

CONNECTING Tomorrow Now!



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Corporate Information

Board of Directors

Mr. Ali Hussain
Mr. Fawad Anwar
Mr. Syed Amir Ali
Mr. Ali Mohamad Hussain
Ali Mohamad Alshamali
Dr. Amjad Waheed
Mr. Muhammad Nadeem Farooq
Mr. Noman Yakoob
Mr. Siraj Ahmed Dadabhoy

Chairman
Vice Chairman
President & Chief Executive Officer

Audit Committee

Dr. Amjad Waheed
Mr. Ali Mohamad Hussain
Ali Mohamad Alshamali
Mr. Muhammad Nadeem Farooq
Mr. Noman Yakoob

Chairman

Member
Member
Member

Risk Management Committee

Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member

Human Resource Management Committee

Mr. Ali Mohamad Hussain
Ali Mohamad Alshamali
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member
Member

Board Remuneration Committee

Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy

Chairman
Member
Member
Member

IT Committee

Mr. Muhammad Nadeem Farooq
Mr. Ali Mohamad Hussain Ali Mohamad Alshamali
Mr. Noman Yakoob
Mr. Syed Amir Ali

Chairman
Member
Member
Member

Executive Committee

Mr. Ali Hussain
Mr. Fawad Anwar
Mr. Muhammad Nadeem Farooq
Mr. Siraj Ahmed Dadabhoy
Mr. Syed Amir Ali

Chairman
Member
Member
Member
Member

Sharia'h Supervisory Board

Mufti Irshad Ahmad Aijaz
Mufti Javed Ahmed
Mufti Muhammad Husain

Chairman
Member
Member

Company Secretary

Mr. Muhammad Shoab

Auditors

EY Ford Rhodes,
Chartered Accountants

Legal Adviser

1- Haidermota & Co.
Barrister at Law

2- Mohsin Tayebaly & Co.

Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

Management (in alphabetical order)

Aasim Salim
Bilal Fiaz
Burhan Hafeez Khan
Kashif Nisar
Mahmood Rashid
Masood Muhammad Khan
Mateen Mahmood
Muhammad Asadullah Chaudhry
Muhammad Shoab
Muhammad Uzair Sipra
Rizwan Ata
Rizwan Qamar Lari
Shahzad Kazmi
Sohail Sikandar
Syed Abdul Razzaq
Syed Arif Mahtab
Syed Muhammad Aamir Shamim
Tariq Ali Khan

General Manager - Central
Head, Consumer Business
General Manager - South-A
Head, Products & Shariah Structuring
Head, Security & Government Relations
Head, Compliance
General Manager - South-B
Head, Human Resource
Company Secretary
Head, Legal
Country Head, Distribution
Head, Internal Audit
Head, Corporate Finance
Chief Financial Officer
Head, Risk Management
Head, Operations
Head, Treasury & Financial Institutions
General Manager - North

Registered Office

11th Floor, Executive Tower, Dolmen City, Marine Drive,
Block-4, Clifton, Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Registrar

CDC Share Registrar Services Limited
Head Office: CDC House, 99 – B, Block ‘B’, S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: (92) 0800-23275 Fax: (92-21) 34326040
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

Public Dealing Timings of Share Registrar

Monday to Thursday: 9:00 am to 7:00 pm
Friday : 9:00 am to 12:30 pm and 2:30 pm to 7:00 pm
Saturday: 9:00am to 1:00 pm

Website:

www.bankislami.com.pk

Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the financial results of BankIslami Pakistan Limited ('BankIslami' or 'the Bank') for the nine months ended September 30, 2019. Following are the key financial highlights of the period:

Particulars	September 2019	September 2018	Growth
	-----Rupees in millions-----		
Total Deposits*	213,211	174,303	22.30%
Total Assets*	263,052	209,031	25.80%
Total Financing and related assets-net	124,210	108,767	14.20%
Total Investments-net	56,065	46,490	20.60%
Net Assets	15,451	13,393	15.40%
Net Spread Earned*	7,417	4,203	76.50%
Operating Profit before provisions	2,784	144	18.3 times
Profit After Tax	973	99	8.8 times
Basic Earnings per share (Rupees)	0.9650	0.0985	8.8 times
Branches network (number)	330	330	-

* comparative figures have been restated due to reclassification or change in reporting format.

Financial Performance

During the period under review, the banking sector continued to face challenges arising from the prevailing economic condition in the country and increasing cost of business owing to rising compliance costs, deposit protection scheme cost and implementation of new accounting standards. While remaining cognizant of the said challenges, BankIslami continued to grow on the strength of its effectively managed branch network, with active participation by all regions across the country which assisted the Bank in attaining robust growth in the Balance Sheet. Resultantly, BankIslami's deposits base and total assets as at September 2019 grew by 22.3% and 25.8% respectively in comparison to September 2018.

Deposits grew on the strength of effective deposit mobilization strategy supported by introduction of new products and extensive marketing. Increase in assets was witnessed in all major heads of earning assets particularly (i) Bai Muajjal treasury transactions, (ii) Islamic Financing and (iii) Investments portfolio via deploying funds in high yielding Government of Pakistan backed Pakistan Energy Sukuk.

The Bank's overall infection ratio has declined from 13.6% as at September 30, 2018 to 10.6% as at September 30, 2019 owing to proactive monitoring and efforts made by recovery team. The Bank has also booked adequate provisions on prudent basis against its delinquent financing portfolio, due to which Bank's coverage ratio (including general provisions) has improved to 82.4% by September 2019 as compared to coverage ratio of 71.1% at the end of September 2018.

In line with positive volumetric growth in average earning assets supplemented by rise in SBP policy rates, the Bank's overall top-line has improved by 87.6% compared to the same period last year. This also supported the Bank in improving its net spread, which rose to Rs. 7,417 million during the period from Rs. 4,203 million in same period last year; representing an

impressive growth of 76.5%. However, net spread margin has squeezed mainly due to the impact of recording finance cost on ijarah (lease) liability, on account of implementation of IFRS 16 'Leases' (refer note 3.1.2 to the financial statements). Bank's non-funded income declined by Rs. 75.97 million mainly attributable to decline in income pertaining to debit cards and recording of one-off capital gain on securities during the same period last year.

Operating expenses grew by 9.3%, mainly due to increase in variable operating costs linked with increased business volumes, enhancement of IT security infrastructure of the Bank, increase in insurance expenses due to introduction of deposit protection scheme by SBP and inflationary pressure. Furthermore, as explained in detail in note 3.1.2 of these financial statements, implementation of IFRS 16 'Leases' resulted in increase in depreciation expense as compared to same period last year, which was largely compensated by reduction in rental expenses on premises. Had IFRS-16 not been applied, profit after tax for the nine months ended would have been higher by Rs.171.1 million.

In tandem with increase in revenue streams and sustainable growth in administrative expenses, BankIslami's operating profits translated to an improved level of Rs. 2,784 million during the period under review which is 18.3 times higher than the operating profit of Rs. 144 million posted during the same period last year, Alhamdulillah. The improvement has also been noticed in cost to income ratio which has reduced to 66.2% from 97.2% as compared to same period last year. Based on prudence, the Bank recorded an additional provisioning against any potential non-performing financings, and posted profit after tax of Rs. 973 million for the nine months ended September 30, 2019 which is around 8.8 times higher than profit after tax of Rs. 99 million posted for the same period last year.

At the end of September 2019, the Bank's Capital Adequacy Ratio (CAR) stood at 15.55% against the statutory requirement of 11.9%. To further strengthen its Tier 1 Capital base, the Bank has announced the right shares to the tune of Rs. 1,000 million. In addition, the Bank is also in the process of issuing listed Additional Tier 1 perpetual Sukuk of Rs. 2,000 million (including green shoe option of Rs. 500 million).

Achievements and New Initiatives

Alhamdulillah, BankIslami has maintained its status as one of the leading banks in home financing industry with over Rs. 2.3 billion disbursements during nine months ended September 2019. Moreover, on the Auto Finance business side, the Bank has successfully initiated one day approval process for all segments. The Bank has also launched a special promotional package for high end vehicles. Additionally, the Bank has performed various brand activation activities in collaboration with renowned auto manufactures.

In order to enhance the security around its card portfolio, the Bank has got its entire ATM network and Pay Pak cards EMV compliant. Further, the Bank during the period has promoted various products, along with term deposit offerings, through effective marketing campaigns on mobile, print & social media platforms. This has aided the Bank in generating significant and stable deposit base on a medium term horizon. Furthermore, on the wealth management front, BankIslami has successfully initiated Banca Takaful referral sales model in partnership with takaful window of EFU Life, which is one of the leading life assurance operators in the domain.

On the marketing and brand development side, the BankIslami organized number of activities during the period. Continuing its commitment towards supporting sports activities

in Pakistan, The Bank Sponsored the 2nd CAS open Sailing championship 2019 and 2nd Chairman JCSC Open Tennis Championship. The Bank also sponsored and participated in the 8th Annual Islamic Finance Expo and Conference (IFEC)- 2019. In order to reinforce its branch equity, BankIslami celebrated the Independence Day of Pakistan by developing a TVC promoting the theme of “Rejoicing the free spirit of One Nation” to show solidarity with the nation. Additionally, the marketing team also arranged interview of Syed Amir Ali, President & CEO of BankIslami with the media that allowed BankIslami to represent Islamic Banking Industry and put forward its perspective on the evolution of Pakistan and its economy.

BankIslami’s Shariah Department team, to expand Bank’s reach amongst business community, conducted various Islamic banking awareness programs to interact with general public and to address their queries on Islamic Banking concepts. The Shariah department also developed a Shariah Compliant alternative product for guarantee, foreign and local bill discounting through the Bank’s existing Running Musharakah product. This will add further ease in providing the bill and guarantee discounting services to our customers.

To improve overall service quality culture and standard of the Bank, 291 sessions were conducted across various branches of BankIslami on ‘Internal Service Measures’ whereby branches were advised on ways and techniques to improve the service delivery standards. The service quality team of the Bank also conducted various sessions on ‘Fair Treatment to Customers’ for new and existing staff to equip them in providing seamless service in the most compliant manner.

On the Risk management front, the Bank has made certain changes in its structure and formed a separate Enterprise Risk Management (ERM) unit. In order to implement ERM, a separate model has been prepared by integrating all the risk categories for effective assessment and evaluations. ERM prepares quarterly Enterprises Risk Model and presents its evaluations with suggestions to the senior management and the Board’s Risk Committee. The model covers almost all risk parameters including market risk, liquidity risk, operational risk, credit risk, cyber security risk etc.

Litigations

The detailed and updated status of litigations has been stated in note no. 20.3 of the financial statements.

Acknowledgment

The Board would like to place on record its deep appreciation to the State Bank of Pakistan for providing assistance and guidance. It would also like to thank the Securities and Exchange Commission of Pakistan and other regulatory authorities for their support. We would like to express our gratitude to our valued customers, business partners and shareholders for their continued patronage and trust. Moreover, we would also like to acknowledge the dedication, commitment and hard work put in by our management team and employees that has enabled BankIslami to achieve a prominent position in the Banking industry in general and Islamic Banking industry in particular; Alhamdulillah.

On behalf of the Board

-Sd-

Syed Amir Ali
President and Chief Executive Officer

October 23, 2019

-Sd-

Ali Hussain
Chairman of the Board

مجموعی سروس معیار کے کلچر اور بینک کے معیار کو بہتر بنانے کے لئے ”داخلی خدمات کے اقدامات“ پر بینک اسلامی کی متعدد برانچوں میں 291 سہنسر منعقد کئے گئے جس کے تحت برانچوں کو خدمات کے معیارات کو بہتر بنانے کے لئے مختلف طریقوں اور تکنیک پر مشورہ دیا گیا۔ بینک کی سروس کو الٹی ٹیم نے نئے اور موجودہ عملہ کو موافق انداز میں آسان طریقے سے خدمات کی فراہم کیلئے ”Fair Treatment to Customers“ کے عنوان سے متعدد سہنسر بھی منعقد کئے۔

رسک مینجمنٹ پر بینک نے اپنے ڈھانچہ میں کچھ تبدیلیاں کیں اور ایک علیحدہ انٹر پرائز رسک مینجمنٹ (ای آر ایم) یونٹ قائم کیا۔ ای آر ایم کے نفاذ کیلئے موثر تشخیص اور جائزہ کیلئے خطرے کی تمام ٹیکلیگز ریڈ کومر بوط کرتے ہوئے ایک علیحدہ ماڈل تیار کیا گیا۔ ای آر ایم سہ ماہی انٹر پرائز رسک ماڈل تیار کرتا ہے اور سفارشات کے ساتھ اس کی تشخیص سینٹر انتظامیہ اور بورڈ کی رسک کمیٹی کو پیش کرتا ہے۔ اس ماڈل میں مارکیٹ رسک، لیکویڈیٹی رسک، آپریشنل رسک، کریڈٹ رسک، سامبر سیکورٹی رسک وغیرہ سمیت خطرے کے تقریباً تمام پیرامیٹرز کا احاطہ کیا گیا۔

مقدمہ بازی

مقدمہ بازی کی تازہ ترین صورتحال اور تفصیل مالیاتی بیان کے نوٹ نمبر 20.3 میں بیان کی گئی ہے۔

اعتراف

بورڈ معاونت اور رہنمائی کے لئے اسٹیٹ بینک آف پاکستان کو سراہتا ہے۔ یہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کی جانب سے تعاون پر بھی شکریہ ادا کرنا چاہتا ہے۔ ہم اپنے معزز صارفین، کاروباری شراکت داروں اور شیئرز ہولڈرز کے مسلسل اعتماد کیلئے بھی شکریہ ادا کرنا چاہتے ہیں۔ اس کے علاوہ ہم اپنی انطالی ٹیم اور ملازمین کی جانب سے سخت محنت اور عزم کا بھی اعتراف کرتے ہیں جس کے باعث بینک اسلامی بالعموم بینکنگ انڈسٹری بالخصوص اسلامک بینکنگ انڈسٹری میں قابل احترام حیثیت حاصل کرنے کے قابل ہوا۔ الحمد للہ

منجانب بورڈ،

-Sd-

علی حسین

چیئر مین بورڈ

-Sd-

سید عامر علی

صدر/ چیف ایگزیکٹو آفیسر

23 اکتوبر 2019ء

Tier 1 کیپٹل میں کو مزید مستحکم کرتے ہوئے بینک نے 1,000 ملین کے رائٹ شیئرز کا اعلان کیا۔ اس کے علاوہ بینک 2,000 ملین روپے کے ایڈیشنل Tier 1 مستقل سکوک کے اجراء کے عمل میں بھی ہے۔ (بشمول 500 ملین روپے کے گرین شوآپشن)

کامیابیاں اور نئے اقدامات

الحمد للہ، بینک اسلامی نے ستمبر 2019ء کی ختم ہونے والی نو ماہی کے دوران ہوم فنانسنگ انڈسٹری میں 2.3 ارب روپے سے زائد رقم کی فراہمی کے ذریعے معروف بینک کا درجہ برقرار رکھا۔ علاوہ ازیں آٹو فنانس برنس میں بینک نے تمام Segment کے لئے ایک دن میں منظوری کے عمل کا کامیابی سے آغاز کیا۔ بینک نے بڑی گاڑیوں کے لئے خصوصی پروموشنل پیکیج کا بھی آغاز کیا۔ علاوہ ازیں بینک نے ممتاز آٹومینوفیکچرز کے تعاون سے متعدد برانڈ کیٹی ویشن سرگرمیاں بھی انجام دیں۔

اپنے کارڈ پورٹ فولیو کی سیکورٹی بڑھانے کے حوالے سے بینک نے اپنے پورے ای ٹی ایم نیٹ ورک اور پے پاک کارڈز کو EMV Compliant بنایا۔ علاوہ ازیں اس مدت کے دوران بینک نے موبائل، پرنٹ اور سوشل میڈیا پلیٹ فارمز پر موثر مارکیٹنگ مہمات کے ذریعے ٹرم ڈپازٹ آفرز سمیت متعدد مصنوعات کو فروغ دیا۔ اس نے درمیانی مدت کے مناسب اور مستحکم ڈیپازٹ میں پیدا کرنے میں بینک کی مدد کی۔ مزید برآں ویٹھ پیجمنٹ پر بینک اسلامی نے ای ایف یو جو ایک معروف لائف ایشرورٹس آپریٹر ہے، کے مکافصل ونڈو کے ساتھ شراکت داری کرتے ہوئے بینک کا مکافصل ریفرل سیلز ماڈل کا کامیابی سے آغاز کیا۔

مارکیٹنگ اور برانڈ ڈولپمنٹ کے تناظر میں بینک اسلامی نے اس عرصہ کے دوران متعدد سرگرمیوں کا انعقاد کیا۔ پاکستان میں کھیلوں کی سرگرمیوں میں اپنا تعاون جاری رکھتے ہوئے بینک نے دوسری CAS اوپن سیلنگ چیمپئن شپ 2019ء اور دوسری چیئر مین جے سی ایس سی اوپن ٹینس چیمپئن شپ کو سپانسر کیا۔

بینک نے آٹھویں سالانہ اسلامک فنانس ایکسپو کا نفرنس (آئی ایف ای سی) 2019ء کو سپانسر کیا اور اس میں شرکت کی۔ اپنی برانچ ایکویٹی کو مضبوط بنانے کے لئے بینک اسلامی نے قوم کے ساتھ یکجہتی کے اظہار کے لئے "Rejoicing the free spirit of One Nation" کے عنوان کو فروغ دینے کے لئے ٹی وی سی تیار کر کے یوم پاکستان منایا۔ اس کے علاوہ مارکیٹنگ ٹیم نے میڈیا کے ساتھ بینک اسلامی کے صدر اور سی ای او سید عامر علی کے انٹرویو کا بھی اہتمام کیا جس سے بینک اسلامی کو اسلامی بینکنگ انڈسٹری میں نمائندگی اور پاکستان اور اس کی معیشت کے ارتقاء کے بارے میں اپنا نقطہ نظر پیش کا موقع ملا۔

بینک اسلامی کے شریعہ ڈیپارٹمنٹ کی ٹیم نے تاجر برادری کے مابین بینک کو رسائی فراہم کرنے اور عام لوگوں سے بات چیت کرنے اور اسلامک بینکنگ کے تصورات پر ان کے خدشات کو دور کرنے کے لئے متعدد اسلامک بینکنگ آگاہی پروگرامز کا انعقاد کیا۔ شریعہ ڈیپارٹمنٹ نے، Guarantee Foreign and Local Bill Discounting کیلئے بینک کی موجودہ مشارکہ مصنوعات کے ذریعے شرعی اصولوں کے مطابق متبادل مصنوعات بھی تیار کیں۔ اس سے ہمارے صارفین کو Bill and Guarantee Discounting کی فراہمی میں مزید آسانی ہوگی۔

نئی مصنوعات کے تعارف اور موثر مارکیٹنگ سرگرمی کی وجہ سے ڈیپازٹ میں اضافہ ہوا۔ بینک کے بڑے آمدن کے حامل اثاثہ جات میں بھی اضافہ دیکھا گیا بالخصوص (i) بیج منوئیل ٹریڈری ٹرانزیکشن (ii) اسلامک فنانسنگ اور (iii) انوسٹمنٹ پورٹ فولیو میں اضافہ حکومت پاکستان کے جاری کردہ پاکستان انرجی سکوک میں مختص کردہ فنڈز کے ذریعے دیکھا گیا۔

ریکوری ٹیم کی جانب سے فعال نگرانی اور کوششوں کے باعث بینک کی مجموعی متاثرہ شرح میں 30 ستمبر 2018ء کو 13.6 فیصد کے مقابلہ میں 30 ستمبر 2019ء کو 10.6 فیصد تک کمی ہوئی۔ بینک نے غیر فعال فنانسنگ پورٹ فولیو کے خلاف تیز ترین پروڈنگ کی جس کے نتیجے میں بینک کی کوریج شرح (بشمول جنرل پروڈنگ) ستمبر 2018ء کے آخر میں 71.1 فیصد سے بڑھ کر ستمبر 2019ء تک 82.4 فیصد ہو گئی۔

ایس بی پی پالیسی رٹس میں اضافہ کے باعث اوسط آمدن والے اثاثوں میں مثبت تبدیلی اضافہ کے تناظر میں بینک کی مجموعی ٹاپ لائن میں گزشتہ سال کے اسی عرصہ کے مقابلہ میں 87.6 فیصد تک بہتری آئی۔ اس کی وجہ سے بینک کا نیٹ سپرٹڈ بہتر ہوا جو گزشتہ سال کے اسی عرصہ کے دوران 4,203 ملین روپے سے بڑھ کر 7,417 ملین روپے ہو گیا جو کہ 76.5 فیصد کی متاثر کن نمو پیش کرتا ہے۔ تاہم 'Leases' IFRS-16 کے نفاذ کی وجہ سے اجارہ (Lease) لائسنس ریکارڈ کی گئی فنانس کاسٹ کے اثر کے باعث نیٹ سپرٹڈ مارجن میں کمی واقع ہوئی۔ (مالیاتی بیانات کا نوٹ 3.1.2 دیکھیں)۔

بینک کی نان فنڈڈ آمدنی میں 75.97 ملین روپے کی کمی کی اہم وجہ گزشتہ سال اسی عرصہ کے دوران بک کیا گیا کیمپوئل منافع اور ڈیبٹ کارڈ کی آمدنی میں کمی ہے۔

آپریٹنگ اخراجات میں 9.3 فیصد اضافے کی اہم وجہ بڑھتے ہوئے کاروباری حجم سے منسلک متغیر اخراجات، بینک کے آئی ٹی انفراسٹرکچر میں بہتری، SBP کی جانب سے ڈیپازٹ پروٹیکشن اسکیم کو متعارف کرانے کے ضمن میں انشورس اخراجات میں اضافہ اور افراط زر کے دباؤ میں اضافہ ہے۔ مزید برآں ان مالیاتی بیانات کے نوٹ 3.1.2 میں تفصیل سے بیان کئے گئے IFRS 16 "Leases" کے نفاذ کے حوالے سے Depreciation اخراجات میں گزشتہ سال کی اسی مدت کے مقابلہ میں اضافہ ہوا جس میں عمارتوں کے کرایوں کے اخراجات میں کمی کے ذریعے کافی حد تک تلافی کی گئی ہے۔ اگر IFRS-16 کا اطلاق نہ کیا جاتا تو ختم ہونے والے نو ماہ کیلئے منافع بعد از ٹیکس 171.1 ملین روپے تک زیادہ ہوتا۔

آمدنی میں نمایاں اضافہ اور انتظامی اخراجات پر کنٹرول کی وجہ سے زیر جائزہ مدت کے دوران بینک اسلامی کے آپریٹنگ منافع میں 2,784 ملین روپے کی بہتری آئی جو گزشتہ سال کی اسی مدت کے دوران ظاہر کئے گئے آپریٹنگ منافع 144 ملین روپے سے 18.3 گنا زائد ہے۔ الحمد للہ آمدنی کے تناسب سے لاگت میں بھی بہتری دیکھی گئی جو گزشتہ سال کی اسی مدت کے مقابلہ میں 97.2 فیصد سے کم ہو کر 66.2 فیصد ہو گئی۔ مثبت طرے سے بینک نے کسی بھی ممکنہ غیر فعال فنانسنگ پر اضافی پروڈنگ ریکارڈ کی اور 30 ستمبر 2019ء کو ختم ہونے والی نو ماہی کے لئے 973 ملین روپے کا بعد از ٹیکس منافع حاصل کیا جو گزشتہ سال کے اسی عرصہ کے لئے 99 ملین روپے کے بعد از ٹیکس منافع سے تقریباً 8.8 گنا زائد ہے۔

ستمبر 2019ء کے اختتام پر بینک کی کیمپوئل ایڈوکسی ریشو (CAR) 15.55 فیصد رہی جو کہ 11.90 فیصد کی ریگولیٹری حد سے اوپر ہے۔ اپنے

ڈائریکٹر رپورٹ

معزز حاملین حصص

بورڈ کی جانب سے ہم 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کے لئے بینک اسلامی پاکستان لمیٹڈ ("بینک اسلامی" یا "بینک") کے مالیاتی نتائج پیش کرنے پر خوشی محسوس کر رہے ہیں۔ اس عرصہ کے اہم مالیاتی نکات درج ذیل ہیں۔

تفصیلات	ستمبر 2019ء	ستمبر 2018ء	نمو
	روپے بلین میں		
مجموعی ڈیپازٹس*	213,211	174,303	22.30%
مجموعی اثاثے*	263,052	209,031	25.80%
مجموعی فنانسنگ اور متعلقہ اثاثے - صافی	124,210	108,767	14.20%
مجموعی سرمایہ کاریاں - صافی	56,065	46,490	20.60%
کل اثاثے	15,451	13,393	15.40%
Net Spread آمدن*	7,417	4,203	76.50%
آپریٹنگ منافع Provision سے پہلے	2,784	144	18.3 times
منافع بعد از ٹیکس	973	99	8.8 times
بنیادی آمدن فی حصص (روپے)	0.9650	0.0985	8.8 times
برانچ نیٹ ورک (تعداد)	330	330	-

* رپورٹنگ فارمیٹ میں تبدیلی کی وجہ سے تقابلی اعداد و شمار کا اعادہ کیا گیا ہے۔

مالیاتی کارکردگی

زیر جائزہ مدت کے دوران بینکنگ کے شعبہ کو ملک کی موجودہ معاشی صورتحال اور کاروباری لاگت میں اضافے کی وجہ سے لاگت، ڈپازٹ پروٹیکشن اسکیم کی لاگت اور اکاؤنٹنگ کے نئے معیارات کے نفاذ کی وجہ سے پیدا ہونے والے چیلنجز کا سامنا کرنا پڑا۔ جبکہ ان چیلنجز سے آگاہ رہتے ہوئے بینک اسلامی نے موثر انداز میں ملک بھر کے تمام رہنجنز کی فعال شرکت کے ساتھ اپنے منظم برانچ نیٹ ورک کی مضبوطی سے ترقی جاری رکھی جس نے بیلنس شیٹ میں مضبوط نمو حاصل کرنے میں بینک کی مدد کی۔ جس کے نتیجے میں بینک اسلامی کے ڈیپازٹ بینس اور مجموعی اثاثوں میں گزشتہ سال کے اسی عرصے کے مقابلے میں بالترتیب 22.3 فیصد اور 25.8 فیصد اضافہ ہوا۔

Condensed Interim Unconsolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	10,718,259	14,292,752
Balances with other banks	7	894,227	832,621
Due from financial institutions - net	8	36,896,649	18,173,504
Investments - net	9	56,064,590	38,832,093
Islamic financing, related assets and advances - net	10	124,209,568	118,570,811
Fixed assets	11	12,887,643	6,663,467
Intangible assets	12	3,105,177	3,121,906
Deferred tax assets	13	7,231,111	7,530,221
Other assets - net	14	11,044,649	7,725,881
Total Assets		263,051,873	215,743,256
LIABILITIES			
Bills payable	15	3,168,400	3,242,180
Due to financial institutions	16	19,173,268	7,819,532
Deposits and other accounts	17	213,211,170	184,693,363
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	12,047,666	5,473,366
		<u>247,600,504</u>	<u>201,228,441</u>
NET ASSETS		15,451,369	14,514,815
REPRESENTED BY			
Share capital - net		10,000,079	10,000,079
Reserves		968,799	968,799
Surplus on revaluation of assets - net of tax	19	1,590,315	1,850,647
Unappropriated profit		2,892,176	1,695,290
		<u>15,451,369</u>	<u>14,514,815</u>
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 36 form an integral part of these condensed interim unconsolidated financial statements.

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Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Quarter Ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Rupees in '000				
Profit / return earned	21	6,228,367	2,945,520	16,093,787
Profit / return expensed	22	3,675,053	1,473,518	8,676,814
Net Profit / return		2,553,314	7,416,973	4,202,868
OTHER INCOME				
Fee and commission income	23	138,213	217,898	467,003
Dividend income		-	10,791	8,597
Foreign exchange income		33,384	37,527	139,592
Gain / (Loss) on securities	24	10,672	49,510	28,253
Other income	25	117,548	22,336	179,416
Total other income		299,817	338,062	898,830
Total Income		2,853,131	1,810,064	8,239,834
OTHER EXPENSES				
Operating expenses	26	1,843,302	1,763,250	5,387,366
Workers' Welfare Fund		14,213	-	31,746
Other charges	27	136	25,144	36,316
Total other expenses		1,857,651	1,788,394	5,455,428
Profit before provisions		995,480	21,670	2,784,406
Provisions and write offs - net	28	361,053	(44,730)	1,255,315
Extraordinary / unusual items		-	-	-
PROFIT BEFORE TAXATION		634,427	66,400	1,529,091
Taxation	29	242,603	32,533	556,496
PROFIT AFTER TAXATION		391,824	33,867	972,595
Rupees				
Basic earnings per share	30	0.3887	0.0336	0.9650
Diluted earnings per share	30	0.3887	0.0336	0.9650

The annexed notes 1 to 36 form an integral part of these condensed interim unconsolidated financial statements.

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Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

	Restated		Restated	
	Quarter Ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Rupees in '000			
Profit after taxation for the period attributable to:	391,824	33,867	972,595	99,316
Other Comprehensive Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax	(35,459)	(217,332)	(36,041)	(382,538)
Items that will not be reclassified to profit and loss account in subsequent periods	-	-	-	-
Total comprehensive income	<u>356,365</u>	<u>(183,465)</u>	<u>936,554</u>	<u>(283,222)</u>

The annexed notes 1 to 36 form an integral part of these condensed interim unconsolidated financial statements.

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Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share capital	Discount on issue of shares	Statutory reserve	Revenue Reserve for bad debts & contingencies	Investment	Surplus/(Deficit) on revaluation of Fixed / Non Banking Assets	Unappropriated profit	Total
Rupees in '000								
Balance as at December 31, 2017 (restated)	10,079,121	(79,042)	676,266	250,000	269,896	1,006,444	1,473,784	13,676,469
Profit after taxation for the nine months ended September 30, 2018	-	-	-	-	-	-	99,316	99,316
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	(382,538)	-	-	(382,538)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	(382,538)	-	99,316	(283,222)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(7,692)	7,692	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(231)	231	-
Balance as at September 30, 2018 (restated)	10,079,121	(79,042)	676,266	250,000	(112,642)	998,521	1,581,023	13,393,247
Profit after taxation for the period from October 01, 2018 to December 31, 2018	-	-	-	-	-	-	113,348	113,348
Other comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	122,630	881,518	4,072	1,008,220
Total comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	122,630	881,518	117,420	1,121,568
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(2,706)	2,706	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(77)	77	-
Transfer from surplus on revaluation of non-banking assets on sale	-	-	-	-	-	(36,597)	36,597	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	9,988	1,840,659	1,695,290	14,514,815
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	972,595	972,595
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(36,041)	-	-	(36,041)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(36,041)	-	972,595	936,554
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(11,038)	11,038	-
Transfer from surplus on revaluation of non banking assets - net of tax	-	-	-	-	-	(319)	319	-
Surplus on revaluation of fixed assets transferred to unappropriated profit	-	-	-	-	-	(16,619)	16,619	-
Transfer from surplus on revaluation of non-banking assets on sale	-	-	-	-	-	(196,315)	196,315	-
Balance as at September 30, 2019	10,079,121	(79,042)	718,799	250,000	(26,053)	1,616,368	2,892,176	15,451,369

The annexed notes 1 to 36 form an integral part of these condensed interim unconsolidated financial statements.

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Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Note	September 30, 2019	Restated September 30, 2018
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,529,091	161,156
Less: Dividend Income		(8,597)	(17,409)
		1,520,494	143,747
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		491,657	506,484
Depreciation on non banking assets	26	3,016	4,994
Depreciation on right-of-use assets		556,918	-
Amortization		54,022	48,432
Depreciation on operating Ijarah assets		660,955	891,004
Finance cost on Ijarah (lease) liabilities	22	351,042	-
Provisions and write offs - net	28	1,255,315	(17,076)
Unrealized gain on revaluation of investments classified as held for trading	24	(105,204)	(2,538)
Charge for defined benefit plan		67,503	57,303
Gain on sale of property and equipment	25	(10,315)	(8,277)
Gain on sale of non-banking assets	25	(105,204)	(1,038)
		3,324,909	1,479,288
		4,845,403	1,623,035
(Increase) / decrease in operating assets			
Due from financial institutions		(18,723,145)	4,516,198
Held-for-trading securities		144,537	(415,395)
Islamic financing and related assets and advances		(7,118,444)	9,519,344
Others assets		(3,660,312)	(1,426,711)
		(29,357,364)	12,193,436
Increase / (decrease) in operating liabilities			
Bills payable		(73,780)	(423,939)
Due to financial institutions		11,353,736	(4,947,371)
Deposits and other accounts		28,517,807	(3,822,716)
Other liabilities (excluding current taxation)		2,476,531	55,065
		42,274,294	(9,138,961)
		17,762,333	4,677,510
Income tax paid		(227,571)	(137,112)
Net cash generated from operating activities		17,534,762	4,540,398
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(17,470,022)	(4,356,349)
Dividend received		8,597	17,409
Payment of ijarah (lease) liability against right-of-use assets		(619,410)	-
Investments in fixed assets		(2,991,373)	(288,703)
Investments in intangible assets		(37,293)	(39,113)
Proceeds from disposal of operating fixed assets		61,852	9,226
Net cash used in investing activities		(21,047,649)	(4,657,530)
		(3,512,887)	(117,132)
Decrease in cash and cash equivalents		15,125,373	12,585,987
Cash and cash equivalents at the beginning of the period		11,612,486	12,468,855
Cash and cash equivalents at the end of the period			

The annexed notes 1 to 36 form an integral part of these condensed interim unconsolidated financial statements.

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Notes to and forming part of the condensed interim unconsolidated financial statements (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

1. STATUS AND NATURE OF BUSINESS

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Bank is operating through 330 branches including 81 sub-branches as at September 30, 2019 (December 31, 2018: 330 branches including 81 sub-branches). The registered office of the Bank is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and notified under 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; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 2.2 During the period, the SBP, vide its BPRD Circular No. 05, dated: March 22, 2019, issued the revised forms for the preparation of the interim financial statements of

banks, to bring it in line with the annual financial statements format, issued vide BPRD Circular No. 2 of 2018. The revised forms for the preparation of the interim financial statements are applicable for periods beginning on or after January 01, 2019. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the financial statements.

The Bank has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current period's presentation.

- 2.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services.

With regards to IFRS 9 - Financial Instruments, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instructions on the application of IFRS 9 for the banking sector of Pakistan.

Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim unconsolidated financial statements.

- 2.4 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". This condensed interim unconsolidated financial statements does not include all the statements and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2018.
- 2.5 These condensed interim financial statements are separate condensed interim unconsolidated financial statements of the Bank in which investments in subsidiaries and associates are carried at cost less accumulated impairment losses, if any, and are not consolidated. The condensed interim consolidated financial statements of the Group is being issued separately.
- 2.6 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes.

The purchases and sales arising under these arrangements are not reflected in these condensed interim unconsolidated financial statements as such but are restricted to the

amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable as directed by the Shariah Board of the Bank.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2018, except as described below:

3.1 Amendments to accounting and reporting standards that are effective in the current period

3.1.1 There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these condensed interim unconsolidated financial statements, except as stated below:

3.1.2 During the period, the SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee) and accordingly, the Bank has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Ijarah contracts where the Bank acts as Mujiir (lessor).

The Bank has lease contracts in the capacity of lessee for various properties used by the Bank's branches. The Bank has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Bank. The Bank has recognised right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognised/ classified as rent expense. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental financing rate at the date of initial application. Right of use asset is depreciated over lease term and classified as depreciation expense.

The overall impact of the initial application of IFRS 16 on these condensed interim unconsolidated financial statements is summarised below:

- Right of Use (RoU) assets recognised as Fixed assets - increased by Rs. 4,184.116 million.
- Ijarah (lease) liabilities recognised as Other liabilities - increased by Rs. 4,112.556 million.
- Profit after tax for the nine months ended September 30, 2019 decreased by Rs. 171.114 million.

Had this standard not been applied, assets and liabilities would have been lower by Rs. 3,779.012 million and Rs. 4,000.203 million respectively. Rent expense would have been higher by Rs. 627.445 million and depreciation charge and finance cost on ijarah (lease) liability would have been lower by Rs. 556.918 million and Rs. 351.042 million respectively.

New accounting policies of the Bank upon adoption of IFRS 16 are:

Right-of-use (ROU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities and prepayments. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Bank recognises ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the Ijarah (lease) term. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

3.2 Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments	Effective date
	(accounting periods beginning on or after)
- Definition of a Business – Amendments to IFRS 3	January 01, 2020
- Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
- The Conceptual Framework for Financial Reporting	January 01, 2020
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
FRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2018.

5 FINANCIAL RISK MANAGEMENT

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

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
- local currency	4,308,422	3,619,317
- foreign currency	673,590	332,378
	4,982,012	3,951,695
With the State Bank of Pakistan in:		
- local currency current account	3,060,898	7,642,125
- foreign currency deposit accounts:		
- Cash Reserve Account	380,437	269,114
- Special Cash Reserve Account	458,932	323,549
- US Dollar Clearing Account	27,161	26,604
	866,530	619,267
With National Bank of Pakistan in:		
- local currency current account	1,780,459	2,079,665
Prize bonds	28,360	-
	10,718,259	14,292,752
7 BALANCES WITH OTHER BANKS		
In Pakistan:		
- in current accounts	2,861	2,416
- in deposit accounts	762	4,575
	3,623	6,991
Outside Pakistan:		
- in current accounts	890,604	825,630
	894,227	832,621

8 DUE FROM FINANCIAL INSTITUTIONS - NET

Note	(Un-audited)			(Audited)		
	September 30, 2019			December 31, 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000						
Secured						
Commodity Murabahah	-	-	-	1,913,199	-	1,913,199
Unsecured						
Commodity Murabahah	-	-	-	15,726,266	-	15,726,266
Wakalah Placement	8.1	- 1,016,375	1,016,375	-	534,039	534,039
Musharaka Placements	8.2	2,895,000	- 2,895,000	-	-	-
Bai Muajjal Receivable						
-from State Bank of Pakistan	8.3	6,172,475	- 6,172,475	-	-	-
-from Banks	8.4	8,918,221	- 8,918,221	-	-	-
-from Financial Institutions	8.5	17,894,578	- 17,894,578	-	-	-
Other placements		32,400	- 32,400	32,400	-	32,400
		35,912,674	1,016,375 36,929,049	17,671,865	534,039	18,205,904
Provision against placements		(32,400)	- (32,400)	(32,400)	-	(32,400)
		35,880,274	1,016,375 36,896,649	17,639,465	534,039	18,173,504

- 8.1 This represents foreign currency placements and the profit rates on these agreements range between 2.55% to 3.40% (December 31, 2018: 0.25% to 2.80%) per annum. The agreements have maturities ranging from 5 to 197 days (December 31, 2018: 42 days to 78 days).
- 8.2 The profit rates on Musharaka Placements range between 13.25% to 13.75% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 4 to 35 days (December 31, 2018: Nil).
- 8.3 The profit rates on Bai Muajjal from State Bank of Pakistan range between 10.50% to 10.60% (December 31, 2018: Nil) per annum and the agreements have maturities in 130 days (December 31, 2018: Nil).
- 8.4 The profit rate on Bai Muajjal from banks range between 13.25% to 13.75% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 2 to 14 days (December 31, 2018: Nil).
- 8.5 The profit rates on Bai Muajjal from other financial institutions range between 13% to 14.25% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 1 days to 184 days (December 31, 2018: Nil).

8.6 Securities held as collateral against amounts due from financial institutions

	(Un-audited) September 30, 2019			(Audited) December 31, 2018		
	Held by the Bank	Further Given as collateral	Total	Held by the Bank	Given as collateral	Total
	Rupees in '000					
Government of Pakistan						
Ijarah Sukuks	-	-	-	1,950,000	-	1,950,000

8.7 Category of classification

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Classified Placements	Provision held	Classified Placements	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	32,400	32,400	32,400	32,400
Total	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>

8.7.1 The Bank does not hold overseas classified placements.

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

9 INVESTMENTS - NET

Investments - Islamic	9.1 & 9.3	54,301,920	37,033,572
Investments - Conventional (relating to amalgamated entity)	9.2 & 9.4	<u>1,762,670</u>	<u>1,798,521</u>
		<u>56,064,590</u>	<u>38,832,093</u>

9.1 Islamic Investments by type

	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Held for trading securities								
Shares	-	-	-	-	164,223	-	(19,686)	144,537
Available for sale securities								
Federal Government Securities	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities	43,782,251	(35,880)	672	43,747,043	10,082,407	(35,880)	(1,479)	10,045,048
Mutual fund units	21	-	32	53	21	-	44	65
Shares	190,996	-	(21,691)	169,305	208,642	-	16,785	225,427
	54,279,104	(35,880)	(20,987)	54,222,237	36,802,783	35,880	17,243	36,784,146
Subsidiary	191,015	(111,332)	-	79,683	191,015	(86,126)	-	104,889
Total Islamic investments	<u>54,470,119</u>	<u>(147,212)</u>	<u>(20,987)</u>	<u>54,301,920</u>	<u>37,158,021</u>	<u>(122,006)</u>	<u>(2,443)</u>	<u>37,033,572</u>

9.2 Conventional Investments by type*

Note	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Available for sale securities								
Non Government Debt Securities	268,210	(268,210)	-	-	270,586	(270,586)	-	-
Shares	1,330,897	(718,970)	-	611,927	1,334,508	(684,853)	(1,877)	647,778
	1,599,107	(987,180)	-	611,927	1,605,094	(955,439)	(1,877)	647,778
Held to maturity securities								
Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
Associates	1,660,111	(1,032,169)	-	627,942	1,660,111	(1,032,169)	-	627,942
Subsidiaries	2,499,708	(1,976,907)	-	522,801	2,499,708	(1,976,907)	-	522,801
Total conventional investments	6,080,527	(4,317,857)	-	1,762,670	6,086,514	(4,286,116)	(1,877)	1,798,521

9.3 Islamic Investments by segments

Federal Government Securities								
GOP Ijarah Sukuks	-	-	-	-	26,511,713	-	1,893	26,513,606
Bai Muajjal	10,305,836	-	-	10,305,836	-	-	-	-
	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities								
Pakistan Energy Sukuk-I guaranteed by the Government of Pakistan	34,835,000	-	-	34,835,000	-	-	-	-
Sukuk certificates - unlisted	8,947,251	(35,880)	672	8,912,043	10,082,407	(35,880)	(1,479)	10,045,048
	43,782,251	(35,880)	672	43,747,043	10,082,407	(35,880)	(1,479)	10,045,048
Mutual fund units								
Units of open-end mutual funds	21	-	32	53	21	-	44	65
Shares								
Ordinary shares of listed companies	190,996	-	(21,691)	169,305	372,865	-	(2,901)	369,964
Subsidiary								
BankIslami Modaraba Investments Limited	191,015	(111,332)	-	79,683	191,015	(86,126)	-	104,889
	54,470,119	(147,212)	(20,987)	54,301,920	37,158,021	(122,006)	(2,443)	37,033,572

9.3.1 During the period, the Bank invested Rs 35 billion in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

Note	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
9.4 Conventional Investments by segments*								
Non Government Debt Securities								
Listed	90,388	(90,388)	-	-	92,764	(92,764)	-	-
Unlisted	499,423	(499,423)	-	-	499,423	(499,423)	-	-
	589,811	(589,811)	-	-	592,187	(592,187)	-	-
Shares								
Listed Companies	141,867	(107,615)	-	34,252	145,478	(73,498)	(1,877)	70,103
Unlisted Companies	33,680	(33,680)	-	-	33,680	(33,680)	-	-
	175,547	(141,295)	-	34,252	179,158	(107,178)	(1,877)	70,103
Foreign securities								
Equity securities	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-	577,675
Associates - Unlisted								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	558,000	(558,000)	-	-	558,000	(558,000)	-	-
Shakarganj Food Products Limited	627,942	-	-	627,942	627,942	-	-	627,942
	1,660,111	(1,032,169)	-	627,942	1,660,111	(1,032,169)	-	627,942
Subsidiaries								
BIPL Securities Limited	2,394,937	(1,872,136)	-	522,801	2,394,937	(1,872,136)	-	522,801
My Solutions Corporation Limited	104,771	(104,771)	-	-	104,771	(104,771)	-	-
	2,499,708	(1,976,907)	-	522,801	2,499,708	(1,976,907)	-	522,801
	6,080,527	(4,317,857)	-	1,762,670	6,086,514	(4,286,116)	(1,877)	1,798,521

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

9.5 Investments given as collateral

Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Federal Government Securities	5,000,000	5,000,000

9.6 Provision for diminution in value of investments

9.6.1 Opening balance

4,408,122 5,100,858

Charge / (reversal)

Charge for the period / year

59,323 73,426

Reversals for the period / year

(2,376) (12,043)

Provision for diminution in value
of investments - net

28 56,947 61,383

Amounts written off

- (754,119)

Closing Balance

9.6.1.1 4,465,069 4,408,122

9.6.1.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic

147,212 122,006

Investments - Conventional

4,317,857 4,286,116

4,465,069 4,408,122

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non-performing investments	Specific Provision	Non-performing investments	Specific Provision
Rupees in '000				
9.6.2 Particulars of provision against debt securities				
Category of classification				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	901,942	625,691	904,318	628,067
Total	901,942	625,691	904,318	628,067

9.6.2.1 The Bank does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Islamic financing and related assets - net	10.1	123,876,794	118,087,795
Advances (relating to amalgamated entity) - net	10.2	332,774	483,016
		124,209,568	118,570,811

10.1 ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total	
	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000						
In Pakistan						
- Running Musharakah	28,345,115	22,058,948	-	2,345,510	28,345,115	24,404,458
- Diminishing Musharakah financing and related assets - Others	10.3 22,401,365	19,510,716	1,268,562	1,085,397	23,669,927	20,596,113
- Muswammah financing and related assets / Karobar financing	10.4 13,119,428	14,654,320	1,467,626	577,934	14,587,054	15,232,254
- Istisna financing and related assets	10.5 14,552,024	14,148,931	856,216	922,480	15,408,240	15,071,411
- Diminishing Musharakah - Housing	12,234,991	12,489,541	1,246,629	896,876	13,481,620	13,386,417
- Murabahah financing and related assets	7,604,320	9,498,668	851,617	396,904	8,455,937	9,895,572
- Diminishing Musharakah financing and related assets - Auto	10,028,484	8,394,715	105,509	52,478	10,133,993	8,447,193
- Investment Agency Wakalah	6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Ijarah financing under IFAS 2 and related assets	10.7 2,647,940	3,641,357	219,747	240,051	2,867,687	3,881,408
- Financing to employees	2,767,469	2,507,961	146,816	95,490	2,914,285	2,603,451
- Qardh e Hasana	204,862	205,099	571,851	394,095	776,713	599,194
- Murabahah against Bills	604,329	169,671	892	-	605,221	169,671
- Salam	99,999	143,935	337	337	100,336	144,272
- Post Due Acceptance	158,294	108,728	-	-	158,294	108,728
- Housing finance portfolio - others	33,786	37,819	-	-	33,786	37,819
- Net investment in Ijarah financing in Pakistan	27,589	36,543	8,198	-	35,787	36,543
- Musharakah financing	280,000	-	-	-	280,000	-
Gross financing and related assets	121,359,995	113,856,952	6,744,000	7,007,552	128,103,995	120,864,504

Less: Provision against non-performing Islamic financing and related assets

- Specific	10.13 & 10.14	-	-	(3,600,292)	(2,546,436)	(3,600,292)	(2,546,436)
- General	10.13 & 10.14	(626,909)	(230,273)	(292)	-	(626,909)	(230,273)
		(626,909)	(230,273)	(3,600,292)	(2,546,436)	(4,227,201)	(2,776,709)
Islamic financing and related assets-net of provisions		120,733,086	113,626,679	3,143,708	4,461,116	123,876,794	118,087,795

10.2 ADVANCES

Note	Performing		Non Performing		Total	
	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000					
Loans, cash credits, running finances, etc. - In Pakistan*	200,487	194,852	6,314,780	7,218,699	6,515,267	7,413,551
Net investment in finance lease - In Pakistan	-	255	582,185	584,988	582,185	585,243
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan	-	122,451	714,646	592,195	714,646	714,646
Advances - gross	200,487	317,558	7,611,611	8,395,882	7,812,098	8,713,440
Provision against advances						
- Specific	10.13 & 10.14	-	(7,603,149)	(8,386,515)	(7,603,149)	(8,386,515)
- General	10.13 & 10.14	(67)	(369)	-	(67)	(369)
			(7,603,149)	(8,386,515)	(7,603,216)	(8,386,884)
Advances - net of provision	200,420	317,189	8,462	9,367	208,882	326,556
Fair Value adjustment	10.15	-	123,892	156,460	123,892	156,460
Advances - net of provision and fair value adjustment	200,420	317,189	132,354	165,827	332,774	483,016

* This includes non-interest bearing financing facilities amounting to Rs. 79,944 million (December 31, 2018: Rs. 88,944 million).

10.3 Diminishing Musharakah financing and related assets - Others

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Diminishing Musharakah financing	23,384,869	20,542,427
Advance against Diminishing Musharakah financing	285,058	53,686
	23,669,927	20,596,113

10.4 Muswammah financing and related assets / Karobar financing

Muswammah financing	11,189,680	13,496,828
Advance against Muswammah financing	263,128	-
Muswammah inventories	3,134,246	1,735,426
	14,587,054	15,232,254

10.5 Istisna financing and related assets

Istisna financing	11,036,480	10,180,982
Advance against Istisna financing	4,371,760	4,624,429
Istisna inventories	-	266,000
	15,408,240	15,071,411

10.6 Murabahah financing and related assets

Murabahah financing	6,543,810	7,928,163
Deferred murabahah income	355,006	337,220
Advances against Murabaha financing	314,065	1,630,189
Murabaha Inventories	1,243,056	-
	8,455,937	9,895,572

10.7 Ijarah financing under IFAS 2 and related assets

Net book value of assets under IFAS 2	2,867,005	3,880,726
Advance against Ijarah financing	682	682
	2,867,687	3,881,408

10.8 Salam

Salam financing	25,337	52,305
Advance against Salam	74,999	91,967
	100,336	144,272

- 10.9 Murabahah financing and related assets includes financing amounting to Rs. 991.669 million (December 31, 2018: Rs. 600 million) and advance amounting to Rs. 171 million (December 31, 2018: Rs. 500 million) under Islamic Export Refinance Scheme.
- 10.10 Istisna financing and related assets includes financing amounting to Rs. 1,442.248 million (December 31, 2018: Rs. 901.300 million) and advance amounting to Rs. 562.300 million (December 31, 2018: Rs. 530.375 million) under Islamic Export Refinance Scheme.
- 10.11 Running musharakah financing and related assets includes financing amounting to Rs. 500 million (December 31, 2018: Nil) and advance amounting to Rs. 49 million (December 31, 2018: Nil) under Islamic Export Refinance Scheme.

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

10.12 Particulars of Islamic financing and related assets and advances - gross

In local currency	135,006,982	129,576,156
In foreign currency	909,111	1,788
	<u>135,916,093</u>	<u>129,577,944</u>

- 10.13 Islamic financing and related assets and advances include Rs. 14,355.611 million (December 31, 2018: Rs. 15,403.434 million) which have been placed under non-performing status as detailed below:

Category of classification	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
Domestic				
Other assets especially mentioned	655,537	-	267,237	220
Substandard	1,900,466	335,056	3,079,994	87,997
Doubtful	714,001	253,638	523,501	112,035
Loss	<u>11,085,607</u>	<u>10,614,747</u>	<u>11,532,702</u>	<u>10,732,699</u>
Total	<u>14,355,611</u>	<u>11,203,441</u>	<u>15,403,434</u>	<u>10,932,951</u>

- 10.13.1 The Bank does not hold overseas classified non performing Islamic financing, related assets and advances.

10.14 Particulars of provision against non-performing Islamic financing, related assets and advances:

	(Un-audited) September 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
Charge for the period / year	1,179,023	396,334	1,575,357	824,518	6,764	831,282
Reversals for the period / year	(789,193)	-	(789,193)	(903,028)	-	(903,028)
	389,830	396,334	786,164	(78,510)	6,764	(71,746)
Amount written off	(119,340)	-	(119,340)	(438,608)	-	(438,608)
Closing balance	11,203,441	626,976	11,830,417	10,932,951	230,642	11,163,593

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

10.14.1 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account

Gross reversals	789,193	903,028
Charge for the period / year	(1,575,357)	(831,282)
	(786,164)	71,746
Fair value adjusted - net	(32,568)	(35,871)
Net (charge) / reversals taken to the profit and loss account	(818,732)	35,875

10.14.2 The Bank maintains general reserve (provision) amounting to Rs. 276.976 million (December 31, 2018: 230.642 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. Further, the Bank carries provision of Rs. 350 million (December 31, 2018: Nil) as a matter of prudence based on management estimates.

10.14.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at September 30, 2019 amounts to Rs. 346.496 million (December 31, 2018: Rs. 493.169 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 211.363 million (December 31, 2018: Rs. 320.560 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

10.15 Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

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

11 FIXED ASSETS

Capital work-in-progress	11.1	210,265	87,761
Property and equipment	11.2 & 11.3	8,898,365	6,575,706
Right of use assets	11.2	3,779,013	-
		<u>12,887,643</u>	<u>6,663,467</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors	169,665	87,761
Advance for acquiring properties: - Office premises	762,503	721,903
	932,168	809,664
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	<u>210,265</u>	<u>87,761</u>

(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
Rupees in '000	

11.2 Additions to fixed assets

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

Capital work-in-progress	157,840	10,969
Property and equipment		
Freehold / Leasehold land	1,895,503	-
Leasehold Building	582,139	-
Furniture and fixture	139,099	79,684
Electrical office and computer equipment	288,661	171,241
Vehicles	10,705	25,637
	2,916,107	276,562
Right of use assets		
Leasehold Building	3.1.2 4,335,931	-
Total	<u>7,409,878</u>	<u>287,531</u>

11.3 Disposal of fixed assets

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

Leasehold Building	51,529	-
Furniture and fixture	-	516
Electrical office and computer equipment	8	431
Vehicles	1	2
Total	<u>51,538</u>	<u>949</u>

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

12 INTANGIBLE ASSETS

Computer software	12.1	130,699	145,721
Core deposits		30,181	31,888
Customer list (Fully amortized)*		-	-
Goodwill		2,944,297	2,944,297
		<u>3,105,177</u>	<u>3,121,906</u>

* Customer list has been fully amortized in the year 2018

(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
Rupees in '000	

12.1 Additions to intangible assets

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

- Directly purchased	<u>42,448</u>	<u>40,285</u>
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12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period

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

13 DEFERRED TAX ASSETS

Deductible Temporary Differences on:

Accumulated tax losses	13.1	3,616,189	3,630,734
Tax credit against minimum tax		407,558	168,353
Provision for diminution in the value of investments		326,246	326,246
Provision against non-performing Islamic financing and related assets and advances		3,470,957	4,034,741
Provision for gratuity		21,253	21,253
Ijarah financing and related assets		263,747	179,937
Others		235,258	268,589
		<u>8,341,208</u>	<u>8,629,853</u>

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation		(347,296)	(272,996)
Accelerated tax depreciation		(32,816)	(77,419)
Surplus on revaluation of fixed assets	19	(625,132)	(640,023)
Surplus on revaluation of non-banking assets	19	(18,184)	(22,213)
Surplus on revaluation of available for sale securities	19	(5,066)	(5,378)
Net investment in finance lease		(81,603)	(81,603)
		<u>(1,110,097)</u>	<u>(1,099,632)</u>
		<u>7,231,111</u>	<u>7,530,221</u>

- 13.1 The Bank has aggregate tax losses of Rs. 10,331.969 million as at September 30, 2019 (December 31, 2018: Rs. 10,373.525 million) which includes tax losses of amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 3,616.189 million (December 31, 2018: Rs. 3,630.734 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisibility of the deferred tax asset.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000			
14 OTHER ASSETS - NET			
Profit / return accrued in local currency		5,692,356	2,549,844
Profit / return accrued in foreign currency		6,581	3,804
Advances, deposits, advance rent and other prepayments		844,691	754,090
Non-banking assets acquired in satisfaction of claims		2,049,259	2,462,019
Branch Adjustment Account		-	85,453
Insurance claim receivable		21,288	24,280
Receivable against First WAPDA Sukuk		50,000	50,000
Acceptances		1,836,147	944,025
Unrealized gain on forward foreign exchange contracts		88,683	25,489
Unrealized gain on future sale contracts		-	21,006
Amount held with financial institution	20.3.1.1	738,477	738,477
Others		437,331	361,851
		<u>11,764,813</u>	<u>8,020,338</u>
Less: Provision held against other assets	14.1	(934,405)	(678,959)
Other Assets (Net of Provision)		<u>10,830,408</u>	<u>7,341,379</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		214,241	384,502
Total - other assets		<u>11,044,649</u>	<u>7,725,881</u>
14.1 Provision held against other assets			
Advances, deposits, advance rent & other prepayments		26,692	26,692
Non banking assets acquired in satisfaction of claims		404,660	528,850
Amount held with financial institution	20.3.1.1	369,239	-
Others		133,814	123,417
	14.1.1	<u>934,405</u>	<u>678,959</u>
14.1.1 Movement in provision held against other assets			
Opening balance		678,959	668,897
Charge for the period / year		379,636	11,327
Reversals		-	(1,265)
Amount Written off		(124,190)	-
Closing balance		<u>934,405</u>	<u>678,959</u>

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

15 BILLS PAYABLE

In Pakistan	3,168,400	3,242,180
Outside Pakistan	-	-
	3,168,400	3,242,180

16 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan under
Islamic Export Refinance Scheme

3,553,000	2,496,675
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Acceptances from State Bank of Pakistan for
financial assistance

3,020,268	2,822,857
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Refinance facility for Islamic Mortgage

1,000,000	-
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Total secured

7,573,268	5,319,532
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Unsecured

Musharakah Acceptance

11,600,000	2,500,000
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Total unsecured

11,600,000	2,500,000
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19,173,268	7,819,532
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17 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2019 (Un-audited)			December 31, 2018 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000						
Customers						
Current deposits	61,049,000	2,893,129	63,942,129	57,544,632	1,571,063	59,115,695
Savings deposits	52,353,916	3,360,290	55,714,206	57,397,384	2,932,484	60,329,868
Term deposits	79,843,734	1,311,377	81,155,111	54,272,975	617,886	54,890,861
Others	480,661	19,343	500,004	438,238	17,697	455,935
	193,727,311	7,584,139	201,311,450	169,653,229	5,139,130	174,792,359
Financial Institutions						
Current deposits	147,867	11,669	159,536	162,566	11,425	173,991
Savings deposits	7,842,758	-	7,842,758	7,482,013	-	7,482,013
Term deposits	3,897,426	-	3,897,426	2,245,000	-	2,245,000
	11,888,051	11,669	11,899,720	9,889,579	11,425	9,901,004
	205,615,362	7,595,808	213,211,170	179,542,808	5,150,555	184,693,363

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

18 OTHER LIABILITIES

Profit / return payable in local currency	1,877,681	860,995
Profit / return payable in foreign currencies	17,939	9,837
Accrued expenses	567,159	500,693
Deferred Murabahah Income - Financing and IERS	175,576	173,447
Deferred Murabahah Income - Commodity Murabahah	-	17,561
Payable to defined benefit plan	4,880	4,880
Payable to defined contribution plan	17,995	2,917
Defined Benefit Plan liabilities	145,745	78,446
Security deposits against Ijarah	1,754,410	2,053,039
Ijarah (lease) Liability	3.1.2 4,000,203	-
Provision against off-balance sheet obligations	129,093	129,093
Acceptances	1,836,147	944,025
Receipt appropriation account	302,567	74,056
Current taxation (provisions less payments)	243,932	214,429
Provision against other tax liabilities	95,034	58,683
Sundry creditors	57,273	176,996
Payable to brokers against purchase of shares - net	-	33,444
Charity payable	8,427	12,966
Retention money payable	12,330	10,857
Provision for Workers' Welfare Fund	63,685	31,939
Branch adjustment account	39,349	-
Rental received in advance	618,555	-
Others	79,686	85,063
	<u>12,047,666</u>	<u>5,473,366</u>

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of:

Available for sale securities	9.1 & 9.2 (20,987)	15,366
Fixed Assets	2,076,991	2,119,539
Non-banking assets acquired in satisfaction of claims	182,693	383,356
	<u>2,238,697</u>	<u>2,518,261</u>
Deferred tax liability on surplus on revaluation of:	13	
Available for sale securities	(5,066)	(5,378)
Fixed Assets	(625,132)	(640,023)
Non-banking assets acquired in satisfaction of claims	(18,184)	(22,213)
	<u>(648,382)</u>	<u>(667,614)</u>
	<u>1,590,315</u>	<u>1,850,647</u>

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

20 CONTINGENCIES AND COMMITMENTS

- Guarantees	20.1	7,785,442	6,709,789
- Commitments	20.2	15,828,827	13,971,812
- Other contingent liabilities	20.3	2,303,168	2,453,168
		25,917,437	23,134,769

20.1 Guarantees:

Financial guarantees	82,182	123,320
Performance guarantees	6,263,201	4,701,791
Other guarantees	1,440,059	1,884,678
	7,785,442	6,709,789

20.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		9,205,796	3,706,280
Commitments in respect of:			
- forward foreign exchange contracts	20.2.1	2,883,933	2,870,624
- future sale of shares	20.2.2	-	(165,634)
- operating leases	20.2.3	-	4,913,424
Commitments for acquisition of:			
- operating fixed assets		205,634	198,145
- intangible assets		4,799	114,207
Other commitments	20.2.4	3,528,665	2,334,766
		15,828,827	13,971,812

20.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	12,214,466	9,694,236
Sale	(9,330,533)	(6,823,612)
	2,883,933	2,870,624

20.2.2 Shariah Compliant future sale of shares

Purchase	-	170
Sale	-	(165,804)
	-	(165,634)

20.2.3 Commitments in respect of operating leases 3.1.2

Not later than one year	-	160,769
Later than one year and not later than five years	-	1,524,244
Later than five years	-	3,228,411
	-	4,913,424

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

20.2.4 Other commitments

Bills for collection	3,528,665	2,334,766
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20.2.4.1 The Bank makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

20.3 Other contingent liabilities

Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt
Tax Contingencies

20.3.1	11,200	161,200
20.3.2	2,291,968	2,291,968
	2,303,168	2,453,168

There is no change in the status of legal, tax and other contingencies, as set out in note 23 to the annual financial statement of the Bank for the year ended December 31, 2018, except as stated below:

20.3.1 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

20.3.1.1 The Bank has filed suit no. 2038 of 2018 in Honorable High Court of Sindh against the international payment scheme and others along with an application for interim order restraining international payment scheme from deducting amounts aggregating to USD 6.1 million, relating to potential financial impact that may arise from a cybercrime incident. Following this incident, the local settlement bank deducted the above mentioned amount from the Bank's respective clearing account (refer note 14). The Honorable Court issued the stay order restraining the international payment scheme from taking any steps to debit the aforementioned amount. The management strongly believes that it substantially complied with actions required to be taken during the cybercrime incident involving an ATM Cash out. During the period, the international payment scheme filed an application for return of plaint on grounds of jurisdiction, which after arguments, has been dismissed by the Honorable Court. Further, the Bank on the advice of the international payment scheme has also conducted an independent review of the incident by engaging PCI Forensic Investigator (PFI) which could not forensically identify any malicious software / activity directly related to the cybercrime incident.

The management based on the advice of its legal counsel believes that it has a good arguable case and it is not liable to settle the amount of the fraudulent transactions since the Bank had immediately complied with all the necessary requirements (refer Note 14.1).

20.3.2 Tax Contingencies

20.3.2.1 For the tax years 2017 and 2018, the AJK tax authorities issued notices under section 122(5A) of the Income Tax Ordinance, 2001 and amended the return submitted by the Bank by adding / disallowing various expenses and worked out an additional tax liability of Rs. 46.165 million and Rs. 55.152 million for the tax years 2017 and 2018 respectively. The Bank filed an appeal against the said decision before CIRA which is pending adjudication.

	Note	(Un-audited) September 30, 2019	Restated (Un-audited) September 30, 2018
Rupees in '000			
21 PROFIT / RETURN EARNED			
Profit earned on:			
Financing		9,548,606	5,807,509
Investments		3,494,636	1,987,403
Placements		2,973,926	712,775
Others		76,619	71,769
		<u>16,093,787</u>	<u>8,579,456</u>
22 PROFIT / RETURN EXPENSED			
Deposits and other accounts		7,766,702	3,870,979
Due to financial institutions		496,247	505,412
Cost of foreign currency swaps against foreign currency deposits		62,823	197
Finance cost on Ijarah (lease) liabilities	3.1.2	<u>351,042</u>	-
		<u>8,676,814</u>	<u>4,376,588</u>
23 FEE AND COMMISSION INCOME			
Branch banking customer fees		32,309	68,169
Commission on bancatakaful		63,819	43,546
Card related fees		120,148	218,816
Commission on arrangement with financial institutions		25,003	14,443
Consumer finance related fees		19,116	20,319
Commission on guarantees		42,075	40,192
Investment banking fees		42,197	52,106
Commission on cash management		2,712	5,985
Commission on remittances including home remittances		32,602	41,048
Commission on trade		82,236	72,963
Others		4,786	9,558
		<u>467,003</u>	<u>587,145</u>
24 GAIN / (LOSS) ON SECURITIES			
Realized gain	24.1	28,253	90,804
Unrealized gain - held for trading		-	2,538
		<u>28,253</u>	<u>93,342</u>
24.1 Realized gain on:			
Federal Government Securities		2,487	1,000
Non-Government Debt Securities		20,039	-
Shares		5,727	89,804
		<u>28,253</u>	<u>90,804</u>

Note	(Un-audited)	Restated (Un-audited)
	September 30, 2019	September 30, 2018
Rupees in '000		

25 OTHER INCOME

Rent on property	6,419	5,755
Gain on termination of financing	48,308	43,656
Gain on sale of property and equipment	10,315	8,277
Gain on sale of non-banking assets	105,204	1,038
Recoveries against previously expensed items	8,383	5,720
Others	787	484
	<u>179,416</u>	<u>64,930</u>

26 OPERATING EXPENSES

Total compensation expense	2,197,635	2,060,440
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Property expense

Rent & taxes	80,216	708,142
Insurance	1,389	4,167
Utilities cost	279,127	243,656
Security (including guards)	245,978	236,018
Repair & maintenance (including janitorial charges)	104,269	78,853
Depreciation	214,716	231,601
Depreciation on right-of-use assets	556,918	-
Others	1,034	315
	<u>1,483,647</u>	<u>1,502,752</u>

Note	(Un-audited)	(Un-audited)
	September 30, 2019	September 30, 2018
Rupees in '000		

Information technology expenses

Software maintenance	105,455	74,708
Hardware maintenance	107,055	54,444
Depreciation	140,186	131,547
Amortization	52,314	46,723
Network charges	108,157	110,130
	<u>513,167</u>	<u>417,552</u>

(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
Rupees in '000	

Other operating expenses

Directors' fees and allowances	5,175	5,188
Fees and allowances to Shariah Board	9,643	5,677
Legal & professional charges	113,272	42,099
Travelling & conveyance	31,877	18,154
NIFT clearing charges	15,276	15,686
Depreciation	136,755	143,336
Depreciation on non banking assets	3,016	4,994
Entertainment expense	53,993	48,558
Training & development	6,804	13,609
Postage & courier charges	24,260	31,496
Communication	37,776	35,953
Stationery & printing	92,083	77,765
Marketing, advertisement & publicity	101,128	62,280
Repairs and maintenance	62,836	51,732
Takaful, tracker and other charges on car Ijarah	52,304	71,543
Insurance	197,391	91,623
Fee and subscription	56,540	81,911
Vehicle running and maintenance	94,765	70,441
Auditors Remuneration	8,608	7,147
Amortization	1,708	1,709
CDC and share registrar services	5,430	9,377
Brokerage and commission	10,314	8,675
Stamp duty, registration & verification charges	37,243	11,563
Others	34,720	39,230
	1,192,917	949,746
	5,387,366	4,930,490

27 OTHER CHARGES

Penalties imposed by the State Bank
of Pakistan

36,316	25,194
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Note	(Un-audited) September 30, 2019	Restated (Un-audited) September 30, 2018
Rupees in '000		

28 PROVISIONS AND WRITE OFFS - NET

Provision / (reversal of provision) for diminution in value of investments - net	9.6.1	56,947	(6,345)
Provision against Islamic financing and related assets and advances - net	10.14.1	818,732	(22,038)
Other provisions - net	14.1.1	379,636	11,307
		1,255,315	(17,076)

29 TAXATION

	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
Rupees in '000		
Current year	257,074	117,330
Deferred	299,422	(55,490)
	556,496	61,840

- 29.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years and transferred from the amalgamated entity.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the return of income for the tax years 2006 to 2018 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

30 BASIC AND DILUTED EARNINGS PER SHARE

Note	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Rupees in '000	
Profit after taxation for the period	972,595	99,316
	Number of Shares	
Weighted average number of ordinary shares in issue	1,007,912,090	1,007,912,090
	Rupees	
Earnings per share - basic / diluted	30.1	0.0985

- 30.1 There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2019 and September 30, 2018.

31 FAIR VALUE MEASUREMENTS

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

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

31.1 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 assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	September 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Shares	203,557	-	-	203,557
Non-Government Debt Securities	-	7,795,423	-	7,795,423
Units of open ended mutual funds	53	-	-	53
Non-Financial Assets - measured at fair value				
Operating fixed assets - Land and building	-	-	6,887,859	6,887,859
Non-banking assets	-	-	1,858,840	1,858,840
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	12,262,270	-	12,262,270
Forward sale of foreign exchange	-	9,476,395	-	9,476,395

December 31, 2018 (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	-	26,513,606	-	26,513,606
Shares	440,067	-	-	440,067
Non-Government Debt Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	65	-	-	65

Non-Financial Assets - measured at fair value

Operating fixed assets - Land and building	-	-	4,565,588	4,565,588
Non-banking assets	-	-	2,317,671	2,317,671

Off-balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Forward sale of foreign exchange	-	6,950,378	-	6,950,378

Shariah compliant future purchase of shares	161	-	-	161
Shariah compliant future sale of shares	144,789	-	-	144,789

Valuation techniques used in determination of fair values within level 2

Items	Valuation approach and input used
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

Valuation techniques used in determination of fair values within level 3

Operating fixed assets - Land and building	Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.
Non-banking assets	Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

31.2 The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

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

32 SEGMENT INFORMATION

32.1 Segment Details with respect to Business Activities

	September 30, 2019 (Un-audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Profit & Loss	Rupees in ' 000				
Net profit / return	5,943,454	(5,565,590)	6,962,491	76,618	7,416,973
Inter segment revenue - net	(5,013,344)	12,910,524	(7,897,180)	-	-
Total other income	201,445	319,161	168,925	133,330	822,861
Total Income	1,131,555	7,664,095	(765,764)	209,948	8,239,834
Segment direct expenses	43,579	3,182,396	57,133	2,172,320	5,455,428
Inter segment expense allocation	93,227	1,580,883	244,890	(1,919,000)	-
Total expenses	136,806	4,763,279	302,023	253,320	5,455,428
Provisions	56,947	148,844	658,891	390,633	1,255,315
Profit / (loss) before tax	937,802	2,751,972	(1,726,678)	(434,005)	1,529,091
Balance Sheet					
Assets					
Cash & Bank balances	3,758,833	7,853,653	-	-	11,612,486
Investments	56,064,590	-	-	-	56,064,590
Net inter segment lending	-	190,175,680	-	-	190,175,680
Due from financial institutions	36,896,649	-	-	-	36,896,649
Islamic financing and related assets - performing	-	26,078,573	92,491,360	2,723,391	121,293,324
- non-performing	-	1,168,400	1,628,709	119,135	2,916,244
Others	3,157,906	1,922,644	4,441,027	24,747,003	34,268,580
Total Assets	99,877,978	227,198,950	98,561,096	27,589,529	453,227,553
Liabilities					
Due to financial institutions	14,620,268	7,721,400	-	-	22,341,668
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	213,211,170	-	-	213,211,170
Net inter segment borrowing	85,209,596	-	95,529,822	9,436,262	190,175,680
Others	48,114	6,562,378	2,738,735	2,698,439	12,047,666
Total liabilities	99,877,978	227,494,948	98,268,557	12,134,701	437,776,184
Equity	-	-	-	15,451,369	15,451,369
Total Equity & liabilities	99,877,978	227,494,948	98,268,557	27,586,070	453,227,553
Contingencies & Commitments	2,883,933	-	16,991,238	6,042,266	25,917,437

Profit & Loss	Restated September 30, 2018 (Un-audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Net profit / return	2,228,719	(2,106,375)	4,006,643	73,881	4,202,868
Inter segment revenue - net	(2,188,981)	3,648,046	(1,459,065)	-	-
Total other income	246,755	463,153	164,880	24,042	898,830
Total Income	286,493	2,004,824	2,712,458	97,923	5,101,698
Segment direct expenses	12,584	2,629,753	235,927	2,079,354	4,957,618
Inter segment expense allocation	89,299	1,514,278	234,572	(1,838,149)	-
Total expenses	101,883	4,144,031	470,499	241,205	4,957,618
Provisions	(3,898)	24,466	(37,411)	(233)	(17,076)
Profit / (loss) before tax	188,508	(2,163,673)	2,279,370	(143,049)	161,156
(Audited) December 31, 2018					
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	Rupees in ' 000				
Balance Sheet					
Assets					
Cash & Bank balances	8,309,890	6,815,483	-	-	15,125,373
Investments	38,832,093	-	-	-	38,832,093
Net inter segment lending	-	156,041,540	-	-	156,041,540
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	22,423,321	89,165,423	2,511,581	114,100,325
- non-performing	-	746,700	3,649,429	74,357	4,470,486
Others	1,727,663	1,873,391	3,166,067	18,274,354	25,041,475
Total Assets	67,043,150	187,900,435	95,980,919	20,860,292	371,784,796
Liabilities					
Due to financial institutions	5,331,216	2,488,316	-	-	7,819,532
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	184,681,628	-	11,735	184,693,363
Net inter segment borrowing	61,630,487	-	94,411,053	-	156,041,540
Others	81,447	3,941,460	1,569,866	3,122,773	8,715,546
Total liabilities	67,043,150	191,111,404	95,980,919	3,134,508	357,269,981
Equity	-	-	-	14,514,815	14,514,815
Total Equity & liabilities	67,043,150	191,111,404	95,980,919	17,649,323	371,784,796
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

33 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans, its directors and Key Management Personnel.

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

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

	September 30, 2019 (Un-audited)					December 31, 2018 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Rupees in ' 000										
Investments										
Opening balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Investment made during the period	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	2,690,723	1,660,111	-	-	-	2,690,723	1,660,111	-
Provision for diminution in value of investments	-	-	(2,088,239)	(1,032,169)	-	-	-	(2,063,033)	(1,032,169)	-
Islamic financing and related assets										
Opening balance	25,280	364,505	256,850	392,853	461,667	27,464	184,202	162,777	582,084	1,880,378
Addition during the period	-	53,352	307,000	687,767	1,483,040	-	258,618	128,348	675,000	3,196,861
Repaid during the period	(2,045)	(46,805)	(408,549)	(566,014)	(1,149,775)	(2,184)	(82,809)	(34,275)	(864,231)	(4,180,572)
Transfer in / (out) - net	-	(184,767)	-	-	160,000	-	4,494	-	-	(435,000)
Closing balance	23,235	186,285	155,301	514,606	954,932	25,280	364,505	256,850	392,853	461,667
Other Assets										
Profit receivable on financings	114	62	6,257	7,965	35,889	135	118	782	8,225	15,470
Deposits and other accounts										
Opening balance	3,696	46,092	263,847	80,269	1,232,106	2,458	32,016	247,712	25,849	902,081
Received during the period	9,395	234,964	8,983,738	2,368,656	5,842,030	34,119	579,006	17,161,595	2,738,230	8,232,318
Withdrawn during the period (10,756)	-	(217,388)	(8,980,143)	(2,366,371)	(5,721,828)	(34,528)	(563,296)	(17,145,460)	(2,684,170)	(7,850,192)
Transfer in / (out) - net	-	(2,102)	-	-	-	1,647	(1,634)	-	360	(52,101)
Closing balance	2,335	61,566	267,442	82,554	1,352,308	3,696	46,092	263,847	80,269	1,232,106
Other Liabilities										
Profit / return payable	10	96	3,702	98	33,622	2	178	131	148	7,513
Contingencies and Commitments										
Other contingencies	-	-	-	17,728	21,612	-	-	-	19,760	91,572
	September 30, 2019 (Un-audited)					September 30, 2018 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income										
Profit / return earned	1,723	2,430	18,457	40,378	73,682	1,588	4,246	13,424	37,428	54,422
Other income	-	1,010	32	-	-	-	9	658	8,006	-
Expense										
Profit / return expensed	30	141	20,128	1,111	106,593	26	2	11,329	2,626	45,517
Other administrative expenses	3,336	4,094	571	92	-	2,131	1,462	253	214	-
Meeting Fee / Remuneration	5,175	117,795	-	-	-	5,188	143,672	-	-	-
Contribution to employees provident fund	-	-	-	-	68,439	-	-	-	-	65,396
Contribution to employees gratuity fund	-	-	-	-	67,503	-	-	-	-	57,303

34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,000,079	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	13,726,227	11,995,695
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	13,726,227	11,995,695
Eligible Tier 2 Capital	4,777,023	4,151,812
Total Eligible Capital (Tier 1 + Tier 2)	18,503,250	16,147,507
Risk Weighted Assets (RWAs):		
Credit Risk	106,224,166	94,255,376
Market Risk	1,511,052	1,373,209
Operational Risk	11,284,350	11,284,350
Total	119,019,568	106,912,935
Common Equity Tier 1 Capital Adequacy ratio	11.53%	11.22%
Tier 1 Capital Adequacy Ratio	11.53%	11.22%
Total Capital Adequacy Ratio	15.55%	15.10%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	13,726,227	11,995,695
Total Exposures	284,023,692	230,798,907
Leverage Ratio	4.83%	5.20%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	55,307,986	42,125,500
Total Net Cash Outflow	30,387,186	21,949,912
Liquidity Coverage Ratio	184.33%	191.92%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	214,841,865	187,439,582
Total Required Stable Funding	105,089,883	97,963,189
Net Stable Funding Ratio	204.44%	191.34%

35 GENERAL

35.1 Captions, as prescribed by BPRD Circular No. 02, dated: January 25, 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

35.2 These condensed interim unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

35.3 The figures in the financial statements have been rounded off to the nearest thousand rupee.

35.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

Transfer from	Transfer to	Aggregate
		Rupees in '000
Other Income - Other income	Other expenses - Other charges	1,620
Other Income - Other income	Other Income - Fee and commission income	1,148

36 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements was authorized for issue on October 23, 2019 by the Board of Directors of the Bank.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

Condensed Interim
Consolidated
Financial Statements of
BankIslami Pakistan Limited
For The Nine Months Ended
September 30, 2019

Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the consolidated financial results of the Group for the nine months ended September 30, 2019. Following are the key financial highlights for the period:

Particulars	September 2019	September 2019	Growth
	-----Rupees in millions-----		
Total Deposits*	213,164	174,127	22.40%
Total Assets*	264,354	210,096	25.80%
Total Financing and related assets-net	124,060	108,607	14.20%
Total Investments-net	56,543	46,861	20.70%
Net Assets	16,229	14,058	15.40%
Net Spread Earned	7,418	4,216	75.90%
Operating Profits before Provisions*	2,782	146	18 times
Profit After Tax	999	161	5.2 times
Branches network (number)	330	330	-

* comparative figures have been restated due to reclassification or change in reporting format.

The Group showed a persistent positive trend in its financial results for the nine months ended September 30, 2019, which is mainly attributable to progressing financial position of its Islamic Banking segment (the Bank). Total assets and deposits of the Group rose by 22.4% and 25.8%, respectively, as compared to September 30, 2019.

Growth in deposit base was driven by execution of effective deposit growth strategy which was underpinned by introduction of competitive products and extensive marketing by the Bank. In line with increase in sources, earning assets of the Group also improved with major increase emanating from placement of funds by the Bank towards (i) Bai Muajjal treasury transactions, (ii) Islamic Financing and (iii) high yielding Government of Pakistan backed Pakistan Energy Sukuk.

With the growth in Group's average earning assets, further supplemented rise in SBP policy rates, Group's overall net spreads increased by 75.9% compared to the same period last year. Together with this, improvement in cost to income ratio to 66.2% during the current period under review from 97.1% as compared to same period last year, supported the Group in generating a profit after tax of Rs. 999 million for the nine months ended September 30, 2019, which is 5.2 times higher than profit after tax for the same period last year, Alhamdulillah.

We would like to place on record our deep appreciation to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance. Also, we would like to express our gratitude to the employees of the Group for their contribution towards the Group's progress through their hard work and commitment.

On behalf of the Board,

Syed Amir Ali
President / Chief Executive Officer
October 23, 2019

Ali Hussain
Chairman of the Board

کی اسی مدت کے مقابلہ میں 75.9 فیصد تک اضافہ ہوا۔ اس کے ساتھ گزشتہ سال کی اسی مدت کے مقابلہ میں زیر جائزہ موجودہ مدت کے دوران لاگت سے آمدن کی شرح میں 97.1 فیصد سے 66.2 فیصد کی بہتری آئی جس سے گروپ نے 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کیلئے 999 ملین روپے کا بعد از ٹیکس منافع حاصل کیا جو کہ گزشتہ سال کے اسی عرصے کے منافع سے 5.2 گنا زائد ہے۔

ہم اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مسلسل رہنمائی اور معاونت پر گہرائی سے تعریف کرنا چاہتے ہیں۔ ہم گروپ کی ترقی کے لئے گروپ کے ملازمین کی سخت محنت اور عزم کو بھی سراہتے ہیں۔

منجانب بورڈ،

-Sd-

علی حسین

چیئر مین بورڈ

-Sd-

سید عامر علی

صدر/ چیف ایگزیکٹو آفیسر

23 اکتوبر 2019ء

ڈائریکٹر رپورٹ

معزز حاملین حصص

بورڈ کی جانب سے ہم 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کے لئے گروپ کے مضبوط مالیاتی نتائج پیش کرنے پر خوشی محسوس کر رہے ہیں۔ اس عرصہ کے اہم مالیاتی نکات درج ذیل ہیں:-

تفصیلات	ستمبر 2019ء	ستمبر 2018ء	نمو
	روپے ملین میں		
مجموعی ڈیپازٹس*	213,164	174,127	22.40%
مجموعی اثاثے*	264,354	210,096	25.80%
مجموعی فنانسنگ اور متعلقہ اثاثے - صافی	124,060	108,607	14.20%
مجموعی سرمایہ کاریاں - صافی	56,543	46,861	20.70%
کل اثاثے	16,229	14,058	15.40%
Net Spread آمدن*	7,418	4,216	75.90%
آپریٹنگ منافع Provision سے پہلے	2,782	146	18 times
منافع بعد از ٹیکس	999	161	5.2 times
برانچ نیٹ ورک (تعداد)	330	330	-

* رپورٹنگ فارمیٹ میں تبدیلی کی وجہ سے تقابلی اعداد و شمار کا اعادہ کیا گیا ہے۔

گروپ نے 30 ستمبر 2019ء کو ختم ہونے والے نو ماہ کیلئے اپنے مالیاتی نتائج میں مسلسل اضافہ کے رجحان کو ظاہر کیا ہے جو بنیادی طور پر اس کے اسلامک بینکنگ سیکٹ (دی بینک) کی مالی حیثیت میں ترقی کی وجہ سے منسوب ہے۔ گروپ کے مجموعی اثاثوں اور ڈیپازٹس میں 30 ستمبر 2019ء کے مقابلہ میں بالترتیب 22.4 فیصد اور 25.8 فیصد اضافہ ہوا۔

موثر ڈیپازٹ حکمت عملی کے نفاذ کے ذریعہ ڈیپازٹس میں اضافہ کیا گیا جو بینک کی طرف سے مسابقتی مصنوعات اور وسیع پیمانے پر مارکیٹنگ کے ذریعے تیار کی گئی تھی۔ ذرائع میں اضافہ کے عین مطابق بینک کی طرف سے (i) بیج منوجل ٹریڈری ٹرانزیکشنز، (ii) اسلامک فنانسنگ اور (iii) حکومت پاکستان کے پاکستان انرجی سلوک میں فنڈز مختص کرنے کے باعث ہونے والے بڑے اضافوں کے ساتھ گروپ کے حامل اثاثہ جات میں بھی بہتری آئی۔

گروپ کی اوسط آمدن والے اثاثوں کو ایس بی پی پالیسی ریٹ میں اضافہ کے باعث مزید تقویت ملی، گروپ کے مجموعی net spreads میں گزشتہ سال

Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	10,718,372	14,292,752
Balances with other banks	7	1,281,335	1,164,553
Due from financial institutions - net	8	36,896,649	18,173,504
Investments - net	9	56,543,458	39,236,762
Islamic financing, related assets and advances - net	10	124,059,568	118,320,811
Fixed assets	11	12,924,611	6,683,785
Intangible assets	12	3,156,606	3,173,692
Deferred tax assets	13	7,183,888	7,471,963
Other assets - net	14	11,589,922	8,315,446
Total Assets		264,354,409	216,833,268
LIABILITIES			
Bills payable	15	3,168,400	3,242,180
Due to financial institutions	16	19,173,268	7,819,532
Deposits and other accounts	17	213,164,269	184,429,521
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	18	12,619,069	6,066,223
		248,125,006	201,557,456
NET ASSETS		16,229,403	15,275,812
REPRESENTED BY			
Share capital - net		10,000,079	10,000,079
Reserves		968,799	968,799
Surplus on revaluation of assets - net of tax	19	1,603,321	1,875,495
Unappropriated profit		3,461,654	2,236,825
		16,033,853	15,081,198
Non-controlling interest		195,550	194,614
		16,229,403	15,275,812
CONTINGENCIES AND COMMITMENTS			
20			

The annexed notes 1 to 37 form an integral part of this condensed interim consolidated financial information.

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-Sd-
DIRECTOR

Condensed Interim Consolidated Profit and Loss Account (Un-audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Restated Quarter ended		Restated Nine months ended		
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	
	Rupees in '000				
Profit / return earned	21	6,221,437	2,938,400	16,074,522	8,574,894
Profit / return expensed	22	3,665,647	1,464,471	8,656,686	4,358,760
Net Profit / return		2,555,790	1,473,929	7,417,836	4,216,134
OTHER INCOME					
Fee and commission income	23	138,213	216,750	467,003	585,997
Dividend income		375	11,962	8,972	18,580
Foreign exchange income		33,384	37,330	139,592	135,807
Gain on securities	24	10,672	49,510	28,253	93,342
Other income	25	117,730	25,104	179,598	67,698
Total other income		300,374	340,656	823,418	901,424
Total Income		2,856,164	1,814,585	8,241,254	5,117,558
OTHER EXPENSES					
Operating expenses	26	1,844,213	1,767,812	5,391,566	4,942,422
Workers Welfare Fund		14,213	-	31,746	1,934
Other charges	27	136	26,764	36,316	26,814
Total other expenses		1,858,562	1,794,576	5,459,628	4,971,170
Profit before provisions		997,602	20,009	2,781,626	146,388
Provisions / (reversal of provision) and write offs - net	28	354,075	(44,730)	1,230,108	(17,076)
Extraordinary / unusual items		-	-	-	-
Loss for the period from					
BIPL Securities Limited - net of tax	29	(14,732)	(29,825)	(7,821)	(51,867)
Share of profit from associate		-	-	11,525	110,555
PROFIT BEFORE TAXATION		628,795	34,914	1,555,222	222,152
Taxation	30	242,598	32,533	556,496	61,823
PROFIT AFTER TAXATION		386,197	2,381	998,726	160,329
ATTRIBUTABLE TO:					
Equity shareholders of the Bank		389,343	7,123	1,000,553	170,138
Non-controlling interest		(3,146)	(4,224)	(1,827)	(9,291)
		386,197	2,899	998,726	160,847
Rupees					
Basic earnings per share	31	0.3832	0.0071	0.9927	0.1688
Diluted earnings per share	31	0.3832	0.0071	0.9927	0.1688

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Note	Restated Quarter Ended September 30, 2019		Restated Nine months ended September 30, 2018	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Rupees in '000				
Profit after taxation for the period attributable to:				
Equity shareholders of the Bank	389,343	7,123	1,000,553	170,138
Non-controlling interest	(3,146)	(4,224)	(1,827)	(9,291)
	<u>386,197</u>	<u>2,899</u>	<u>998,726</u>	<u>160,847</u>
Other Comprehensive Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of investments - net of tax attributable to:				
Equity shareholders of the Bank	(42,827)	(207,942)	(47,898)	(330,217)
Non-controlling interest	(1,676)	-	2,763	-
	<u>(44,503)</u>	<u>(207,942)</u>	<u>(45,135)</u>	<u>(330,217)</u>
Items that may not be reclassified to profit and loss account in subsequent periods				
	-	-	-	-
Total comprehensive income	<u><u>341,694</u></u>	<u><u>(205,043)</u></u>	<u><u>953,591</u></u>	<u><u>(169,370)</u></u>
Total comprehensive income attributable to:				
Equity shareholders of the Bank	346,516	(200,819)	952,655	(160,079)
Non-controlling interest	(4,822)	(4,224)	936	(9,291)
	<u><u>341,694</u></u>	<u><u>(205,043)</u></u>	<u><u>953,591</u></u>	<u><u>(169,370)</u></u>

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Share capital	Discount on issue of shares	Statutory reserve	Reserve for bad debts & contingencies	Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non - controlling interest	Total
					Investments	Fixed / Non Banking Assets				
	Rupees in '000									
Balance as at December 31, 2017 (Restated)	10,079,121	(79,042)	676,266	250,000	195,469	1,006,444	1,893,736	14,021,994	205,242	14,227,236
Profit after taxation for nine months ended September 30, 2018	-	-	-	-	-	-	170,138	170,138	(9,291)	160,847
Other comprehensive income for nine months ended September 30, 2018	-	-	-	-	(330,217)	-	-	(330,217)	-	(330,217)
Total comprehensive income for nine months ended September 30, 2018	-	-	-	-	(330,217)	-	170,138	(160,079)	(9,291)	(169,370)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(7,692)	7,692	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(231)	231	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2018 (Restated)	10,079,121	(79,042)	676,266	250,000	(134,748)	998,521	2,071,797	13,861,915	195,951	14,057,866
Profit after taxation for the period from October 01, 2018 to December 31, 2018	-	-	-	-	-	-	164,128	164,128	(1,337)	162,791
Other comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	169,584	881,518	4,053	1,055,155	-	1,055,155
Total comprehensive income for the period from October 01, 2018 to December 31, 2018	-	-	-	-	169,584	881,518	168,181	1,219,283	(1,337)	1,217,946
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(2,706)	2,706	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(77)	77	-	-	-
Surplus on revaluation of non banking assets transferred to unappropriated profit	-	-	-	-	-	(36,597)	36,597	-	-	-
Transfer to statutory reserve	-	-	42,533	-	-	-	(42,533)	-	-	-
Balance as at December 31, 2018	10,079,121	(79,042)	718,799	250,000	34,836	1,840,659	2,236,825	15,081,198	194,614	15,275,812
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	1,000,553	1,000,553	(1,827)	998,726
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(47,898)	-	-	(47,898)	2,763	(45,135)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	(47,898)	-	1,000,553	952,655	936	953,591
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	(11,038)	11,038	-	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	(304)	304	-	-	-
Surplus on revaluation of fixed assets transferred to unappropriated profit	-	-	-	-	-	(16,619)	16,619	-	-	-
Transfer from surplus on revaluation of non-banking assets on sale	-	-	-	-	-	(196,315)	196,315	-	-	-
Balance as at September 30, 2019	10,079,121	(79,042)	718,799	250,000	(13,062)	1,616,383	3,461,654	16,033,853	195,550	16,229,403

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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Condensed Interim Consolidated Cash Flow Statement (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Note	September 30, 2019	Restated September 30, 2018
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,555,222	222,152
Less: Dividend Income		(8,972)	(18,580)
Less: Share of profit from associate		(11,525)	(110,555)
		1,534,725	93,017
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		491,575	506,206
Depreciation on non banking assets	26	3,016	4,994
Depreciation on right-of-use assets		561,574	-
Amortization		54,022	48,432
Depreciation on operating Ijarah assets		660,955	1,383,698
Finance cost on Ijarah (lease) liabilities		351,940	-
Provisions / (reversal of provision) and write offs - net	28	1,230,108	(17,076)
Unrealised gain on revaluation of investments classified as held for trading	24	-	(2,538)
Charge for defined benefit plan		67,503	57,303
Gain on sale of property and equipment	25	(10,315)	(8,277)
Loss on sale of non-banking assets		(105,204)	(1,038)
		3,305,174	1,971,704
		4,839,899	2,064,721
(Increase) / decrease in operating assets			
Due from financial institutions		(18,723,145)	4,516,198
Held-for-trading securities		97,975	(447,053)
Islamic financing and related assets and advances		(7,218,444)	9,004,865
Others assets (excluding defined benefit assets)		(3,330,649)	(1,245,444)
		(29,174,263)	11,828,566
Increase / (decrease) in operating liabilities			
Bills payable		(73,780)	(423,939)
Due to financial institutions		11,353,736	(4,957,869)
Deposits and other accounts		28,734,748	(3,750,989)
Other liabilities (excluding current taxation and unrealised loss on forward sale promises)		2,444,675	(87,422)
		42,459,379	(9,220,219)
		18,125,015	4,673,068
		(536,283)	(173,651)
Income tax paid			
Net cash generated from operating activities		17,588,732	4,499,417
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(17,470,021)	(4,260,596)
Dividend received		8,972	18,580
Payment of ijarah (lease) liability against right-of-use assets		(626,256)	-
Investments in fixed assets		(2,991,739)	(301,915)
Investments in intangible assets		(36,936)	(40,286)
Proceeds from disposal of operating fixed assets		69,650	11,098
Net cash used in investing activities		(21,046,330)	(4,573,119)
		(3,457,598)	(73,702)
Drease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		15,457,305	12,933,535
Cash and cash equivalents at the end of the period		11,999,707	12,859,833

The annexed notes 1 to 37 form an integral part of these condensed interim consolidated financial statements.

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Notes to and forming part of Condensed Interim Consolidated Financial Statements (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

1. STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company or the Bank)

BankIslami Pakistan Limited (the Holding Company) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Holding Company commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Holding Company is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Holding Company is operating through 330 branches including 81 sub-branches as at June 30, 2019 (December 31, 2018: 330 branches including 81 sub-branches). The registered office of the Holding Company is situated at 11th Floor, Dolmen City, Marine Drive, Block-4, Clifton, Karachi. The shares of the Holding Company are quoted on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has maintained the Bank's long-term rating as 'A+' and the short-term rating as 'A1'.

1.2 Subsidiary Companies

1.2.1 BankIslami Modaraba Investments Limited - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

The financial statements of the subsidiary company have been consolidated on the basis of condensed interim financial statements for the nine months ended September 30, 2019.

The financial statements of "Modaraba Al-Mali", a modaraba floated by the subsidiary company in which it has 13 percent holding, have not been consolidated although the Group has control over Modaraba Al-Mali by virtue of management rights. The management of the Group is of the view that consolidated financial statements are required to be prepared only for subsidiaries as defined in the Companies Ordinance,

1984. “Modaraba Al-Mali” is a modaraba floated under the Modaraba Companies and Modaraba (floatation and control) Ordinance, 1980 and does not fall under the definition of subsidiary as defined under the Companies Ordinance, 1984. Hence, the financial statements of “Modaraba Al-Mali” are not required to be consolidated in the Group’s condensed interim consolidated financial statements.

1.2.2 BIPL Securities Limited - 77.12 percent holding

BIPL Securities Limited was incorporated in Pakistan on October 24, 2000 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Pakistan Stock Exchange Limited (PSX). The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

1.2.3 My Solutions Corporation Limited - 100 percent holding

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

1.2.4 Structured Ventures (Private) Limited - 77.12 percent holding - (Sub subsidiary)

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010. The registered office of the company is situated at 5th floor, Trade Centre, I. I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of BIPL Securities Limited. The ultimate parent company is BankIslami Pakistan Limited.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (IASB) and notified under 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; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

- 2.2 During the period, the SBP, vide its BPRD Circular No. 05, dated: March 22, 2019, issued the revised forms for the preparation of the interim financial statements of banks, to bring it in line with the annual financial statements format, issued vide BPRD Circular No. 2 of 2018. The revised forms for the preparation of the interim financial statements are applicable for periods beginning on or after January 01, 2019. The implementation of the revised forms has resulted in certain changes to the presentation and disclosures of various elements of the financial statements.

The Holding Company has adopted the above changes in the presentation and made additional disclosures to the extent applicable to its operations and corresponding figures have been rearranged / reclassified to correspond to current period's presentation.

- 2.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services.

With regards to IFRS 9 - Financial Instruments, the Holding Company considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instructions on the application of IFRS 9 for the banking sector of Pakistan.

Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim consolidated financial statements.

- 2.4 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and International Accounting Standard (IAS) 34, "Interim Financial Reporting". These condensed interim consolidated financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements for the financial year ended December 31, 2018.
- 2.5 The Group provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes.

The purchases and sales arising under these arrangements are not reflected in these condensed interim consolidated financial statements as such but are restricted to the

amount of facility actually utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable as directed by the Shariah Board of the Holding Company.

2.6 Basis of Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Bank (Holding Company) and the financial statements of subsidiary companies from the date that control of the subsidiary by the Group commences until the date that control ceases. The financial statements of the subsidiary companies are incorporated on a line-by-line basis (except the profit and loss account of BIPL Securities Limited which is disclosed as a single line item in Consolidated Profit and Loss account as per letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017 and the investment held by the Holding Company is eliminated against the corresponding share capital of subsidiaries in this condensed interim consolidated financial information.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of International Financial Reporting Standard (IFRS) 9 Financial Instruments, IAS 40, Investment Property and IFRS - 7, Financial Instruments: Disclosures, which are required to comply with local regulations enforced within the respective jurisdictions.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

The SBP vide its letter No. BPRD(R&P-02)/625-112/2017/4911 dated February 27, 2017, has allowed the Group to disclose financial results (net) of BIPL Securities Limited as a single line item in the Consolidated Profit and Loss account as majority of the operations of BIPL Securities Limited are of conventional nature and line by line consolidation would result in non-compliance of Shariah requirements.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements of the Holding Company for the year ended December 31, 2018, except as described below:.

3.1 Amendments to accounting and reporting standards that are effective in the current period

- 3.1.1 There are certain new and amended standards, interpretations and amendments that are mandatory for the Holding Company's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Holding Company's operations and therefore not detailed in these condensed interim unconsolidated financial statements.

3.1.2 During the period, the SBP, vide its BPRD Circular Letter No. 8 dated April 30, 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated July 26, 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee) and accordingly, the Bank has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Ijarah contracts where the Bank acts as Mujir (lessor).

The Group has lease contracts in the capacity of lessee for various properties used by the Group's branches. The Group has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Group. The Group has recognised right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognised/ classified as rent expense. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental financing rate at the date of initial application. Right of use asset is depreciated over lease term and classified as depreciation expense.

The overall impact of the initial application of IFRS 16 on these condensed interim consolidated financial statements is summarised below:

- Right of Use (RoU) assets recognised as Fixed assets - increased by Rs. 4,189.712 million.
- Ijarah (lease) liabilities recognised as Other liabilities - increased by Rs. 4,117.181 million.
- Profit after tax for the nine months ended September 30, 2019 decreased by Rs. 171.625 million.

Had this standard not been applied, assets and liabilities would have been lower by Rs. 3,799.996 million and Rs. 4,019.895 million respectively. Rent expense would have been higher by Rs. 632.28 million and depreciation charge and finance cost on ijarah (lease) liability would have been lower by Rs. 561.574 million and Rs. 351.940 million respectively.

New accounting policies of the Group upon adoption of IFRS 16 are:

Right-of-use (ROU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities and prepayments. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Ijarah (lease) Liability

At the commencement date of the ijarah (lease), the Group recognises ijarah (lease) liability measured at the present value of the consideration (ijarah payments) to be made over the Ijarah (lease) term. The lease payments are discounted using the effective rate implicit in the ijarah (lease), unless it is not readily determinable, in which case the Mustajir (lessee) may use the incremental rate of financing. After the commencement date, the carrying amount of ijarah (lease) liability is increased to reflect the accretion of finance cost and reduced for the ijarah (lease) payments made.

3.2 Standards, interpretations of and amendments to accounting and reporting standards that are not yet effective

The following standards, amendments and interpretations with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments	Effective date
- Definition of a Business – Amendments to IFRS 3	January 01, 2020
- Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
- The Conceptual Framework for Financial Reporting	January 01, 2020
- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	

Not yet finalized

The above standards, amendments and interpretations are not expected to have any material impact on the Holding Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IASB Effective date (annual periods beginning on or after)

Standards

IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as those applied in the preparation of the annual consolidated financial statements of the Holding Company for the year ended December 31, 2018.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Holding Company for the year ended December 31, 2018.

6 CASH AND BALANCES WITH TREASURY BANKS

In hand:

- local currency	4,308,535	3,619,317
- foreign currency	673,590	332,378
	<u>4,982,125</u>	<u>3,951,695</u>

With the State Bank of Pakistan in:

- local currency current account	3,060,898	7,642,125
- foreign currency deposit accounts:		
- Cash Reserve Account	380,437	268,835
- Special Cash Reserve Account	458,932	323,828
- US Dollar Clearing Account	27,161	26,604
	<u>866,530</u>	<u>619,267</u>

With National Bank of Pakistan in:

- local currency current account	1,780,459	2,079,665
Prize bonds	28,360	-
	<u>10,718,372</u>	<u>14,292,752</u>

7 BALANCES WITH OTHER BANKS

In Pakistan:

- in current accounts	4,184	7,665
- in deposit accounts	386,547	331,258
	<u>390,731</u>	<u>338,923</u>

Outside Pakistan:

- in current accounts	890,604	825,630
	<u>1,281,335</u>	<u>1,164,553</u>

8 DUE FROM FINANCIAL INSTITUTIONS - NET

Note	(Un-audited)			(Audited)		
	September 30, 2019			December 31, 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000						
Secured						
Commodity Murabahah	-	-	-	1,913,199	-	1,913,199
Unsecured						
Commodity Murabahah	-	-	-	15,726,266	-	15,726,266
Wakalah Placement	8.1	- 1,016,375	1,016,375	-	534,039	534,039
Musharaka Placements	8.2	2,895,000	2,895,000	-	-	-
Bai Muajjal Receivable						
-from State Bank of Pakistan	8.3	6,172,475	6,172,475	-	-	-
-from Banks	8.4	8,918,221	8,918,221	-	-	-
-from other Financial Institutions	8.5	17,894,578	17,894,578	-	-	-
Other placements		32,400	32,400	32,400	-	32,400
		35,912,674	1,016,375 36,929,049	17,671,865	534,039	18,205,904
Provision against placements		(32,400)	(32,400)	(32,400)	-	(32,400)
		35,880,274	1,016,375 36,896,649	17,639,465	534,039	18,173,504

- 8.1 This represents foreign currency placements and the profit rates on these agreements range between 2.55% to 3.40% (December 31, 2018: 0.25% to 2.80%) per annum. The agreements have maturities ranging from 5 to 197 days (December 31, 2018: 42 days to 78 days).
- 8.2 The profit rates on Musharaka Placements range between 13.25% to 13.75% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 4 to 35 days (December 31, 2018: Nil).
- 8.3 The profit rates on Bai Muajjal from State Bank of Pakistan range between 10.50% to 10.60% (December 31, 2018: Nil) per annum and the agreements have maturities in 130 days (December 31, 2018: Nil).
- 8.4 The profit rate on Bai Muajjal from banks range between 13.25% to 13.75% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 2 to 14 days (December 31, 2018: Nil).
- 8.5 The profit rates on Bai Muajjal from other financial institutions range between 13% to 14.25% (December 31, 2018: Nil) per annum and the agreements have maturities ranging from 1 days to 184 days (December 31, 2018: Nil).

8.6 Securities held as collateral against amounts due from financial institutions

	(Un-audited) September 30, 2019			(Audited) December 31, 2018		
	Held by the Bank	Further Given as collateral	Total	Held by the Bank	Given as collateral	Total
	Rupees in '000					
Government of Pakistan						
Ijarah Sukuks	-	-	-	1,950,000	-	1,950,000

8.7 Category of classification

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Classified Placements	Provision held	Classified Placements	Provision held
	Rupees in '000			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	32,400	32,400	32,400	32,400
Total	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>	<u>32,400</u>

8.7.1 The Group does not hold overseas classified placements.

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
9 INVESTMENTS - NET			
Investments - Islamic	9.1 & 9.3	54,233,258	36,940,559
Investments - Conventional (relating to amalgamated entity)	9.2 & 9.4	<u>2,310,200</u>	<u>2,296,203</u>
		<u>56,543,458</u>	<u>39,236,762</u>

9.1 Islamic Investments by type

	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Held for trading securities								
Shares	-	-	-	-	164,223	-	(19,686)	144,537
Available for sale securities								
Federal Government Securities	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities	43,786,189	(39,818)	672	43,747,043	10,086,345	(39,818)	(1,479)	10,045,048
Mutual fund units	5,021	-	(1,911)	3,110	5,021	-	(1,278)	3,743
Modaraba certificates	16,208	(13,866)	5,622	7,964	16,208	(13,866)	5,856	8,198
Shares	190,996	-	(21,691)	169,305	208,642	-	16,785	225,427
	54,304,250	(53,684)	(17,308)	54,233,258	36,827,929	(53,684)	21,777	36,796,022
Total Islamic investments	<u>54,304,250</u>	<u>(53,684)</u>	<u>(17,308)</u>	<u>54,233,258</u>	<u>36,992,152</u>	<u>(53,684)</u>	<u>2,091</u>	<u>36,940,559</u>

9.2 Conventional Investments by type*

Note	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
Available for sale securities								
Non Government Debt Securities	268,210	(268,210)	-	-	270,586	(270,586)	-	-
Shares	1,730,155	(718,970)	12,075	1,023,260	1,733,766	(684,853)	18,437	1,067,350
	1,998,365	(987,180)	12,075	1,023,260	2,004,352	(955,439)	18,437	1,067,350
Held to maturity securities								
Non Government Debt Securities	321,601	(321,601)	-	-	321,601	(321,601)	-	-
Held for trading securities								
Non Government Debt Securities	18,147	(18,147)	-	-	45,369	(45,369)	-	-
Shares	46,296	-	266	46,562	-	-	-	-
Associates	2,304,753	(1,064,375)	-	1,240,378	2,293,228	(1,064,375)	-	1,228,853
Total conventional investments	4,689,162	(2,391,303)	12,341	2,310,200	4,664,550	(2,386,784)	18,437	2,296,203

9.3 Islamic Investments by segments

Federal Government Securities								
GOP Ijarah Sukuks	-	-	-	-	26,511,713	-	1,893	26,513,606
Bai Muajjal	10,305,836	-	-	10,305,836	-	-	-	-
	10,305,836	-	-	10,305,836	26,511,713	-	1,893	26,513,606
Non Government Debt Securities								
Pakistan Energy								
Sukuk-I guaranteed by the								
Government of Pakistan	34,835,000	-	-	34,835,000	-	-	-	-
Other sukuk certificates-unlisted	8,951,189	(39,818)	672	8,912,043	10,086,345	(39,818)	(1,479)	10,045,048
	43,786,189	(39,818)	672	43,747,043	10,086,345	(39,818)	(1,479)	10,045,048
Mutual fund units								
Units of open-end mutual funds	5,021	-	(1,911)	3,110	5,021	-	(1,278)	3,743
Modaraba								
Modaraba Certificates	16,208	(13,866)	5,622	7,964	16,208	(13,866)	5,856	8,198
Shares								
Ordinary shares of listed companies	190,996	-	(21,691)	169,305	372,865	-	(2,901)	369,964
	54,304,250	(53,684)	(17,308)	54,233,258	36,992,152	(53,684)	2,091	36,940,559

9.3.1 During the period, the Holding company invested Rs 35 billion in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments.

(Un-audited) September 30, 2019				(Audited) December 31, 2018			
Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000							

9.4 Conventional Investments by segments*

Non Government Debt Securities

Listed	90,388	(90,388)	-	-	92,764	(92,764)	-	-
Unlisted	517,570	(517,570)	-	-	544,792	(544,792)	-	-
	607,958	(607,958)	-	-	637,556	(637,556)	-	-
Shares								
Listed Companies	189,601	(107,615)	12,341	94,327	161,776	(73,498)	18,437	106,715
Unlisted Companies	431,500	(33,680)	-	397,820	416,640	(33,680)	-	382,960
	621,101	(141,295)	12,341	492,147	578,416	(107,178)	18,437	489,675
Foreign Securities								
Equity Securities	1,155,350	(577,675)	-	577,675	1,155,350	(577,675)	-	577,675
Associates - Unlisted								
KASB Capital Limited	41,867	(41,867)	-	-	41,867	(41,867)	-	-
KASB Funds Limited	432,302	(432,302)	-	-	432,302	(432,302)	-	-
New Horizon Exploration & Production Limited	590,206	(590,206)	-	-	590,206	(590,206)	-	-
Shakarganj Food Products Limited	1,240,378	-	-	1,240,378	1,228,853	-	-	1,228,853
	2,304,753	(1,064,375)	-	1,240,378	2,293,228	(1,064,375)	-	1,228,853
	4,689,162	(2,391,303)	12,341	2,310,200	4,664,550	(2,386,784)	18,437	2,296,203

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

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

9.5 Investments given as collateral

Federal Government Securities	5,000,000	10,000,000
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9.6 Provision for diminution in value of investments

9.6.1 Opening balance	2,440,469	3,173,205
Charge / (reversals)		
Charge for the period / year	34,116	33,426
Reversals for the period / year	(29,598)	(12,043)
Provision for diminution in value of investments - net	4,518	21,383
Amounts written off	-	(754,119)
Closing Balance	2,444,987	2,440,469

9.6.1.1 Break up of provision for diminution in the value of investments is as follows:

Investments - Islamic	53,684	53,685
Investments - Conventional	2,391,303	2,386,784
	2,444,987	2,440,469

9.6.2 Particulars of provision against debt securities

Category of classification

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non-Performing investments	Provision	Non-Performing investments	Provision
Rupees in '000				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	924,027	647,776	953,624	677,374
Total	924,027	647,776	953,624	677,374

9.6.2.1 The Group does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES - NET

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000			
Islamic financing and related assets - net	10.1	123,726,794	117,837,795
Advances (relating to amalgamated entity) - net	10.2	332,774	483,016
		124,059,568	118,320,811

10.1 ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total	
	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Rupees in '000						
In Pakistan						
- Running Musharakah	28,345,115	22,058,949	-	2,345,509	28,345,115	24,404,458
- Diminishing Musharakah financing and related assets - Others	10.3	22,251,365	19,260,716	1,268,562	1,085,397	23,519,927
- Muswammah financing and related assets / Karobar financing	10.4	13,119,428	14,654,320	1,467,626	577,934	14,587,054
- Istisna financing and related assets	10.5	14,552,024	14,148,931	856,216	922,480	15,408,240
- Diminishing Musharakah - Housing		12,234,991	12,489,541	1,246,629	896,876	13,481,620
- Murabahah financing and related assets	10.6	7,604,320	9,498,668	851,617	396,904	8,455,937
- Diminishing Musharakah financing and related assets - Auto		10,028,484	8,394,715	105,509	52,478	10,133,993
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000
- Ijarah financing under IFAS 2 and related assets	10.7	2,647,940	3,641,356	219,747	240,052	2,867,687
- Financing to employees		2,767,469	2,507,961	146,816	95,490	2,914,285
- Qardh e Hasana		204,862	205,099	571,851	394,095	776,713
- Murabahah against bills		604,329	169,671	892	-	605,221
- Salam	10.8	99,999	143,935	337	337	100,336
- Post Due Acceptance		158,294	108,728	-	-	158,294
- Housing finance portfolio - others		33,786	37,819	-	-	33,786
- Net investment in Ijarah financing in Pakistan		27,589	36,543	8,198	-	35,787
- Musharakah financing		280,000	-	-	-	280,000
Gross financing and related assets		121,209,995	113,606,952	6,744,000	7,007,552	127,953,995
						120,614,504

Less: Provision against non-performing Islamic financing and related assets

- Specific 10.13 & 10.14

- General 10.13 & 10.14

	(626,909)	(230,273)	(3,600,292)	(2,546,436)	(3,600,292)	(2,546,436)
	(626,909)	(230,273)	(3,600,292)	(2,546,436)	(4,227,201)	(2,776,709)
Islamic financing and related assets - net of provisions	120,583,086	113,376,679	3,143,708	4,461,116	123,726,794	117,837,795

10.2 ADVANCES

Note	Performing		Non Performing		Total	
	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000					
Loans, cash credits, running finances, etc. - In Pakistan*	200,487	194,852	6,314,780	7,218,699	6,515,267	7,413,551
Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan	-	122,451	714,646	592,195	714,646	714,646
Net investment in finance lease - In Pakistan	-	255	582,185	584,988	582,185	585,243
Advances - gross	200,487	317,558	7,611,611	8,395,882	7,812,098	8,713,440
Provision against advances						
- Specific	10.13 & 10.14	-	(7,603,149)	(8,386,515)	(7,603,149)	(8,386,515)
- General	10.13 & 10.14	(67)	(369)	-	(67)	(369)
Advances - net of provision	200,420	317,189	8,462	9,367	208,882	326,556
Fair Value adjustment	10.15	-	-	123,892	123,892	156,460
Advances - net of provision and fair value adjustment	200,420	317,189	132,354	165,827	332,774	483,016

10.3 Diminishing Musharakah financing and related assets - Others

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Diminishing Musharakah financing	23,234,869	20,292,427
Advance against Diminishing Musharakah financing	285,058	53,686
	23,519,927	20,346,113

10.4 Muswammah financing and related assets / Karobar financing

Muswammah financing	11,189,680	13,496,828
Advance against Muswammah financing	263,128	-
Muswammah inventories	3,134,246	1,735,426
	14,587,054	15,232,254

10.5 Istisna financing and related assets

Istisna financing	11,036,480	10,180,982
Advance against Istisna financing	4,371,760	4,624,429
Istisna inventories	-	266,000
	15,408,240	15,071,411

10.6 Murabahah financing and related assets

Murabahah financing	6,543,810	7,928,163
Deferred murabahah income	355,006	337,220
Advances against Murabaha financing	314,065	1,630,189
Murabaha Inventories	1,243,056	-
	8,455,937	9,895,572

10.7 Ijarah financing under IFAS 2 and related assets

Net book value of assets under IFAS 2	2,867,005	3,880,726
Advance against Ijarah financing	682	682
	2,867,687	3,881,408

10.8 Salam

Salam financing	25,337	52,305
Advance against Salam	74,999	91,967
	100,336	144,272

10.9 Murabahah financing and related assets includes financing amounting to Rs. 991.669 million (December 31, 2018: Rs. 600 million) and advance amounting to Rs. 171 million (December 31, 2018: Rs. 500 million) under Islamic Export Refinance Scheme.

10.10 Istisna financing and related assets includes financing amounting to Rs. 1,442.248 million (December 31, 2018: Rs. 901.300 million) and advance amounting to Rs. 562.300 million (December 31, 2018: Rs. 530.375 million) under Islamic Export Refinance Scheme.

10.11 Running musharakah financing and related assets includes financing amounting to Rs. 500 million (December 31, 2018: Nil) and advance amounting to Rs. 49 million (December 31, 2018: Nil) under Islamic Export Refinance Scheme.

10.12 Particulars of Islamic financing and related assets and advances - gross

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
In local currency	134,856,982	129,326,156
In foreign currency	909,111	1,788
	<u>135,766,093</u>	<u>129,327,944</u>

10.13 Islamic financing and related assets and advances include Rs. 14,746.662 million (December 31, 2018: Rs. 15,403.434 million) which have been placed under non-performing status as detailed below:

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non-performing Islamic financing, related assets and advances	Specific Provision	Non-performing Islamic financing, related assets and advances	Specific Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	655,537	-	267,237	220
Substandard	1,900,466	335,056	3,079,994	87,997
Doubtful	714,001	253,638	523,501	112,035
Loss	<u>11,085,607</u>	<u>10,614,747</u>	<u>11,532,702</u>	<u>10,732,699</u>
Total	<u>14,355,611</u>	<u>11,203,441</u>	<u>15,403,434</u>	<u>10,932,951</u>

10.13.1 The Bank does not hold overseas classified non performing Islamic financing, related assets and advances.

10.14 Particulars of provision against non-performing Islamic financing, related assets and advances:

	(Un-audited) September 30, 2019			(Audited) December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	10,932,951	230,642	11,163,593	11,450,069	223,878	11,673,947
Charge for the period / year	1,179,023	396,334	1,575,357	824,518	6,764	831,282
Reversals for the period / year	(789,193)	-	(789,193)	(903,028)	-	(903,028)
	389,830	396,334	786,164	(78,510)	6,764	(71,746)
Amount written off	(119,340)	-	(119,340)	(438,608)	-	(438,608)
Closing balance	<u>11,203,441</u>	<u>626,976</u>	<u>11,830,417</u>	<u>10,932,951</u>	<u>230,642</u>	<u>11,163,593</u>

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

10.14.1 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account

Gross reversals for the period / year	789,193	903,028
Charge for the period / year	(1,575,357)	(831,282)
	(786,164)	71,746
Fair value adjusted - net	(32,568)	(35,871)
Net (charge) / reversals taken to the profit and loss account	(818,732)	35,875

10.14.2 The Holding Company maintains general reserve (provision) amounting to Rs. 276.976 million (December 31, 2018: 230.642 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. Further, the Bank carries provision of Rs. 350 million (December 31, 2018: Nil) as a matter of prudence based on management estimates.

10.14.3 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Holding Company has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at September 30, 2019 amounts to Rs. 346.496 million (December 31, 2018: Rs. 493.169 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 211.363 million (December 31, 2018: Rs. 320.560 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders of the Holding Company.

10.15 Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

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

11 FIXED ASSETS

Capital work-in-progress	11.1	210,265	87,761
Property and equipment	11.2 & 11.3	8,914,349	6,596,024
Right of use assets	11.2	3,799,997	-
		12,924,611	6,683,785

11.1 Capital work-in-progress

Advances to suppliers and contractors	169,665	87,761
Advance for acquiring properties:		
- Office premises	762,503	721,903
	932,168	809,664
Provision for impairment against advance for acquiring floor / office premises	(721,903)	(721,903)
	210,265	87,761

11.2 Additions to fixed assets

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

Note	(Un-audited) September 30, 2019	(Un-audited) September 30, 2018
	Rupees in '000	
Capital work-in-progress	157,840	10,969
Property and equipment		
Freehold / Leasehold land	1,895,503	-
Leasehold Building	582,139	5,804
Furniture and fixture	139,517	79,927
Electrical office and computer equipment	290,137	173,487
Vehicles	16,026	25,637
	2,923,322	284,855
Right of use assets		
Leasehold Building	3.1.2 4,361,047	-
Total	<u>7,442,209</u>	<u>295,824</u>

11.3 Disposal of fixed assets

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

Leasehold building	51,529	-
Furniture and fixture	-	516
Electrical office and computer equipment	8	1,181
Vehicles	6,152	2,511
	<u>57,689</u>	<u>4,208</u>

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

12 INTANGIBLE ASSETS

Computer software	12.1 131,195	146,574
Core deposits	30,181	31,888
Customer list (Fully amortized)*	-	-
Membership card of PMEX	750	2,100
Booths at PSX	950	950
License and trademark	872	872
TREC - PSX	1,350	-
Goodwill	2,991,308	2,991,308
	<u>3,156,606</u>	<u>3,173,692</u>

* Customer list has been fully amortized in the year 2018

12.1 Additions to intangible assets

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

- Directly purchased	42,448	40,285
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12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period.

13 DEFERRED TAX ASSETS

Deductible Temporary Differences on:

Accumulated tax losses	13.1	3,616,189	3,674,423
Tax credit against minimum tax		407,558	171,534
Provision for diminution in the value of investments		201,160	201,160
Provision against non-performing islamic financing and related assets and advances		3,470,957	4,061,794
Provision for gratuity		21,253	21,261
Ijarah financing and related assets		263,747	179,937
Others		313,121	260,978
		8,293,985	8,571,087

Taxable temporary difference on:

Fair value adjustments relating to assets acquired upon amalgamation	(347,296)	(272,996)
Accelerated tax depreciation	(32,816)	(76,911)
Surplus on revaluation of fixed assets	(625,132)	(640,023)
Surplus on revaluation of non-banking assets	(18,184)	(22,213)
Surplus on revaluation of available for sale securities	(5,066)	(5,378)
Net investment in finance lease	(81,603)	(81,603)
	(1,110,097)	(1,099,124)
	7,183,888	7,471,963

- 13.1** The Holding Company has aggregate tax losses of Rs. 10,331,969 million as at September 30, 2019 (December 31, 2018: Rs. 10,373,525 million) which includes tax losses of defunct KASB Bank Limited (now amalgamated with and into the Holding Company). The management has carried out an assessment for estimating the benefit of these losses. The Holding Company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognised deferred tax debit balance amounting to Rs. 3,616.189 million (December 31, 2018: Rs. 3,630.734 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Holding Company, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

14	OTHER ASSETS - NET	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
			Rupees in '000	
	Profit / return accrued in local currency		5,742,548	2,615,177
	Profit / return accrued in foreign currency		6,581	3,804
	Advances, deposits, advance rent and other prepayments		1,259,477	1,146,991
	Non-banking assets acquired in satisfaction of claims		2,049,259	2,462,019
	Branch Adjustment Account		-	85,453
	Defined Benefit Plan assets		716	-
	Insurance claim receivable		21,288	24,280
	Receivable against First WAPDA Sukuk		50,000	50,000
	Stationery and stamps in hand		-	5
	Trade debts		85,008	122,520
	Acceptances		1,836,147	944,025
	Unrealized gain on forward foreign exchange contracts		88,683	25,489
	Unrealized gain on future sale contracts		-	21,006
	Amount held with financial institution	20.3.3	738,477	738,477
	Other receivables		441,305	374,648
			12,319,489	8,613,894
	Less: Provision held against other assets	14.1	(943,808)	(682,950)
	Other Assets (Net of Provision)		11,375,681	7,930,944
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		214,241	384,502
	Total other assets		11,589,922	8,315,446
14.1	Provision held against other assets			
	Advances, deposits, advance rent & other prepayments		26,692	26,692
	Non banking assets acquired in satisfaction of claims		404,660	528,850
	Amount held with financial institution	20.3.1.1	369,239	-
	Others		143,217	127,408
		14.1.1	943,808	682,950
14.1.1	Movement in provision held against other assets			
	Opening balance		682,950	672,888
	Charge for the period / year		382,048	11,327
	Reversals		-	(1,265)
	Amount Written off		(124,190)	-
	Closing balance		943,808	682,950
15	BILLS PAYABLE			
	In Pakistan		3,168,400	3,242,180
	Outside Pakistan		-	-
			3,168,400	3,242,180

16 DUE TO FINANCIAL INSTITUTIONS
Secured

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

Acceptances from State Bank of Pakistan under
Islamic Export Refinance Scheme
Acceptances from State Bank of Pakistan for
financial assistance
Refinance facility for Islamic Mortgage
Total secured

3,553,000	2,496,675
3,020,268	2,822,857
1,000,000	-
7,573,268	5,319,532

Unsecured

Musharakah Acceptance
Total unsecured

11,600,000	2,500,000
11,600,000	2,500,000
19,173,268	7,819,532

17 DEPOSITS AND OTHER ACCOUNTS

September 30, 2019 (Un-audited)

December 31, 2018 (Audited)

In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Rupees in '000					

Customers

Current deposits
Savings deposits
Term deposits
Others

61,049,000	2,893,129	63,942,129	57,544,632	1,571,063	59,115,695
52,353,916	3,360,290	55,714,206	57,397,384	2,932,484	60,329,868
79,843,734	1,311,377	81,155,111	54,272,975	617,886	54,890,861
480,661	19,343	500,004	438,238	17,697	455,935
193,727,311	7,584,139	201,311,450	169,653,229	5,139,130	174,792,359

Financial Institutions

Current deposits
Savings deposits
Term deposits

147,851	11,669	159,520	161,741	11,425	173,166
7,795,873	-	7,795,873	7,218,996	-	7,218,996
3,897,426	-	3,897,426	2,245,000	-	2,245,000
11,841,150	11,669	11,852,819	9,625,737	11,425	9,637,162
205,568,461	7,595,808	213,164,269	179,278,966	5,150,555	184,429,521

Note	(Un-audited)	(Audited)
	September 30, 2019	December 31, 2018

Rupees in '000

18 OTHER LIABILITIES

Profit / return payable in local currency	1,867,789	845,669
Profit / return payable in foreign currencies	17,939	9,837
Accrued expenses	583,774	545,345
Deferred Murabahah Income		
- Financing and IERS	175,576	173,447
Deferred Murabahah Income		
- Commodity Murabahah	-	17,561
Payable to defined benefit plan	4,880	4,880
Payable to defined contribution plan	17,995	2,917
Defined Benefit Plan liabilities	145,745	78,223
Security deposits against Ijarah	1,754,645	2,053,274
Ijarah (lease) Liability	3.1.2 4,019,895	-
Provision against off-balance sheet obligations	129,093	129,093
Acceptances	1,836,147	944,025
Receipt appropriation account	302,567	74,056
Current taxation (provisions less payments)	110,207	89,994
Provision against other tax liabilities	95,034	58,683
Sundry creditors	730,333	802,422
Payable to brokers against purchase of shares - net	-	33,444
Charity payable	8,427	12,966
Retention money payable	12,330	10,857
Provision for Workers' Welfare Fund	63,685	31,939
Branch adjustment account	39,349	-
Rental received in advance	618,555	-
Others	85,104	147,591
	<u>12,619,069</u>	<u>6,066,223</u>

19 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of:

Available for sale securities	9.1 & 9.2 (5,233)	40,214
Fixed Assets	2,076,991	2,119,539
Non-banking assets acquired in satisfaction of claims	182,693	383,356
	<u>2,254,451</u>	<u>2,543,109</u>

Deferred tax liability on surplus on revaluation of: 13

Available for sale securities	(5,066)	(5,378)
Fixed Assets	(625,132)	(640,023)
Non-banking assets acquired in satisfaction of claims	(18,184)	(22,213)
	<u>(648,382)</u>	<u>(667,614)</u>
Total surplus on revaluation of assets- net of tax	<u>1,606,069</u>	<u>1,875,495</u>
Less; Share of non-controlling interest	(2,763)	-
Group's share	<u>1,603,306</u>	<u>1,875,495</u>

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

20 CONTINGENCIES AND COMMITMENTS

- Guarantees	20.1	7,785,442	6,709,789
- Commitments	20.2	15,875,211	13,971,812
- Other contingent liabilities	20.3	2,322,819	2,459,366
		<u>25,983,472</u>	<u>23,140,967</u>

20.1 Guarantees:

Financial guarantees	82,182	123,320
Performance guarantees	6,263,201	4,701,791
Other guarantees	1,440,059	1,884,678
	<u>7,785,442</u>	<u>6,709,789</u>

20.2 Commitments:

Documentary credits and short-term trade-related transactions
- letters of credit

9,205,796	3,706,280
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Commitments in respect of:

- forward foreign exchange contracts	20.2.1	2,883,933	2,870,624
- future sale of shares	20.2.2	46,384	(165,634)
- operating leases	20.2.3	-	4,913,424

Commitments for acquisition of:

- operating fixed assets	205,634	198,145
- intangible assets	4,799	114,207

Other commitments	20.2.4	3,528,665	2,334,766
		<u>15,875,211</u>	<u>13,971,812</u>

20.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	12,214,466	9,694,236
Sale	(9,330,533)	(6,823,612)
	<u>2,883,933</u>	<u>2,870,624</u>

20.2.2 Future sale of shares

Purchase	-	170
Sale	46,384	(165,804)
	<u>46,384</u>	<u>(165,634)</u>

20.2.3 Commitments in respect of operating leases 3.1.2

Not later than one year	-	160,769
Later than one year and not later than five years	-	1,524,244
Later than five years	-	3,228,411
	-	<u>4,913,424</u>

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
20.2.4 Other commitments		
Bills for collection	3,528,665	2,334,766

20.2.4.1 The Holding Company makes commitments to extend financing in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		Rupees in '000	
20.3 Other contingent liabilities			
Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt	20.3.1	11,200	161,200
Tax Contingencies	20.3.2	2,311,619	2,298,166
		2,322,819	2,459,366

There is no change in the status of legal, tax and other contingencies, as set out in note 23 to the annual financial statement of the Bank for the year ended December 31, 2018, except as stated below:

20.3.1 Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt

20.3.1.1 The Holding Company has filed suit no. 2038 of 2018 in Honourable High Court of Sindh against the international payment scheme and others along with an application for interim order restraining international payment scheme from deducting amounts aggregating to USD 6.1 million, relating to potential financial impact that may arise from a cybercrime incident. Following this incident, the local settlement bank deducted the above mentioned amount from the Bank's respective clearing account (refer note 14). The Honorable Court issued the stay order restraining the international payment scheme from taking any steps to debit the aforementioned amount. The management strongly believes that it substantially complied with actions required to be taken during the cybercrime incident involving an ATM Cash out. During the period, the international payment scheme filed an application for return of plaint on grounds of jurisdiction, which after arguments, has been dismissed by the Honorable Court. Further, the Bank on the advice of the international payment scheme has also conducted an independent review of the incident by engaging PCI Forensic Investigator (PFI) which could not forensically identify any malicious software / activity directly related to the cybercrime incident.

The management based on the advice of its legal counsel believes that it has a good arguable case and it is not liable to settle the amount of the fraudulent transactions since the Bank had immediately complied with all the necessary requirements (refer Note 14.1).

20.3.2 Tax Contingencies

20.3.2.1 For the tax years 2017 and 2018, the AJK tax authorities issued notices under section 122(5A) of the Income Tax Ordinance, 2001 and amended the return submitted by the Bank by adding / disallowing various expenses and worked out an additional tax liability of Rs. 46.165 million and Rs. 55.152 million for the tax years 2017 and 2018 respectively. The Bank filed an appeal against the said decision before CIRA which is pending adjudication.

	Note	(Un-audited) September 30, 2019	Restated (Un-audited) September 30, 2018
Rupees in '000			
21 PROFIT / RETURN EARNED			
Profit earned on:			
Financing		9,530,149	5,852,872
Investments		3,494,636	1,987,403
Placements		2,973,118	660,739
Others		76,619	73,880
		<u>16,074,522</u>	<u>8,574,894</u>
22 PROFIT / RETURN EXPENSED			
Deposits and other accounts		7,761,926	3,866,772
Due to financial institutions		480,895	491,791
Cost of foreign currency swaps against foreign currency deposits		62,823	197
Finance cost on ijarah (lease) liabilities	3.1.2	351,042	-
		<u>8,656,686</u>	<u>4,358,760</u>
23 FEE AND COMMISSION INCOME			
Branch banking customer fees		32,309	68,169
Commission on bancatakaful		63,819	43,546
Card related fees		120,148	218,816
Commission on arrangement with financial institutions		25,003	14,443
Consumer finance related fees		19,116	20,319
Commission on guarantees		42,075	40,192
Investment banking fees		42,197	52,106
Commission on cash management		2,712	4,837
Commission on remittances including home remittances		32,602	41,048
Commission on trade		82,236	72,963
Others		4,786	9,558
		<u>467,003</u>	<u>585,997</u>

	Note	(Un-audited) September 30, 2019	Restated (Audited) September 30, 2018
Rupees in '000			
24 GAIN ON SECURITIES			
Realised gain	24.1	28,253	90,804
Unrealised loss - held for trading	9.1	-	2,538
		<u>28,253</u>	<u>93,342</u>
24.1 Realised gain on:			
Federal Government Securities		2,487	1,000
Non-Government Debt Securities		20,039	-
Shares		5,727	89,804
		<u>28,253</u>	<u>90,804</u>
25 OTHER INCOME			
Rent on property		6,419	5,755
Gain on termination of financing		48,308	43,656
Gain on sale of property and equipment		10,315	8,277
Gain on sale of non-banking assets		105,204	1,038
Recoveries against previously expensed items		8,383	4,920
Others		969	4,052
		<u>179,598</u>	<u>67,698</u>

26 OPERATING EXPENSES

Total compensation expense

2,200,553 2,069,724

Property expense

Rent & taxes

80,288 708,258

Insurance

1,434 4,167

Utilities cost

279,127 243,656

Security (including guards)

245,978 236,018

Repair & maintenance

(including janitorial charges)

104,269 78,853

Depreciation

214,716 231,601

Depreciation on right-of-use assets

3.1.2 556,918 -

Others

1,034 315

1,483,764 1,502,868

Information technology expenses

Software maintenance

105,455 74,708

Hardware maintenance

107,055 54,444

Depreciation

140,186 131,547

Amortisation

52,314 46,723

Network charges

108,157 110,130

513,167 417,552

Other operating expenses

Directors' fees and allowances

5,450 5,663

Fees and allowances to Shariah Board

9,643 5,677

Legal & professional charges

113,794 43,189

Travelling & conveyance

31,877 18,635

NIFT clearing charges

15,276 15,686

Depreciation

136,673 143,058

Depreciation on non banking assets

3,016 4,994

Entertainment expense

53,993 48,558

Training & development

6,804 13,609

Postage & courier charges

24,260 31,496

Communication

37,776 36,065

Marketing, advertisement & publicity

101,127 62,280

Repairs and maintenance

62,903 51,854

Takaful, tracker and other charges on car Ijarah

52,304 71,543

Stationery & printing

92,083 77,765

Insurance

197,391 91,623

Fee and subscription

56,540 81,917

Vehicle running and maintenance

94,733 70,441

Auditors Remuneration

8,898 7,607

Amortization

1,708 1,709

CDC and share registrar services

5,474 9,436

Brokerage and commission

9,743 8,422

Stamp duty & registration charges

37,243 11,563

Others

35,373 39,488

1,194,082 952,278

5,391,566 4,942,422

(Un-audited) (Un-audited)
September 30, 2019 September 30, 2018
Rupees in '000

27 OTHER CHARGES

Penalties imposed by the State
Bank of Pakistan

36,316 26,814

(Un-audited) Restated
September 30, 2019 (Un-audited)
September 30, 2018
Rupees in '000

28 PROVISIONS / (REVERSAL OF
PROVISION) AND WRITE OFFS - NET

Provision / (reversal of provision) for
diminution in value of investments - net
Provision / (reversal of provision)
against Islamic financing and related
assets and advances - net

31,740 (6,345)

818,732 (22,038)

Other provisions - net

379,636 11,307
1,230,108 (17,076)

29 FINANCIAL RESULTS OF BIPL
SECURITIES LIMITED

Total income for the period
Total expenses for the period
Loss before taxation
Taxation

188,201 172,641
210,039 238,268
(21,838) (65,627)

- Current
- Deferred

(4,308) (17,704)
18,325 31,464
14,017 13,760

Loss after taxation

(7,821) (51,867)

30 TAXATION

Current year
Deferred

257,074 117,349
299,422 (55,526)
556,496 61,823

30.1 The numerical reconciliation between average tax rate and the applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years and transferred from the amalgamated entity.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Holding Company has filed the return of income for the tax years 2006 to 2018 on due dates. These returns were deemed completed under the provisions of the prevailing income tax laws as applicable in Pakistan during the relevant accounting years.

Note	(Un-audited)	(Un-audited)
	September 30, 2019	September 30, 2018
	Rupees in '000	

31 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation for the year (Attributable to equity shareholders of the Bank)		1,000,553	170,138
		-----	-----
	Number of shares		
		-----	-----
Weighted average number of ordinary shares in issue		1,007,912,090	1,007,912,090
		-----	-----
	Rupees		
		-----	-----
Earnings per share - basic / diluted	31.1	0.9927	0.1688

31.1 There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2019 and September 30, 2018.

32 FAIR VALUE MEASUREMENTS

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

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

32.1 Fair value of financial assets

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

September 30, 2019 (Un-audited)

Level 1	Level 2	Level 3	Total
Rupees in '000			

On balance sheet financial instruments

Financial assets - measured at fair value

Investments				
Shares	263,632	-	-	263,632
Non-Government Debt Securities	-	7,795,423	-	7,795,423
Units of open ended mutual funds	3,110	-	-	3,110
Modaraba Certificates	7,964	-	-	7,964

Non-Financial Assets - measured at fair value

Operating fixed assets - Land and building	-	-	6,887,859	6,887,859
Non-banking assets	-	-	1,858,840	1,858,840

Off-balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange	-	12,262,270	-	12,262,270
Forward sale of foreign exchange	-	9,476,395	-	9,476,395
Future sale of shares	46,384	-	-	46,384

December 31, 2018 (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	-	26,513,606	-	26,513,606
Shares	476,679	-	-	476,679
Non-Government Debt Securities	-	10,045,048	-	10,045,048
Units of open ended mutual funds	3,743	-	-	3,743
Modaraba Certificates	8,198	-	-	8,198

Non-Financial Assets - measured at fair value

Operating fixed assets - Land and building	-	-	4,977,178	4,977,178
Non-banking assets	-	-	2,317,671	2,317,671

Off-balance sheet financial instruments -
measured at fair value

Forward purchase of foreign exchange	-	9,846,491	-	9,846,491
Forward sale of foreign exchange	-	6,950,378	-	6,950,378
Shariah compliant future purchase of shares	161	-	-	161
Shariah compliant future sale of shares	144,789	-	-	144,789

Valuation techniques used in determination of fair values within level 2

Items	Valuation approach and input used
WAPDA Sukuks	Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.

Valuation techniques used in determination of fair values within level 3

Operating fixed assets - Land and building	Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.
Non-banking assets	Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties.

32.2 The Group's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

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

32 SEGMENT INFORMATION

32.1 Segment Details with respect to Business Activities

	September 30, 2019 (Un-audited)				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Profit & Loss					
	Rupees in ' 000				
Profit / return earned	5,943,454	(5,565,590)	6,962,491	77,481	7,417,836
Inter segment revenue - net	(5,013,344)	12,910,524	(7,897,180)	-	-
Other income	201,445	319,161	168,925	137,591	827,122
Total Income	1,131,555	7,664,095	(765,764)	215,072	8,244,958
Segment direct expenses	43,579	3,182,396	57,133	2,176,520	5,459,628
Inter segment expense allocation	93,227	1,580,883	244,890	(1,919,000)	-
Total expenses	136,806	4,763,279	302,023	257,520	5,459,628
Provisions	56,947	148,844	658,891	365,426	1,230,108
Profit before tax	937,802	2,751,972	(1,726,678)	(407,874)	1,555,222
Balance Sheet					
Assets					
Cash & Bank balances	3,758,833	7,853,653	-	387,221	11,999,707
Investments	56,064,590	-	-	478,868	56,543,458
Net inter segment lending	-	190,175,680	-	-	190,175,680
Due from financial institutions	36,896,649	-	-	-	36,896,649
Islamic financing and related assets - performing	-	26,078,573	92,491,360	2,692,526	121,262,459
- non-performing	-	1,168,400	1,628,709	-	2,797,109
Others	3,157,906	1,922,644	4,441,027	25,333,450	34,855,027
Total Assets	99,877,978	227,198,950	98,561,096	28,892,065	454,530,089
Liabilities					
Borrowings	14,620,268	7,721,400	-	-	22,341,668
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	213,164,269	-	-	213,164,269
Net inter segment borrowing	85,209,596	-	95,529,822	9,436,262	190,175,680
Others	48,114	6,562,378	2,738,735	3,269,842	12,619,069
Total liabilities	99,877,978	227,448,047	98,268,557	12,706,104	438,300,686
Equity	-	-	-	16,229,403	16,229,403
Total Equity & liabilities	99,877,978	227,448,047	98,268,557	28,935,507	454,530,089
Contingencies & Commitments	2,883,933	-	16,991,238	6,108,301	25,983,472

September 30, 2019 (Un-audited)

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Profit & Loss	Rupees in ' 000				
Profit / return earned	2,228,719	(2,106,375)	4,006,643	87,147	4,216,134
Inter segment revenue - net	(2,188,981)	3,648,046	(1,459,065)	-	-
Other income	246,755	463,153	164,880	85,324	960,112
Total Income	286,493	2,004,824	2,712,458	172,471	5,176,246
Segment direct expenses	12,584	2,629,753	235,927	2,092,906	4,971,170
Inter segment expense allocation	89,299	1,514,278	234,572	(1,838,149)	-
Total expenses	101,883	4,144,031	470,499	254,757	4,971,170
Provisions	(3,898)	24,466	(37,411)	(233)	(17,076)
Profit before tax	188,508	(2,163,673)	2,279,370	(82,053)	222,152

December 31, 2018 (Audited)

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
Balance Sheet	Rupees in ' 000				
Assets					
Cash & Bank balances	8,592,182	6,815,483	-	49,640	15,457,305
Investments	39,224,886	-	-	11,876	39,236,762
Net inter segment lending	-	156,041,540	-	-	156,041,540
Due from financial institutions	18,173,504	-	-	-	18,173,504
Islamic financing and related assets - performing	-	22,167,627	89,165,423	2,510,425	113,843,475
- non-performing	-	746,700	3,649,429	81,207	4,477,336
Others	2,307,249	1,873,391	3,166,067	18,298,179	25,644,886
Total Assets	68,297,821	187,644,741	95,980,919	20,951,327	372,874,808
Liabilities					
Borrowings	5,331,216	2,488,316	-	-	7,819,532
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	184,417,786	-	11,735	184,429,521
Net inter segment borrowing	61,630,487	-	94,411,053	-	156,041,540
Others	656,240	3,941,460	1,569,866	3,140,837	9,308,403
Total liabilities	67,557,793	190,907,712	95,980,919	3,152,572	357,598,996
Equity	-	-	-	15,275,812	15,275,812
Total Equity & liabilities	67,557,793	190,907,712	95,980,919	18,428,384	372,874,808
Contingencies & Commitments	2,704,990	-	10,416,069	10,013,710	23,134,769

34 RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its directors and Key Management Personnel.

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

Details of transactions with related parties during the period are as follows:

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees in ' 000							
Investments								
Investments								
Opening balance	-	-	1,660,111	-	-	-	1,660,111	-
Investment made during the period / year	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	1,660,111	-	-	-	1,660,111	-
Provision for diminution in value of investments	-	-	(1,032,169)	-	-	-	(1,032,169)	-
Islamic financing and related assets								
Opening balance	25,280	284,740	392,853	461,667	7,464	184,202	582,084	1,880,378
Addition during the period / year	-	53,352	687,767	1,483,040	-	258,618	675,000	3,196,861
Repaid during the period / year	(2,045)	(46,805)	(566,014)	(1,149,775)	(2,184)	(82,809)	(864,231)	(4,180,572)
Transfer in / (out) - net	-	(105,002)	-	160,000	-	4,494	-	(435,000)
Closing balance	23,235	186,285	514,606	954,932	25,280	364,505	392,853	461,667
Other Assets								
Profit receivable on financings	114	62	7,965	35,889	135	118	8,225	15,470
Deposits and other accounts								
Opening balance	3,696	46,092	80,269	1,232,106	2,458	32,016	25,849	902,081
Received during the period / year	9,395	234,964	2,368,656	5,842,030	34,119	579,006	2,738,230	8,232,318
Withdrawn during the period / year	(10,756)	(217,388)	(2,366,371)	(5,721,828)	(34,528)	(563,296)	(2,684,170)	(7,850,192)
Transfer in / (out) - net	-	(2,102)	-	1,647	-	(1,634)	360	(52,101)
Closing balance	2,335	61,566	82,554	1,352,308	3,696	46,092	80,269	1,232,106
Other Liabilities								
Profit / return payable	10	96	98	33,622	2	178	148	7,513
Contingencies and Commitments								
Other contingencies	-	-	17,728	21,612	-	-	19,760	91,572

	September 30, 2019 (Un-audited)				September 30, 2018 (Un-audited)			
Income								
Profit / return earned	1,723	2,430	40,378	73,682	1,588	4,246	37,428	54,422
Other income	-	1,010	-	-	-	9	8,006	-
Expense								
Profit / return expensed	30	141	1,111	106,593	26	2	2,626	45,517
Other administrative expenses	3,336	4,094	92	-	2,131	1,462	214	-
Meeting Fee / Remuneration	5,175	117,795	-	-	5,188	143,672	-	-
Contribution to employees provident fund	-	-	-	68,439	-	-	-	65,396
Contribution to employees gratuity fund	-	-	-	67,503	-	-	-	57,303

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Rupees in '000	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,000,079	10,000,079
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	14,253,334	12,564,839
Eligible Additional Tier 1 (ADT 1) Capital	4,379	5,735
Total Eligible Tier 1 Capital	14,257,713	12,570,574
Eligible Tier 2 Capital	4,947,492	4,342,930
Total Eligible Capital (Tier 1 + Tier 2)	19,205,205	16,913,504
Risk Weighted Assets (RWAs):		
Credit Risk	111,495,888	99,235,282
Market Risk	2,448,884	2,236,103
Operational Risk	11,284,350	11,255,363
Total	125,229,122	112,726,748
Common Equity Tier 1 Capital Adequacy ratio	11.38%	11.15%
Tier 1 Capital Adequacy Ratio	11.39%	11.15%
Total Capital Adequacy Ratio	15.34%	15.00%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	14,257,713	12,570,574
Total Exposures	285,274,799	231,884,144
Leverage Ratio	5.00%	5.42%
Liquidity Coverage Ratio (LCR)*:		
Total High Quality Liquid Assets	55,307,986	42,125,500
Total Net Cash Outflow	30,387,186	21,949,912
Liquidity Coverage Ratio	184.33%	191.92%
Net Stable Funding Ratio (NSFR)*:		
Total Available Stable Funding	214,841,865	187,439,582
Total Required Stable Funding	105,089,883	97,963,189
Net Stable Funding Ratio	204.44%	191.34%

* Holding Company's LCR and NSFR ratios have been presented.

36 GENERAL

36.1 Captions, as prescribed by BPRD Circular No. 02, dated: January 25, 2018 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

36.2 These condensed interim consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

36.3 The figures in these financial statements have been rounded off to the nearest thousand rupee.

36.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

Transfer from	Transfer to	Aggregate
		Rupees in '000
Profit / return earned - Financings	Profit / return earned - Placements	1,620
Other Income - Fee and commission income	Profit / return earned	1,148

37 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorized for issue on October 23, 2019 by the Board of Directors of the Holding Company.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR



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