December 2019: Rs. 3,000 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

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



	Note	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
12. FIXED ASSETS			
Capital work-in-progress	12.1	2,289,469	1,597,551
Property and equipment	12.2	40,823,614	34,974,094
		<u>43,113,083</u>	<u>36,571,645</u>
12.1 Capital work-in-progress			
Civil works		405,085	652,132
Advance payment for purchase of equipments		56,841	68,212
Advance payment towards suppliers, contractors and property		1,792,124	854,366
Consultants' fee and other charges		35,419	22,841
		<u>2,289,469</u>	<u>1,597,551</u>
12.2			
This includes right-of-use assets amounting to Rs. 9,055.627 million (31 December 2019: Rs. 8,198.691 million).			
12.3 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Nine months period ended	
		30 September 2020	30 September 2019
		(Rupees in '000)	
Capital work-in-progress		3,209,142	1,423,613
Property and equipment			
Leasehold land		230,797	597,059
Building on leasehold land		1,056,640	216,978
Furniture and fixture		217,316	169,064
Electrical, office and computer equipment		1,145,575	650,993
Vehicles		610,632	457,615
Improvements to leasehold building		299,593	208,721
		<u>3,560,553</u>	<u>2,300,430</u>
Total		<u>6,769,695</u>	<u>3,724,043</u>
12.4 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,883	2,548
Electrical, office and computer equipment		2,282	9,030
Vehicles		97,655	39,690
Improvements to leasehold building		-	2,309
Total		<u>101,820</u>	<u>53,577</u>



12.5 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer, M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in net surplus of Rs. 3,618.097 million over the book value of the respective properties. The carrying value of revalued leasehold land and buildings on leasehold land was Rs. 24,611.033 million as at 30 September 2020. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 September 2020 would have been as follows:

	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
Leasehold land	8,730,369	4,788,144
Buildings on leasehold land	6,999,135	4,670,487
13. INTANGIBLE ASSETS		
Computer software	245,770	366,340
TRE certificates	2,500	2,500
Goodwill	58,686	-
	306,956	368,840
	(Un-audited) Nine months period ended	(Audited)
	30 September 2020 (Rupees in '000)	30 September 2019
13.1 Additions to intangible assets		
Computer software - Directly purchased	100,528	358,460
	(Un-audited) 30 September 2020 (Rupees in '000)	(Audited) 31 December 2019
14. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	15,834,754	19,900,665
Income / mark-up accrued in foreign currencies - net of provision	856,841	600,408
Advances, deposits, advance rent and other prepayments	956,637	583,324
Advance taxation (payments less provisions)	-	708,375
Non-banking assets acquired in satisfaction of claims	870,834	874,900
Mark to market gain on forward foreign exchange contracts	875,123	1,032,137
Acceptances	45,111,621	36,264,680
Stationery and stamps on hand	377,349	240,307
Receivable from SBP on encashment of Government Securities	93,884	41,680
ATM settlement account	1,413,820	239,233
Others	1,299,751	1,299,552
	67,690,614	61,785,261
Less: Provision held against other assets	(6,895)	(7,383)
Other Assets (net of provision)	67,683,719	61,777,878
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	33,037	34,482
Other Assets - total	67,716,756	61,812,360



	(Un-audited) 30 September 2020	(Audited) 31 December 2019
Note	(Rupees in '000)	
14.1 Provision held against other assets		
Receivable against consumer loans	14.1.1 6,895	7,383
14.1.1 Movement in provision held against other assets		
Opening balance	7,383	7,279
Charge for the period / year	4,850	2,108
Reversals for the period / year	(4,014)	(1,658)
	836	450
Amount written off	(1,324)	(346)
Closing balance	6,895	7,383
15. CONTINGENT ASSETS		
There were no contingent assets of the Group as at 30 September 2020 (31 December 2019: Nil).		
16. BILLS PAYABLE		
In Pakistan	20,107,337	20,168,673
17. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	54,484,232	42,657,650
Under renewable energy	6,733,641	3,946,903
Under long term financing for imported and locally manufactured plant and machinery	21,901,234	19,796,175
Under modernisation of small and medium enterprises	313,298	310,422
Under women entrepreneurship	22,847	19,159
Under refinance scheme for payment of wages and salaries	9,887,940	-
Under financing facility for storage of agricultural produce	118,934	2,869
	93,462,126	66,733,178
Repurchase agreement borrowings	194,462,513	153,365,059
Borrowing from financial institutions	-	7,742,380
Total secured	287,924,639	227,840,617
Unsecured		
Overdrawn nostro accounts	73,109	904,417
	287,997,748	228,745,034



18. DEPOSITS AND OTHER ACCOUNTS

	30 September 2020 (Un-audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	344,442,699	39,889,748	384,332,447	280,838,911	34,758,774	315,597,685
Savings deposits	272,115,667	43,126,212	315,241,879	222,230,042	38,657,119	260,887,161
Term deposits	178,104,253	40,142,021	218,246,274	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	135,411,893	708,493	136,120,386	96,456,401	771,529	97,227,930
Others	14,322,458	7,926,811	22,249,269	11,695,770	8,186,073	19,881,843
	944,396,970	131,793,285	1,076,190,255	773,337,324	116,364,047	889,701,371
Financial institutions						
Current deposits	2,448,605	774,943	3,223,548	1,717,690	1,234,067	2,951,757
Savings deposits	1,523,897	18	1,523,915	4,298,015	16	4,298,031
Term deposits	565,000	135,379	700,379	1,750,000	114,123	1,864,123
Current deposits - remunerative	6,855,360	531,412	7,386,772	4,578,433	192,643	4,771,076
Others	20,221	-	20,221	6,622	-	6,622
	11,413,083	1,441,752	12,854,835	12,350,760	1,540,849	13,891,609
	955,810,053	133,235,037	1,089,045,090	785,688,084	117,904,896	903,592,980

	Note	(Un-audited)	(Audited)
		30 September 2020	31 December 2019
(Rupees in '000)			
19. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	19.1	3,992,800	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	19.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	19.3	3,997,600	3,998,400
		<u>14,990,400</u>	<u>14,992,800</u>



19.1 Term Finance Certificates - V (Unquoted)

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

19.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date
Mark-up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	Neither profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR")
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



19.3 Term Finance Certificates - VII (Unquoted)

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

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

20. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

Accelerated tax depreciation	858,701	960,906
Surplus on revaluation of fixed assets / non - banking assets	1,615,324	984,461
Remeasurement of defined benefit plan	165,629	165,629
Surplus on revaluation of available for sale investments	2,207,202	829,057
	4,846,856	2,940,053

Deductible Temporary Differences on:

Provision against diminution in the value of investments	(778,695)	(677,904)
Provision against loans and advances, off-balance sheet, etc.	(1,496,718)	(731,573)
Surplus on revaluation of held for trading investments	(1,979)	-
Impairment as per IFRS 9 in overseas branches	(215,578)	(149,087)
Provision for compensated absences	(1,170)	(292)
Recognised tax losses	(35,833)	(2,863)
Intangible assets	(1,144)	(627)
Others	(4,287)	-
	(2,535,404)	(1,562,346)
	2,311,452	1,377,707



	(Un-audited) 30 September Note 2020	(Audited) 31 December 2019
	(Rupees in '000)	
21. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,909,473	4,945,307
Mark-up / return / interest payable in foreign currencies	183,588	253,120
Unearned commission income	305,148	241,742
Accrued expenses	2,730,778	1,283,934
Acceptances	45,111,621	36,264,680
Unclaimed dividends	477,351	426,525
Mark to market loss on forward foreign exchange contracts	426,132	1,767,178
Branch adjustment account	1,626,767	2,336,825
Payable to defined benefit plan	792,726	473,227
Charity payable	46,774	43,474
Provision against off - balance sheet items	21.1 134,380	129,369
Security deposits against leases / ijarah	5,327,601	6,532,535
Provision for compensated absences	828,625	722,300
Special exporters' accounts in foreign currencies	117,545	194,604
Other security deposits	631,948	592,271
Workers' welfare fund	2,268,582	1,752,086
Payable to SBP / NBP	913,058	210,373
Payable to supplier against murabaha	485,322	186,648
Insurance payable	499,411	455,266
Lease liability against right - of - use assets	9,623,088	8,316,718
Current taxation (provision less payments)	1,533,727	-
Others	1,401,882	1,200,889
	<u>78,375,527</u>	<u>68,329,071</u>
21.1 Provision against off-balance sheet obligations		
Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	1,909	9,738
Charge for the period / year	19,131	30,897
Reversals for the period / year	(16,029)	(27,866)
	3,102	3,031
Closing balance	<u>134,380</u>	<u>129,369</u>



	(Un-audited) 30 September Note 2020	(Audited) 31 December 2019
	(Rupees in '000)	
22. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of:		
- Investments	22.1 6,359,887	2,436,773
- Fixed assets	9,110,629	5,495,269
- Non-banking assets acquired in satisfaction of claims	33,037	34,482
	15,503,553	7,966,524
Deferred tax on surplus on revaluation of:		
- Investments	2,206,923	829,984
- Fixed assets	1,680,134	1,049,269
- Non-banking assets acquired in satisfaction of claims	5,034	5,540
	3,892,091	1,884,793
	11,611,462	6,081,731
22.1 Investments		
- Available for sale securities	6,314,977	2,374,823
- Unrealised surplus on equity accounting	47,723	62,485
- Non-controlling interest	(2,813)	(535)
	6,359,887	2,436,773
Less: related deferred tax	2,206,923	829,984
	4,152,964	1,606,789
22.2 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at 01 January	5,495,269	5,605,295
Surplus on revaluation of the Bank's fixed assets during the period / year	3,726,240	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of tax	(71,743)	(71,517)
Related deferred tax liability on incremental depreciation charged during the period / year	(39,137)	(38,509)
	9,110,629	5,495,269
Less: related deferred tax liability on		
- revaluation as at 01 January	1,049,269	1,087,778
- revaluation recognised during the period / year	670,002	-
- incremental depreciation charged during the period / year	(39,137)	(38,509)
	1,680,134	1,049,269
	7,430,495	4,446,000
23. NON-CONTROLLING INTEREST		
Opening balance	105,510	106,678
Gain / (loss) attributable to non-controlling interest	4,489	(3,736)
Gain on equity attributable to non-controlling interest	2,278	2,568
Closing balance	112,277	105,510



	(Un-audited) 30 September Note 2020	(Audited) 31 December 2019
	(Rupees in '000)	
24. CONTINGENCIES AND COMMITMENTS		
Guarantees	24.1 94,325,043	81,086,627
Commitments	24.2 283,614,510	346,877,061
Other contingent liabilities	24.3 4,643,206	4,673,685
	<u>382,582,759</u>	<u>432,637,373</u>
24.1 Guarantees:		
Financial guarantees	19,767,135	16,237,352
Performance guarantees	74,557,908	64,849,275
	<u>94,325,043</u>	<u>81,086,627</u>
24.2 Commitments:		
Documentary credits and short term trade-related transactions - letters of credit	180,360,654	145,745,358
Commitments in respect of:		
- forward foreign exchange contracts	24.2.1 86,936,606	197,844,773
- forward lendings	24.2.2 8,341,990	2,214,998
Commitments for acquisition of:		
- Operating fixed assets	7,975,260	1,071,932
	<u>283,614,510</u>	<u>346,877,061</u>
24.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	53,151,571	106,704,798
Sale	33,785,035	91,139,975
	<u>86,936,606</u>	<u>197,844,773</u>
The maturities of above contracts are spread over the periods upto one year.		
24.2.2 Commitments in respect of forward lending	<u>8,341,990</u>	<u>2,214,998</u>
24.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
24.3 Claims against the Bank not acknowledged as debts	<u>4,643,206</u>	<u>4,673,685</u>



24.4 Other contingent liabilities

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

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2017 (Accounting Year 2016) by allowing certain expenses of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

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

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

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2019 by disallowing certain expenses resulting in an impact of Rs. 185.754 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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



25. DERIVATIVE INSTRUMENTS

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

25.1 Product Analysis

Counter Parties Principal	30 September 2020 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional gain / (loss)	Mark to Market Principal	Notional gain / (loss) (Rupees in '000)	Mark to Market Principal	Notional gain / (loss)	Mark to Market
Banks						
Hedging	10,672,250	5,733	50,079,430	(74,296)	60,751,680	(68,563)
Other Entities						
Hedging	26,184,926	517,554	–	–	26,184,926	517,554
Total						
Hedging	<u>36,857,176</u>	<u>523,287</u>	<u>50,079,430</u>	<u>(74,296)</u>	<u>86,936,606</u>	<u>448,991</u>
			31 December 2019 (Audited)			
			(Rupees in '000)			
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	–	–	61,436,210	156,206
Total						
Hedging	<u>68,097,975</u>	<u>182,674</u>	<u>129,746,798</u>	<u>(917,715)</u>	<u>197,844,773</u>	<u>(735,041)</u>



25.2 Maturity Analysis

	30 September 2020 (Un-audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	224	40,469,900	(120,377)	229,236	108,859
1 to 3 months	227	32,097,240	(260,411)	398,360	137,949
3 to 6 months	170	9,460,268	(28,520)	210,619	182,099
6 months to 1 year	69	4,909,198	(16,824)	36,908	20,084
	690	86,936,606	(426,132)	875,123	448,991

	31 December 2019 (Audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	1,332	197,844,773	(1,767,178)	1,032,137	(735,041)

	(Un-audited)	
	Nine months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
26. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances	34,612,921	36,335,030
On investments	63,307,791	35,489,971
On deposits with financial institutions	325,255	471,587
On securities purchased under resale agreements	128,479	1,221,894
On call money lendings	170,632	225,817
	98,545,078	73,744,299



	(Un-audited)	
	Nine months period ended	
	30 September 2020	30 September 2019
	(Rupees in '000)	
27. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	37,810,680	34,582,094
Borrowings from SBP	1,146,982	837,757
Subordinated debt	1,422,989	1,388,377
Cost of foreign currency swaps	748,000	1,207,067
Repurchase agreement borrowings	12,459,587	4,969,090
Mark-up expense on lease liability against right-of-use assets	700,527	536,283
Other borrowings	160,331	195,892
	<u>54,449,096</u>	<u>43,716,560</u>
28. FEE AND COMMISSION INCOME		
Branch banking customer fees	757,618	813,390
Consumer finance related fees	6,523	31,832
Card related fees (debit and credit cards)	376,230	467,405
Credit related fees	204,874	113,470
Commission on trade	2,871,932	2,520,401
Commission on guarantees	282,001	292,172
Commission on cash management	126,386	146,190
Commission on home remittances	107,502	39,789
Others	99,416	33,012
	<u>4,832,482</u>	<u>4,457,661</u>
29. GAIN / (LOSS) ON SECURITIES - NET		
Realised	19,924	(65,030)
Unrealised - held for trading	(5,664)	-
	<u>14,260</u>	<u>(65,030)</u>
29.1 Realised gain / (loss) on:		
Federal Government Securities	27	100
Shares	5,188	(65,886)
Mutual Funds	14,709	756
	<u>19,924</u>	<u>(65,030)</u>
30. OTHER INCOME		
Gain on sale of fixed assets - net	276,387	232,245
Recovery of expenses from customers	252,459	199,720
Lockers rent	9,285	7,498
Gain on acquisition of AHAML	20,125	-
Others	1,081	2,852
	<u>559,337</u>	<u>442,315</u>



	(Un-audited)	
	30 September 2020	30 September 2019
(Rupees in '000)		
31. OPERATING EXPENSES		
Total compensation expenses	11,488,091	9,355,826
Property expenses		
Rent and taxes	263,518	317,728
Insurance	4,845	12,846
Utilities cost	794,982	762,864
Security (including guards)	770,514	637,624
Repair and maintenance (including janitorial charges)	236,101	173,049
Depreciation	1,933,621	1,610,076
Amortisation	-	5,707
	4,003,581	3,519,894
Information technology expenses		
Software maintenance	4,250	3,909
Hardware maintenance	678,929	311,136
Depreciation	147,638	218,853
Amortisation	221,445	142,170
Network charges	309,814	294,236
	1,362,076	970,304
Other operating expenses		
Directors' fees and allowances	24,277	34,600
Fees and allowances to Shariah Board	9,502	7,333
Insurance	354,552	246,191
Legal and professional charges	120,108	127,502
Outsourced services costs	1,342,102	1,156,163
Travelling and conveyance	132,191	175,124
NIFT and other clearing charges	105,386	100,209
Depreciation	1,216,156	1,020,305
Repair and maintenance	960,205	840,436
Training and development	21,456	35,320
Postage and courier charges	178,948	155,614
Communication	270,476	204,318
Stationery and printing	470,474	576,016
Marketing, advertisement and publicity	278,508	220,402
Donations	115,132	58,700
Auditors remuneration	7,281	3,372
Commission and brokerage	599,780	394,883
Entertainment and staff refreshment	192,378	207,911
Vehicle running expenses	809,220	628,945
Subscriptions and publications	163,456	108,641
CNIC verification charges	59,709	107,718
Security charges	236,165	192,662
Others	631,516	167,486
	8,298,978	6,769,851
	25,152,726	20,615,875



		(Un-audited)	
		Nine months period ended	
		30 September	30 September
		2020	2019
		(Rupees in '000)	
32. OTHER CHARGES	Note		
Penalties imposed by the State Bank of Pakistan		<u>53,959</u>	<u>86,495</u>
33. PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments	10.2	482,107	1,405,667
Provision against loans and advances - net	11.3	2,832,584	1,417,590
Provision / (reversal) against off - balance sheet items	21.1	3,102	(11,699)
Provision against other assets	14.1.1	836	361
Loss on revaluation of fixed assets		<u>122,190</u>	<u>-</u>
		<u>3,440,819</u>	<u>2,811,919</u>
34. TAXATION			
Current		10,044,518	6,274,043
Prior years		224	571,907
Deferred		<u>(1,113,169)</u>	<u>(972,495)</u>
		<u>8,931,573</u>	<u>5,873,455</u>
35. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit for the period - attributable to equity holders of the Holding Company		<u>13,232,760</u>	<u>7,003,015</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>11.91</u>	<u>6.30</u>
36. FAIR VALUE MEASUREMENTS			
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:			
Federal Government Securities	PKRV rates (Reuters page)		
Non Government Debt Securities	Market prices		
Foreign Securities	Market prices / Mashreqbank PSC		
Listed Securities	Prices quoted at Pakistan Stock Exchange Limited		
Mutual Funds	Net asset values declared by respective funds		
Unlisted Equity Investments	Break - up value as per latest available audited financial statements		
Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies, as disclosed in the consolidated financial statements for the year ended December 31, 2019.			



36.1 Fair value of financial assets

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

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

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

	30 September 2020 (Un-audited)			Total
	Level 1	Level 2	Level 3	
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	620,736,380	-	620,736,380
Shares	3,181,650	-	-	3,181,650
Non-Government Debt Securities	1,931,344	3,657,558	-	5,588,902
Foreign Securities	-	6,557,921	-	6,557,921
Mutual funds	-	5,036,830	-	5,036,830
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	167,127,752	-	167,127,752
Foreign Securities	-	505,209	-	505,209
Associates				
Listed shares	550,882	-	-	550,882
Mutual funds	-	1,494,507	-	1,494,507
Off balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	53,151,571	-	53,151,571
Forward sale of foreign exchange contracts	-	(33,758,035)	-	(33,758,035)



31 December 2019 (Audited)

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	421,258,014	-	421,258,014
Shares	3,193,692	-	-	3,193,692
Non-Government Debt Securities	3,310,377	1,849,049	-	5,159,426
Foreign Securities	-	6,434,579	-	6,434,579
Mutual funds	-	2,984,292	-	2,984,292
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	138,050,135	-	138,050,135
Foreign Securities	-	407,752	-	407,752
Associates				
Listed shares	538,332	-	-	538,332
Mutual funds	-	869,301	-	869,301
Off balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	106,704,798	-	106,704,798
Forward sale of foreign exchange contracts	-	(91,139,975)	-	(91,139,975)

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

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



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

	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	1,472,165	-	-	-	957,449	-
Investment made during the period / year	-	-	1,343,845	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	(770,621)	-	-	-	(10,284)	-
Closing balance	-	-	2,045,389	-	-	-	1,472,165	-
Advances								
Opening balance	1,487	76,626	3,015,256	-	1,313	53,257	1,359,059	-
Addition during the period / year	25,577	159,240	33,572,101	-	55,443	363,717	33,451,951	-
Repaid during the period / year	(20,972)	(138,876)	(34,663,380)	-	(55,269)	(340,348)	(31,795,754)	-
Closing balance	6,092	96,990	1,923,977	-	1,487	76,626	3,015,256	-
Operating fixed assets								
Right of use	-	-	4,717	-	-	-	7,076	-
Other assets								
Interest / mark-up accrued	-	45	7,054	-	-	55	10,667	-
L/C acceptances	-	-	518,216	-	-	-	350,867	-
Other receivable	-	-	8,453	-	-	-	1,575	-
Subordinated debt								
Opening balance	-	-	44,000	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	-	-	-	44,000	-
Closing balance	-	-	44,000	-	-	-	44,000	-
Deposits and other accounts								
Opening balance	955,078	624,163	3,536,956	513,730	587,452	816,406	4,876,833	536,801
Received during the period / year	5,392,741	2,770,696	119,870,988	3,156,982	11,221,419	2,996,758	150,071,628	29,846,047
Withdrawn during the period / year	(5,302,139)	(2,494,751)	(116,511,555)	(2,998,687)	(10,853,793)	(3,189,001)	(151,411,505)	(29,869,118)
Closing balance	1,045,680	900,108	6,896,389	672,025	955,078	624,163	3,536,956	513,730
Other liabilities								
Interest / mark-up payable	310	1,658	26,248	14,954	3,799	4,118	15,309	2,216
Payable to staff retirement fund	-	-	-	792,726	-	-	-	473,226
L/C acceptances	-	-	518,216	-	-	-	350,867	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	16,187	-
Other liabilities	-	8	-	-	-	19	19,093	-
Contingencies and commitments								
	-	-	2,059,435	-	-	-	3,385,253	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	749,840	4,237,000	-	-	201,000	8,132,000
Increased during the period / year	-	-	150,000	608,000	30,000	-	1,534,940	8,487,000
Decreased during the period / year	-	-	(83,000)	(50,000)	(30,000)	-	(986,100)	(12,382,000)
Closing balance	-	-	816,840	4,795,000	-	-	749,840	4,237,000



38.1 RELATED PARTY TRANSACTIONS

	30 September 2020 (Un-audited)				30 September 2019 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	5	4,197	166,865	–	–	3,875	191,850	–
Fee and commission income	16	47	38,295	1	18	85	12,818	–
Dividend income	–	–	53,647	–	–	–	49,072	–
Other income	–	–	233	89	1	–	222	140
Expense								
Mark-up / return / interest expensed	62,328	44,842	315,404	36,114	56,897	30,474	258,836	61,145
Operating expenses	–	–	4,627	–	–	–	4,011	–
Salaries and allowances	–	420,461	–	–	–	386,052	–	–
Bonus	–	92,129	–	–	–	50,431	–	–
Contribution to defined contribution plan	–	18,795	–	–	–	19,407	–	–
Contribution to defined benefit plan	–	46,188	–	–	–	49,861	–	–
Staff provident fund	–	–	–	450,670	–	–	–	396,538
Staff gratuity fund	–	–	–	319,500	–	–	–	306,000
Directors' fees	23,227	–	–	–	33,850	–	–	–
Donation	–	–	4,500	–	–	–	4,500	–
Insurance premium paid	–	–	129,674	–	–	–	127,510	–
Insurance claims settled	–	–	19,959	–	–	–	22,177	–



39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>62,729,435</u>	53,214,684
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,681,150</u>	6,690,557
Total Eligible Tier 1 Capital	<u>69,410,585</u>	59,905,241
Eligible Tier 2 Capital	<u>22,402,333</u>	16,643,063
Total Eligible Capital (Tier 1 + Tier 2)	<u>91,812,918</u>	<u>76,548,304</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>511,565,793</u>	443,518,148
Market Risk	<u>10,952,523</u>	12,343,837
Operational Risk	<u>75,070,648</u>	74,991,311
Total	<u>597,588,964</u>	<u>530,853,296</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>10.497%</u>	10.024%
Tier 1 Capital Adequacy Ratio	<u>11.615%</u>	11.285%
Total Capital Adequacy Ratio	<u>15.364%</u>	14.420%
Leverage Ratio (LR):		
Eligible Tier 1 Capital	<u>69,410,585</u>	59,905,242
Total Exposures	<u>1,918,013,678</u>	1,498,187,417
Leverage Ratio	<u>3.619%</u>	3.999%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>508,410,230</u>	363,806,793
Total Net Cash Outflow	<u>192,391,233</u>	132,953,270
Liquidity Coverage Ratio	<u>264.259%</u>	273.635%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>977,722,104</u>	808,044,723
Total Required Stable Funding	<u>678,469,188</u>	606,312,286
Net Stable Funding Ratio	<u>144.107%</u>	133.272%



40. ISLAMIC BANKING BUSINESS

The Bank is operating 102 (31 December 2019: 83) Islamic banking branches and 142 (31 December 2019: 142) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 30 September 2020	(Audited) 31 December 2019
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		7,948,527	4,553,339
Balances with other banks		52,882	7,297,026
Due from financial institutions	40.1	2,129,818	1,857,575
Investments	40.2	55,196,535	21,669,565
Islamic financing and related assets - net	40.3	53,747,956	50,689,875
Fixed assets		448,725	402,062
Intangible assets		-	-
Due from Head Office		-	-
Other assets		4,828,242	7,595,621
Total Assets		124,352,685	94,065,063
LIABILITIES			
Bills payable		77,193	45,838
Due to financial institutions		15,434,074	9,718,686
Deposits and other accounts	40.4	84,895,265	67,981,321
Due to Head Office		7,996,302	3,282,835
Subordinated debt		-	-
Other liabilities		6,593,536	3,773,952
		(114,996,370)	(84,802,632)
NET ASSETS		9,356,315	9,262,431
REPRESENTED BY			
Islamic Banking Fund		7,600,000	6,800,000
Reserves		-	-
Deficit on revaluation of assets		(99,211)	(88,942)
Unremitted profit	40.5	1,855,526	2,551,373
		9,356,315	9,262,431
CONTINGENCIES AND COMMITMENTS	40.6		



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

	(Un-audited)	
	Nine months period ended	
Note	30 September 2020	30 September 2019
	(Rupees in '000)	
Profit / return earned	40.7 6,340,799	5,779,346
Profit / return expensed	40.8 (3,081,873)	(2,953,534)
Net Profit / return	3,258,926	2,825,812
Other income		
Fee and commission income	208,470	166,862
Dividend income	83,807	3,356
Foreign exchange income	65,406	49,515
Income / (loss) from derivatives	-	-
Gain on securities	14,709	-
Other income	68,848	70,918
Total other income	441,240	290,651
Total income	3,700,166	3,116,463
Other expenses		
Operating expenses	(1,729,539)	(1,296,125)
Other charges	(44)	-
Total other expenses	(1,729,583)	(1,296,125)
Profit before provisions	1,970,583	1,820,338
Provisions and write offs - net	(115,057)	(51,210)
Profit for the period	1,855,526	1,769,128
	(Un-audited)	(Audited)
	30 September	31 December
	2020	2019
	(Rupees in '000)	
40.1 Due from Financial Institutions		
In local currency		
Bai Muajjal Receivable from the State Bank of Pakistan	2,129,818	1,857,575



	30 September 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
40.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	11,980,002	-	(174,502)	11,805,500	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,125,000	-	-	4,125,000	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	11,028,321	-	-	11,028,321	10,133,361	-	-	10,133,361
- Pakistan Energy Sukuk II	21,102,745	-	102,755	21,205,500	-	-	-	-
	48,236,068	-	(71,747)	48,164,321	16,602,111	-	(20,000)	16,582,111
Shares								
- Listed Companies	97,442	(63,384)	15,224	49,282	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,367,951	-	(95,867)	1,272,084	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,185,535	-	-	2,185,535	1,984,707	-	-	1,984,707
	3,553,486	-	(95,867)	3,457,619	3,438,922	-	(94,777)	3,344,145
Units of mutual funds	3,000,000	(52,866)	53,179	3,000,313	1,200,000	(47,401)	16,436	1,169,035
Associate								
- First Habib Islamic Income Fund	525,000	-	-	525,000	525,000	-	-	525,000
Total Investments	55,411,996	(116,250)	(99,211)	55,196,635	21,863,475	(104,968)	(88,942)	21,669,565

	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
40.3 Islamic financing and related assets		
Ijarah	1,879,932	2,365,239
Murabaha	7,562,268	8,255,703
Diminishing Musharaka	11,521,793	13,499,915
Islamic Long Term Financing Facility (ILTF)	1,713,325	1,449,640
Istisna	4,250,526	3,929,818
Islamic Export Refinance - Istisna	915,000	1,685,500
Musawamah	2,780,350	3,979,048
Islamic Export Refinance - Musawamah	500,000	200,000
Running Musharaka	90,814	2,845,780
Islamic Refinance for Renewable Energy (IFRE)	14,571	-
Islamic Export Refinance - Running Musharaka	5,470,000	2,318,300
Staff Financing	561,866	431,960
Advance against Musawamah	1,810,486	920,594
Advance against Istisna	4,845,201	4,168,944
Advance against Istisna - IERF	4,717,350	3,694,450
Advance against Ijarah	182,119	52,940
Advance against Diminishing Musharaka	854,277	815,069
Advance against IFRE	875,000	-
Advance against IRF Wages and Salaries	1,750,167	-
Advance against ITERF	107,251	-
Advance against ILTF	983,007	121,424
Financing against Bills - Musawamah	521,777	10,900
Gross Islamic financing and related assets	53,907,080	50,745,224
Less: provision against Islamic financings		
- Specific	136,668	32,893
- General	22,456	22,456
	(159,124)	(55,349)
Islamic financing and related assets - net of provision	53,747,956	50,689,875



	(Un-audited) 30 September 2020	(Audited) 31 December 2019
	(Rupees in '000)	
40.4 Deposits and Other Accounts		
Customers		
Current deposits	32,104,355	22,641,105
Savings deposits	30,771,948	22,728,291
Term deposits	20,952,332	17,144,488
	<u>83,828,635</u>	<u>62,513,884</u>
Financial institutions		
Current deposits	12,882	4,306
Savings deposits	1,053,748	4,263,131
Term deposits	-	1,200,000
	<u>1,066,630</u>	<u>5,467,437</u>
	<u>84,895,265</u>	<u>67,981,321</u>
40.5 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,551,373	928,748
Add: Islamic Banking profit for the period / year	1,855,526	2,551,373
Less: Remitted to Head Office	(2,551,373)	(928,748)
Closing Balance	<u>1,855,526</u>	<u>2,551,373</u>
40.6 Contingencies and Commitments		
Guarantees	3,722,788	2,719,414
Commitments	13,605,388	7,710,226
	<u>17,328,176</u>	<u>10,429,640</u>
		(Un-audited)
		Nine months period ended
	30 September 2020	30 September 2019
	(Rupees in '000)	
40.7 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,490,453	3,736,806
Investments	2,506,933	1,623,700
Placements	343,413	418,840
	<u>6,340,799</u>	<u>5,779,346</u>
40.8 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	2,769,626	2,792,156
Due to Financial Institutions	176,927	107,691
Due to Head Office	135,320	53,687
	<u>3,081,873</u>	<u>2,953,534</u>



40.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

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

General Pool PKR (Mudaraba)

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

Special Pool(s) PKR (Mudaraba)

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

General Pool FCY (Mudaraba)

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

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

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

Parameters associated with risk and rewards:

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

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

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

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

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuk, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)
- Any other Shariah compliant product.



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

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

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

The Bank calculates the profit of the pool after every month. Profit is distributed at the Net Income level. Net Income is calculated after deducting direct costs such as cost of murabaha, cost of takaful, depreciation on ijarah assets, amortization of premium on sukuks and loss of investments directly incurred in deriving that income.

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

The Bank's profit sharing ratio during the period was 50% (31 December 2019: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2019: 50%) of net income.

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

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

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

	30 September 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	4,363,401	1,908,470	43.74%	351,496	18.42%
FCY Pool	58,053	53,186	91.62%	5,797	10.90%
	30 September 2019 (Un-audited)				
LCY Pool	3,825,265	1,436,000	37.54%	409,258	28.50%
FCY Pool	18,040	17,145	95.04%	1,731	10.10%



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

	(Un-audited)	
	Nine months period ended	
	30 September 2020	30 September 2019
Profit rate earned	9.24%	10.43%
Profit rate distributed	5.10%	6.52%

41. GENERAL

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

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

41.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation. However, there were no material reclassification to report.

42. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 21 October 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman