





PLANT A **TREE**
MAKE PAKISTAN **GREEN**

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Corporate Information

Board of Directors	Lt Gen Syed Tariq Nadeem Gilani, HI(M) (Retd) - Chairman Lt Gen Javed Iqbal, HI (M) (Retd) Lt Gen Tariq Khan, HI (M) (Retd) Dr. Nadeem Inayat Mr. Rehan Laiq Mr. Manzoor Ahmed - NIT Nominee Mr. Kamal A. Chinoy Syed Ahmed Iqbal Ashraf Mr. Mushtaq Malik Brig. Saleem Ahmed Moeen, SI (Retd) Mr. Abid Sattar - President & Chief Executive
Board Audit Committee	Syed Ahmed Iqbal Ashraf - Chairman Dr. Nadeem Inayat Mr. Rehan Laiq Mr. Manzoor Ahmed
Shariah Board	Mufti Muhammad Zahid - Chairman Mufti Ismatullah - Member Dr. Muhammad Tahir Mansoori - Resident Shariah Board Member
Auditors	M/s A. F. Ferguson & Co Chartered Accountants
Legal Advisors	M/s RIAA, Barker Gillette Advocates & Corporate Counselors
Company Secretary	Mr. Shahid Abbasi, FCA
Registered Office	AWT Plaza, The Mall, P. O. Box No. 1084 Rawalpindi – 46000, Pakistan. Tel: (92 51) 8092624 UAN: (92 51) 111 000 787 Fax: (92 51) 2857448 Email: ir@askaribank.com.pk
Registrar & Share Transfer Office	CDC Share Registrar Services Limited (CDCSRL) Mezzanine Floor, South Tower, LSE Plaza 19-Khayaban-e-Aiwan-e-Iqbal, Lahore Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275) Tel: (9242) 36362061-66 Fax: (92 42) 36300072 Email: info@cdcsrsl.com Website: www.cdcsrsl.com
Entity Rating	Long Term: AA+ Short Term: A1+ By PACRA
Website	www.askaribank.com
Social Media	 /askaribankpakistan  /askari_bank

Directors' Review

Dear Shareholders

The Directors present the unaudited condensed interim unconsolidated financial statements for the third quarter and nine months ended September 30, 2019. The financial results are summarized as under:

	Rupees in million	
	September 30, 2019	September 30, 2018
Net mark-up and non fund income	21,260	17,974
Administrative and other expenses	13,316	11,356
Profit before provision and taxation	7,944	6,618
Provisions - net	(731)	(416)
Profit before taxation	7,213	6,202
Taxation	2,834	2,578
Profit after taxation	4,379	3,623
Basic earnings per share - Rupees	3.48	2.88

Askari Bank posted profit after tax amounting to Rs.4.38 billion for the nine months ended September 30, 2019 compared to Rs.3.62 billion for the corresponding period of 2018, a year on year increase of 21 percent. The Bank's profit before provisions and taxation increased by 20 percent to Rs.7.94 billion from Rs.6.62 billion last year. The earnings per share for the current period are reported at Rs.3.48 against Rs.2.88 for the corresponding period last year.

Aggregate net revenues for the current nine months increased to Rs.21.3 billion from Rs.17.9 billion, improving by 18 percent. The growth in revenues was led by 18 percent increase in net mark-up income as the Bank positioned itself in rising interest rate environment; higher interest rates, rising average deposits and effective balance sheet management contributed to the rise in net interest income. Trade and transactions related fee commission and foreign exchange revenues increased by 30 percent during the period under review primarily driven by income from foreign exchange, branch banking, home remittance, trade commission and card related fees. Operating expenses increased by 10 percent mainly reflecting the inflationary upsurge and impact of regulatory levy of depositors' protection premium.

Customer deposits increased by 13 percent and reported at Rs.648 billion at September 30, 2019, while gross advances increased by 8 percent and are reported at Rs.400 billion as on that date. The Bank recorded a net provision of Rs. 731 million mainly due to a higher provision on the portfolio of stock market investments as the decline in stock market index continued during the period under review; the Bank preferred to hold the portfolio of equity shares instead of liquidating at depressed levels as better exit points will accrue once economic and political clarity emerges. Recoveries from non-performing loans contributed a net reversal of Rs. 356 million during the period under review.

During the current period, the Bank's rating was maintained at 'AA+' (Double A Plus) for the long term and 'A1+' (A One Plus) for the short term by PACRA. The ratings reflect relative position of the Bank, driven by AKBL's strong Sponsors and brand, continued growth trajectory, improvement in net spreads and volumetric increase in earning assets.

We will continue to focus on building a low cost deposit base, investing in efficient risk weighted asset, optimally managing the loan book with prudent risk management given the risk of credit headwinds due to significant rise in interest rates. It is our priority to invest in technology to build our digital capabilities to re-define customer experience and to improve digital penetration in our product and service offerings for our existing and prospective customers. Human resource development will remain our key priority along with strengthening of compliance and control environment in line with international best practices.

On behalf of the Board, we would like to place on record our gratitude to our valued customers for their continued patronage to the Askari brand; our profound thanks to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, and other regulatory authorities for their guidance and assistance. We would also like to recognize the hard work and dedication of our employees that has enabled successful delivery of these results.

- sd -

Abid Sattar
President & Chief Executive

Rawalpindi
October 23, 2019

- sd -

Lt Gen Syed Tariq Nadeem Gilani
HI (M)(Retd)
Chairman, Board of Directors

ڈائریکٹرز کی جائزہ رپورٹ

عزیزہ حصص داران،

ڈائریکٹرز غیر آڈٹ شدہ مختصر عبوری غیر نمودہ مالیاتی معلومات برائے اختتام نوامی 30 ستمبر 2019 پیش کرتے ہیں۔ مالیاتی نتائج کا خلاصہ درج ذیل ہے:

(روپے بلین میں)

30 ستمبر 2018	30 ستمبر 2019
17,974	21,260
11,356	13,316
6,618	7,944
(416)	(731)
6,202	7,213
2,578	2,834
3,623	4,379
2.88	3.48

خالص مارک اپ اور نان فنڈ آمدن

انتظامی اور دیگر اخراجات

پروویژن ٹیکس سے قبل منافع

پروویژن۔ خالص

قبل از ٹیکس منافع

ٹیکس

بعد از ٹیکس منافع

بنیادی فی حصص آمدن۔ روپے

بینک نے اختتام نوامی 30 ستمبر 2019 کی مدت میں 21 فیصد کے سہا سہا سال کے اضافے کے ساتھ 14.38 ارب روپے بعد از ٹیکس منافع کمایا جو پچھلے مالی دورانیہ کی مدت میں 3.62 ارب روپے تھا۔ پروویژن سے قبل منافع پچھلے سال کے 6.62 ارب روپے سے 20 فیصد بڑھ کر 7.94 ارب روپے رہا۔ رواں دورانیہ کی مدت کیلئے فی حصص آمدن گزشتہ سال کی اسی دوانیہ کی مدت کے 2.88 روپے کے مقابلے میں 3.48 روپے رہی۔

روانہ نوامی مدت میں 18 فیصد بہتری آئی اور مجموعی خالص ریونیو 21.3 ارب روپے رہے جو گزشتہ سال اسی دورانیہ کی مدت میں 17.9 ارب روپے تھے۔ ریونیو کی افزائش میں خالص مارک اپ آمدن 18 فیصد اضافہ سے دست و چر باجیسا کہ بینک نے اضافی انٹرسٹ ریٹس، بڑھتے ہوئے اوسط ڈپازٹس اور موثر بیلنس شیٹ منجمنت کے ماحول میں اپنی پوزیشن کا تعین کیا۔ زیر جائزہ مدت کے دوران ٹریڈ اور ٹرانزیکشن سے متعلق فیس، کمیشن اور غیر ملکی کرنسیوں میں تجارت سے حاصل ہونے والی آمدن میں 30 فیصد اضافہ ہوا جس میں بنیادی طور پر فارن ایکسیج، براؤن بینکنگ، ہوم ریٹیننس، ٹریڈ میٹیشن اور کارڈ سے متعلق فیس سے حاصل ہونے والی آمدن شامل ہے۔ انتظامی اخراجات میں 10 فیصد اضافہ ہوا جو بنیادی طور پر افراط زر کے برعکس اور ڈپازٹرز پر ٹیکس پر پیئمنٹ کی ریگولیشن کی عکاسی کرتا ہے۔

لکھنؤ داروں کی رقم 30 ستمبر 2019 13 فیصد اضافے کے ساتھ 648 ارب روپے رہیں جبکہ مجموعی ایڈوانسز مذکورہ مدت پر 8 فیصد اضافے کے ساتھ 400 ارب روپے رہے۔ پروویژن کا خالص چارج 731 ملین روپے رہا جس کی بنیادی وجہ سٹاک مارکیٹ میں سرمایہ کاریوں کے پورٹ فولیو پر اضافی پروویژن کا ہونا ہے کیونکہ زیر جائزہ مدت کے دوران سٹاک مارکیٹ میں مسلسل زوال پزیر رہا؛ بینک نے ایکویٹی شیئرز کو کمزور ریٹ پر لیکویڈیٹ کر کے بجائے معاشی اور سیاسی صورتحال میں بہتری پر بہتر ایگزٹ کے مواقع کی دستیابی تک ایکویٹی پورٹ فولیو کو برقرار رکھنے کے عمل کو ترجیح دی۔ بینک نے غیر فعال قرضہ جات سے وصولیوں کی مدتیں زیر جائزہ مدت میں 356 ملین روپے کا خالص ریورسل پیش کیا۔

پاکستان کریڈٹ ریٹنگ ایجنسی لیمنڈ (PACRA) کی طرف سے مقرر کردہ بینک کی طویل میعاد کی ریٹنگ AA+ (ڈبل A پلس) اور مختصر میعاد کی ریٹنگ A1+ (A دن پلس) برقرار رکھی گئی۔ ریٹنگ بینک کی تقابلی پوزیشن کی عکاس ہے، جو عسکری بینک کے مضبوط پاسرز اور برائے شرح نمو میں مسلسل اضافے، خالص سپریڈز میں بہتری اور آمدن والے اثاثہ جات میں اضافے کی وجہ سے ممکن ہوئی۔

کم خرچ ذیابذت میں کی تعمیر موثر رسک ویٹ کے حامل اثاثہ جات میں سرمایہ کاری، انٹرسٹ ریٹ میں ہوش زبا اضافہ کی وجہ سے قرضہ جات میں اضافی دباؤ کے ہونے سے دانیشن اور رسک منجمنت کے ساتھ قرضہ جات کا بہتر انتظام ہماری توجہ کا مرکز رہے گا۔ ٹیکنالوجی میں سرمایہ کاری سے اپنی ڈیجیٹل صلاحیتوں کو تقویت دینے کے لئے اپنی خدمات اور پراڈکٹس کی ڈیجیٹل بصیرت کو بہتر بنانا تاکہ صارفین کے تجربے کی نئی تعریف ممکن ہو، ہماری ترجیحات رہیں گی۔ بین الاقوامی طریقوں کے عین مطابق ہیومن ریورس ڈیولپمنٹ اور کمپلائنس اور کنٹرول کے ماحول کو مستحکم کرنا ہماری اولین ترجیحات میں شامل ہوگا۔

بورڈ کی جانب سے، ہم اپنے گراں قدر صارفین کی طرف سے عسکری براہ راست مسلسل سرپرستی کیلئے بدول سے مشکور ہیں۔ ہم سٹیٹ بینک آف پاکستان، سیکوریز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیشنری اتھارٹیز کی طرف سے رہنمائی اور امانت کے لیے شکریہ ادا کرتے ہیں۔ ہم اپنے ملازمین کی انتھک محنت اور لگن کے بھی معترف ہیں، جو ہمارے لیے ان کامیاب نتائج کا باعث بنی۔

دستخط

لیفٹیننٹ جنرل سید طارق ندیم گیلانی

بالا امتیاز (ملٹری) (ریٹائرڈ)

چیئر پرسن بورڈ آف ڈائریکٹرز

دستخط

عابد ستار

صدر چیف ایگزیکٹو

راولپنڈی

23 اکتوبر 2019

Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks	6	55,319,779	49,187,645
Balances with other banks	7	2,909,331	4,093,402
Lendings to financial institutions	8	1,878,985	-
Investments	9	329,148,581	260,233,987
Advances	10	373,826,361	343,107,147
Fixed assets	11	20,196,587	12,791,827
Intangible assets	12	811,703	741,361
Assets held for sale		80,720	80,720
Deferred tax assets	13	3,196,678	3,773,779
Other assets	14	36,783,999	32,522,174
		824,152,724	706,532,042
LIABILITIES			
Bills payable	15	10,654,724	15,512,880
Borrowings	16	87,409,132	52,702,323
Deposits and other accounts	17	647,886,534	573,635,856
Liabilities against assets subject to finance lease		-	-
Subordinated debts	18	9,992,000	9,993,600
Deferred tax liabilities		-	-
Other liabilities	19	30,355,477	21,178,476
		786,297,867	673,023,135
NET ASSETS		37,854,857	33,508,907
REPRESENTED BY			
Share capital		12,602,602	12,602,602
Reserves		18,852,453	15,543,179
Surplus on revaluation of assets - net of tax	20	2,656,879	1,649,197
Unappropriated profit		3,742,923	3,713,929
		37,854,857	33,508,907
CONTINGENCIES AND COMMITMENTS			
	21		

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

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

For the quarter and nine months ended September 30, 2019

	Note	For the quarter ended		For the nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		(Rupees in thousand)			
Mark-up / return / interest earned	23	20,530,105	11,871,127	50,736,805	30,991,621
Mark-up / return / interest expensed	24	15,159,487	6,995,632	34,509,873	17,183,622
Net mark-up / interest income		5,370,618	4,875,495	16,226,932	13,807,999
Non mark-up / interest income					
Fee and commission income	25	812,872	764,025	2,625,963	2,235,385
Dividend income		59,125	46,097	205,411	160,815
Foreign exchange income		623,288	280,643	1,865,711	1,224,588
Income / (loss) from derivatives		-	-	-	-
Gain on securities	26	66,525	38,582	103,835	173,059
Other income	27	82,486	192,610	232,252	372,195
Total non-markup / interest income		1,644,296	1,321,957	5,033,172	4,166,042
Total income		7,014,914	6,197,452	21,260,104	17,974,041
Non mark-up / interest expenses					
Operating expenses	28	4,390,513	4,219,546	13,147,877	11,923,154
Workers' Welfare Fund		37,197	(655,000)	68,239	(567,676)
Other charges	29	66,858	360	99,766	656
Total non-markup / interest expenses		4,494,568	3,564,906	13,315,882	11,356,134
Profit before provisions		2,520,346	2,632,546	7,944,222	6,617,907
Provisions and write offs - net	30	492,383	818,551	731,119	416,058
Extraordinary / unusual items		-	-	-	-
Profit before taxation		2,027,963	1,813,995	7,213,103	6,201,849
Taxation	31	770,611	712,157	2,833,638	2,578,392
Profit after taxation		1,257,352	1,101,838	4,379,465	3,623,457
		(Rupees)		(Rupees)	
Basic earnings per share	32	1.00	0.87	3.48	2.88

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

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

For the quarter and nine months ended September 30, 2019

	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(Rupees in thousand)			
Profit after taxation	1,257,352	1,101,838	4,379,465	3,623,457
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in Wholesale Bank Branch	(99,889)	21,658	(20,288)	97,893
Movement in deficit on revaluation of investments - net of tax	1,323,883	(643,608)	1,030,839	(2,023,732)
	1,223,994	(621,950)	1,010,551	(1,925,839)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement of defined benefit plan - net of tax	-	-	240,683	17,693
Movement in revaluation of non-banking assets - net of tax	-	(61,020)	(23,157)	(167,208)
Total comprehensive income	<u>2,481,346</u>	<u>418,868</u>	<u>5,607,542</u>	<u>1,548,103</u>

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

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

For the nine months ended September 30, 2019

(Rupees in thousand)

	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Un-appropriated profit / (loss)	Total
						Investments	Fixed / Non banking assets		
Balance as at January 1, 2018	12,602,602	123,847	234,669	7,808,891	3,673,350	390,491	4,751,763	2,849,878	32,435,491
Impact of IFRS 9 of Wholesale Bank Branch	-	(850)	-	-	(219,026)	-	-	-	(219,876)
Balance as at January 1, 2018 after impact of IFRS 9 of Wholesale Bank Branch	12,602,602	122,997	234,669	7,808,891	3,454,324	390,491	4,751,763	2,849,878	32,215,615
Total comprehensive income for the nine months ended September 30, 2018									
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	-	-	3,623,457	3,623,457
Other comprehensive income related to equity	-	97,893	-	-	-	(2,023,732)	(167,208)	17,693	(2,075,354)
	-	97,893	-	-	-	(2,023,732)	(167,208)	3,641,150	1,548,103
Transfer to Statutory reserve	-	-	-	724,691	-	-	-	(724,691)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	166,302	166,302
Transfer to General reserve	-	-	-	-	2,849,878	-	-	(2,849,878)	-
Balance as at September 30, 2018	12,602,602	220,890	234,669	8,533,582	6,304,202	(1,633,241)	4,584,555	3,082,761	33,930,020
Total comprehensive income for the quarter ended December 31, 2018									
Net profit for the quarter ended December 31, 2018	-	-	-	-	-	-	-	807,821	807,821
Other comprehensive income related to equity	-	88,271	-	-	-	(2,464,282)	1,162,165	(14,598)	(1,228,444)
	-	88,271	-	-	-	(2,464,282)	1,162,165	793,223	(420,623)
Transfer to Statutory reserve	-	-	-	161,565	-	-	-	(161,565)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(490)	(490)
Balance as at December 31, 2018	12,602,602	309,161	234,669	8,695,147	6,304,202	(4,097,523)	5,746,720	3,713,929	33,508,907
Total comprehensive income for the nine months ended September 30, 2019									
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	-	4,379,465	4,379,465
Other comprehensive income related to equity	-	(20,288)	-	-	-	1,030,839	(23,157)	240,683	1,228,077
	-	(20,288)	-	-	-	1,030,839	(23,157)	4,620,148	5,607,542
Transfer to Statutory reserve	-	-	-	875,893	-	-	-	(875,893)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(1,332)	(1,332)
Transfer to General reserve	-	-	-	-	2,453,669	-	-	(2,453,669)	-
Transaction with owners, recorded directly in equity									
Final dividend 2018: Re. 1 per share	-	-	-	-	-	-	-	(1,260,260)	(1,260,260)
Balance as at September 30, 2019	12,602,602	288,873	234,669	9,571,040	8,757,871	(3,066,684)	5,723,563	3,742,923	37,854,857

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

1. STATUS AND NATURE OF BUSINESS

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, the Mall, Rawalpindi. The Bank is a scheduled commercial bank and is licensed under Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on September 30, 2019. The ultimate parent of the Bank is Fauji Foundation. The Bank has 517 branches (December 31, 2018: 516 branches); 516 in Pakistan and Azad Jammu and Kashmir (including 94 (December 31, 2018: 94) Islamic Banking branches and 44 (December 31, 2018: 43) sub-branches) and a Wholesale Bank Branch (WBB) in the Kingdom of Bahrain.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

- 2.2 These unconsolidated condensed interim financial statements have been presented in accordance with the requirements of format prescribed by SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) and do not include all the information and disclosures required in the audited annual unconsolidated financial statements, and should be read in conjunction with the audited annual unconsolidated financial statements of the Bank for the year ended December 31, 2018.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

IFRS - 16 Leases became effective for annual reporting periods beginning on or after January 1, 2019. The impact of the adoption of IFRS - 16 Leases on the Bank's unconsolidated condensed interim financial statements is disclosed in note 3.3.2

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Bank's financial statements.

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

- a) The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations (Amendments)	January 1, 2020
IAS 1 Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

- b) Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Bank.

	Effective date (annual periods ending on or after)
IFRS 9 Financial Instruments	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan and Azad Jammu and Kashmir operations of the Bank in preparation of these unconsolidated condensed interim financial statements.

IFRS 9, Financial Instruments, addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of an impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

The Bank expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

3.3 Change in accounting policy

3.3.1 The SBP, vide BPRD Circular Letter No. 5 dated March 22, 2019 amended the format of condensed interim financial statements of banks. Accordingly, the Bank has prepared these unconsolidated condensed interim financial statements on the new format prescribed by the SBP. The amended format introduced certain new disclosures and certain reclassification have been made in the unconsolidated condensed interim profit and loss account which are summarized below:

Reclassification from account head	Reclassification to account head	For the nine months ended September 30	
		2019	2018
		(Rupees in thousand)	
Other income	Provision and writeoffs - net	72,613	107,755
Other provisions / writeoff	Provision and writeoffs - net	23,048	-

3.3.2 During the period, IFRS 16 - Leases became applicable to the Bank. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases - Incentive, and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS - 16 Leases introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use (ROU) asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS - 16 Leases from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as is permitted under the specific transitional provisions in the standard.

On adoption of IFRS - 16 Leases, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of remaining lease payment, discounted using the Bank's contract wise incremental borrowing rate as at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	<u>September 30, 2019</u>	<u>January 1, 2019</u>
	(Rupees in thousand)	
Total lease liability recognised	7,579,619	7,578,841

On adoption of IFRS 16 - Leases, the associated ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

The ROU assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The ROU assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The ROU assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(un-audited)	
	September 30, 2019	January 1, 2019
	(Rupees in thousand)	
The recognised ROU assets relate to the following type of asset:		
Property	7,618,723	8,312,292

The effect of this change in accounting policy is as follows:

	(un-audited)	
	September 30, 2019	January 1, 2019
	(Rupees in thousand)	
Impact on Statement of Financial Position		
Increase in fixed assets - ROU assets	7,618,723	8,312,292
Decrease in other assets - Advances, deposits, advance rent and other prepayments	(665,532)	(733,451)
Increase in other assets - Advance taxation	244,394	-
	7,197,585	7,578,841
Increase in other liabilities - lease liability against ROU assets	(7,579,619)	(7,578,841)
Increase in exchange translation reserve	(224)	-
Decrease in net assets	(382,258)	-

Impact on Profit and Loss account

	For the nine months ended September 30, 2019 (Rupees in thousand)
Increase in markup expense - lease liability against ROU assets	(747,445)
(Increase) / decrease in operating expenses	
- Depreciation on ROU assets	(1,107,092)
- Rent expense	1,178,463
Termination of lease contracts under IFRS - 16 Leases	49,422
Decrease in profit before tax	(626,652)
Decrease in tax	244,394
Decrease in profit after tax	(382,258)

Earnings per share for the nine months ended September 30, 2019 are Rs 0.30 per share lower as a result of the adoption of IFRS - 16 Leases.

While implementing IFRS 16 - Leases, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise ROU assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	12,093,656	10,368,791
Foreign currencies	1,990,681	1,935,969
	<u>14,084,337</u>	<u>12,304,760</u>
With the State Bank of Pakistan in:		
Local currency current accounts	27,501,637	24,210,710
Foreign currency current accounts	3,211,853	2,829,226
Foreign currency deposit account	9,061,828	7,946,957
	<u>39,775,318</u>	<u>34,986,893</u>
With National Bank of Pakistan in:		
Local currency current accounts	1,215,082	1,883,326
Prize Bonds	245,042	12,666
	<u>55,319,779</u>	<u>49,187,645</u>
7. BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	353,325	354,396
In deposit accounts	-	291
	<u>353,325</u>	<u>354,687</u>
Outside Pakistan		
In current accounts	1,165,664	1,047,160
In deposit accounts	1,390,357	2,691,565
	<u>2,556,021</u>	<u>3,738,725</u>
Provision under IFRS 9 related to WBB	(15)	(10)
	<u>2,909,331</u>	<u>4,093,402</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Bai Muajjal receivable from SBP	1,878,985	-
Purchase under resale arrangement of equity securities	148,606	148,606
	<u>2,027,591</u>	<u>148,606</u>
Provision held against lending to financial institutions	(148,606)	(148,606)
Lending to financial institutions - net of provision	<u>1,878,985</u>	<u>-</u>

8.1 Category of classification

Domestic

Loss

September 30, 2019 (Un-audited)		December 31, 2018 - (Audited)	
Classified lending	Provision held	Classified lending	Provision held
(Rupees in thousand)			
<u>148,606</u>	<u>148,606</u>	<u>148,606</u>	<u>148,606</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

9. INVESTMENTS

September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value

(Rupees in thousand)

9.1 Investments by type:

Held for trading securities

Shares	54,763	-	(394)	54,369	-	-	-	-
	54,763	-	(394)	54,369	-	-	-	-

Available for sale securities

Federal Government Securities	202,118,682	(50,817)	(4,481,418)	197,586,447	244,060,807	(41,600)	(6,125,979)	237,893,228
Shares	6,550,257	(2,389,844)	(270,328)	3,890,085	5,898,588	(1,437,160)	(153,307)	4,308,121
Units of open end mutual funds	1,005,036	(146,912)	(14,600)	843,524	1,032,012	(2,376)	(58,190)	971,446
Fully paid preference shares	27,314	(9,189)	46,545	64,670	27,314	(7,139)	39,570	59,745
Non Government Debt Securities	7,335,568	(1,496,553)	(1,868)	5,837,147	6,957,717	(1,540,848)	(480)	5,416,389
Foreign securities	161,663	(2,393)	3,694	162,964	421,818	(2,659)	(5,496)	413,663
	217,198,520	(4,095,708)	(4,717,975)	208,384,837	258,398,256	(3,031,782)	(6,303,882)	249,062,592

Held to maturity securities

Federal Government Securities	119,093,406	(162,685)	-	118,930,721	11,293,815	(122,420)	-	11,171,395
Non Government Debt Securities	1,917,817	(139,163)	-	1,778,654	110,000	(110,000)	-	-
	121,011,223	(301,848)	-	120,709,375	11,403,815	(232,420)	-	11,171,395
Total investments	338,264,506	(4,397,556)	(4,718,369)	329,148,581	269,802,071	(3,264,202)	(6,303,882)	260,233,987

(Un-audited)
September 30,
2019

(Audited)
December 31,
2018

(Rupees in thousand)

9.1.1 Investments given as collateral

The market value of investments given as collateral is as follows:

Market Treasury Bills	45,026,502	12,793,905
Sukus	8,848,346	8,369,037
Euro Bonds	5,067,177	3,381,368
Turkish Sukus	956,956	-
Turkish Euro Bonds	437,432	-
Bahrain International Bonds	165,356	144,747
Srilankan Investment Bonds	-	277,070
	<u>60,501,769</u>	<u>24,966,127</u>

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	3,264,202	2,042,279
Provision under IFRS 9 related to WBB	-	173,151
Opening balance after IFRS 9 impact of WBB	3,264,202	2,215,430
Exchange adjustments	23,752	-
Charge / (reversals)		
Charge for the period / year	1,124,319	1,331,427
Charge / (reversal) of provision under IFRS 9 related to WBB	54,628	(6,472)
Reversals for the period / year	(69,345)	(268,539)
Reversal on disposals	-	(7,644)
	<u>1,109,602</u>	<u>1,048,772</u>
Closing balance	<u>4,397,556</u>	<u>3,264,202</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

9.2.2 Particulars of provision against debt securities

September 30, 2019 (Un-audited)		December 31, 2018 - (Audited)	
NPL	Provision	NPL	Provision
(Rupees in thousand)			

Category of classification

Domestic

Loss

1,606,552	1,851,611	1,650,848	1,817,527
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9.3 The market value of securities classified as held to maturity as at September 30, 2019 is Rs. 122,256,923 thousand (December 31, 2018: Rs. 11,029,123 thousand).

	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 thousand)					
Loans, cash credits, running finances, etc.	303,740,905	279,232,463	26,866,700	26,166,223	330,607,605	305,398,686
Islamic financing and related assets	46,312,007	46,583,103	1,882,924	435,096	48,194,931	47,018,199
Bills discounted and purchased	20,852,042	16,786,319	60,406	55,767	20,912,448	16,842,086
Advances - gross	370,904,954	342,601,885	28,810,030	26,657,086	399,714,984	369,258,971
Provision against advances						
- Specific	-	-	(24,780,306)	(25,113,169)	(24,780,306)	(25,113,169)
- General	(1,108,317)	(1,038,655)	-	-	(1,108,317)	(1,038,655)
Advances - net of provision	369,796,637	341,563,230	4,029,724	1,543,917	373,826,361	343,107,147

10.1 Particulars of advances (Gross)

In local currency

In foreign currencies

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
In local currency	374,521,222	347,815,947
In foreign currencies	25,193,762	21,443,024
	399,714,984	369,258,971

10.2 Advances include Rs. 28,810,030 thousand (December 31, 2018: Rs. 26,657,086 thousand) which have been placed under non-performing status as detailed below:

Category of classification

September 30, 2019 (Un-audited)		December 31, 2018 - (Audited)	
Non Performing loans	Provision	Non Performing loans	Provision

(Rupees in thousand)

Domestic

Other Assets Especially Mentioned - note 10.2.1

Substandard

Doubtful

Loss

2,194,990	-	90,038	1,883
324,634	29,147	286,591	23,421
1,124,855	421,754	429,231	187,411
25,165,551	24,329,405	25,851,226	24,900,454
28,810,030	24,780,306	26,657,086	25,113,169

10.2.1 This represents classification for Infrastructure projects, Agricultural, Mortgage and Small Entities finances.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

10.3 Particulars of provision against advances

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Specific	General	Consumer financing-General	Total	Specific	General	Consumer financing-General	Total
	(Rupees in thousand)							
Opening balance	25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584
Provision under IFRS 9 related to WBB	-	-	-	-	-	164,947	-	164,947
Opening balance after IFRS 9 impact of WBB	25,113,169	498,429	540,226	26,151,824	24,962,069	401,887	447,575	25,811,531
Exchange adjustment	-	20,432	-	20,432	-	-	-	-
Charge for the period / year	755,607	22,525	82,254	860,386	2,413,023	81,302	102,568	2,596,893
Provision under IFRS 9 related to WBB	-	(47,641)	-	(47,641)	-	16,119	-	16,119
Reversal for the period / year	(1,088,470)	(4,477)	(3,431)	(1,096,378)	(2,134,869)	(879)	(9,917)	(2,145,665)
	(332,863)	(29,593)	78,823	(283,633)	278,154	96,542	92,651	467,347
Amounts written off	-	-	-	-	-	-	-	-
Amounts charged off- agriculture financing	-	-	-	-	(127,054)	-	-	(127,054)
Closing balance	24,780,306	489,268	619,049	25,888,623	25,113,169	498,429	540,226	26,151,824

10.3.1 The net Forced Sales Value (FSV) benefit already availed has been increased by Rs. 5,429 thousand, which has resulted in a reduced charge for specific provision for the period by the same amount. Had the FSV benefit not increased, before and after tax profit for the year would have been lower by Rs. 5,429 thousand (September 30, 2018: higher by Rs. 211,414 thousand) and Rs. 3,529 thousand (September 30, 2018: higher by 137,419 thousand) respectively. Further, at September 30, 2019, cumulative net of tax benefit availed for FSV was Rs. 601,597 thousand (December 31, 2018: Rs. 598,068 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and unappropriated profit to that extent are not available for distribution by way of cash or stock dividend.

10.3.2 The Bank has availed the relaxation of Rs. 102,460 thousand (December 31, 2018: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

11. FIXED ASSETS

Capital work-in-progress - note 11.1
Property and equipment - note 11.2

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
	87,341	53,738
	20,109,246	12,738,089
	<u>20,196,587</u>	<u>12,791,827</u>

11.1 This represents advances to suppliers and contractors.

11.2 This includes right of use assets amounting to Rs 7,618,723 thousand due to adoption of IFRS - 16 Leases as explained in note 3.3.2.

11.3 Additions to fixed assets

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

	(Un-audited)	
	For the nine months ended September 30, 2019	September 30, 2018
	(Rupees in thousand)	
Capital work-in-progress	33,603	(55,214)
Property and equipment		
Building on leasehold	18,032	-
Renovation of premises	119,234	180,712
Furniture, fixtures and office equipment	63,459	81,391
Carpets	9,547	7,415
Machine and equipments	162,013	215,670
Computer equipments	146,805	33,719
Vehicles	24,549	4,025
	543,639	522,932
Right of use assets under IFRS - 16 Leases	1,056,278	-
Total	<u>1,633,520</u>	<u>467,718</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
11.4 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Renovation of premises	11,248	2,298
Furniture, fixtures and office equipment	6,178	5,034
Carpets	543	653
Machine and equipments	9,060	5,521
Vehicles	-	20
Total	27,029	13,526
	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
12. INTANGIBLE ASSETS		
Computer software	712,740	704,885
Less: Provision against intangibles	(12,819)	(24,404)
	699,921	680,481
Capital work in progress	111,782	60,880
	811,703	741,361
	(Un-audited)	(Audited)
	For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
12.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	50,902	18,322
Directly purchased	171,089	14,288
Total	221,991	32,610
	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
13. DEFERRED TAX ASSETS		
Deductible temporary differences on		
- Post retirement employee benefits	34,003	163,600
- Deficit on revaluation of investments	1,651,291	2,206,359
- Impact under IFRS 9 related to WBB	121,871	121,871
- Provision against advances, off balance sheet	1,568,007	1,568,007
	3,375,172	4,059,837
Taxable temporary differences on		
- Accelerated tax depreciation	(178,494)	(286,058)
	(178,494)	(286,058)
	3,196,678	3,773,779

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
14. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	14,255,703	9,793,092
Income / mark-up accrued in foreign currencies	873,349	477,756
Advances, deposits, advance rent and other prepayments	850,910	1,321,871
Advance taxation (payments less provisions)	6,312,379	5,918,572
Non banking assets acquired in satisfaction of claims	3,093,769	3,201,319
Mark to market gain on forward foreign exchange contracts - net	365,032	607,925
Suspense account	258,723	48,637
Stationary and stamps in hand	179,076	105,007
Dividend receivable	20,151	1,139
Acceptances	8,086,181	8,735,265
Receivable from defined benefit plan	91,122	-
Others	561,856	472,257
	<u>34,948,251</u>	<u>30,682,840</u>
Provision held against other assets - note 14.1	(238,240)	(257,811)
Other assets - net of provision	<u>34,710,011</u>	<u>30,425,029</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	<u>2,073,988</u>	<u>2,097,145</u>
Other assets - total	<u><u>36,783,999</u></u>	<u><u>32,522,174</u></u>
14.1 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	139,219	142,470
Non-banking assets acquired in satisfaction of claims	15,952	15,952
Suspense account	34,408	34,408
Stationary and stamps in hand	14,321	-
Provision under IFRS 9 related to WBB	-	447
Others	34,340	64,534
	<u>238,240</u>	<u>257,811</u>
14.1.1 Movement in provision held against other assets		
Opening balance	257,811	272,565
Provision under IFRS 9 related to WBB	-	149
Opening balance after IFRS 9 impact of WBB	257,811	272,714
Charge for the period / year	14,505	230
Provision under IFRS 9 related to WBB	-	298
Reversals for the period / year	(26,414)	(15,431)
Amounts written off / adjustments	(7,662)	-
	<u>(19,571)</u>	<u>(14,903)</u>
Closing balance	<u><u>238,240</u></u>	<u><u>257,811</u></u>
15. BILLS PAYABLE		
In Pakistan	<u><u>10,654,724</u></u>	<u><u>15,512,880</u></u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
(Rupees in thousand)		
16. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	11,968,155	12,455,680
Long term financing facility	5,874,309	6,281,267
Financing facility for storage of agricultural produce	3,333	5,833
Renewable energy financing facility	435,751	224,077
Refinance from SBP - credit guarantee scheme for women entrepreneurs	708	-
	18,282,256	18,966,857
Repurchase agreement borrowings:		
State Bank of Pakistan	40,528,846	-
Financial institutions	16,329,563	20,766,755
	56,858,409	20,766,755
Refinance from Pakistan Mortgage Refinance Company	1,986,516	1,000,000
Total secured	77,127,181	40,733,612
Unsecured		
Call borrowings	7,523,542	10,851,663
Overdrawn nostro accounts	2,758,409	1,117,048
Total unsecured	10,281,951	11,968,711
	87,409,132	52,702,323

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 thousand)					

17. DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts	159,987,940	18,565,272	178,553,212	152,097,142	16,648,265	168,745,407
Savings deposits	322,383,146	35,275,173	357,658,319	284,295,933	30,842,212	315,138,145
Fixed deposits	99,211,969	6,642,757	105,854,726	80,061,600	5,961,134	86,022,734
	581,583,055	60,483,202	642,066,257	516,454,675	53,451,611	569,906,286

Financial institutions

Current accounts	1,023,413	12,027	1,035,440	840,366	-	840,366
Savings deposits	667,037	-	667,037	1,451,157	-	1,451,157
Fixed deposits	4,117,800	-	4,117,800	1,438,047	-	1,438,047
	5,808,250	12,027	5,820,277	3,729,570	-	3,729,570
	587,391,305	60,495,229	647,886,534	520,184,245	53,451,611	573,635,856

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

18. SUBORDINATED DEBTS

Term Finance Certificates - V	3,992,000	3,993,600
Term Finance Certificates - VI (ADT-1)	6,000,000	6,000,000
	9,992,000	9,993,600

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

18.1 The Bank has raised unsecured sub-ordinated loans through issuance of Term Finance Certificates to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of outstanding issues are as follows:

	Term Finance Certificates - V	Term Finance Certificates - VI (ADT-1)
Outstanding amount	Rupees 3,993 million	Rupees 6,000 million
Issue amount	Rupees 4,000 million	Rupees 6,000 million
Issue date	September 30, 2014	July 03, 2018
Maturity Date	September 29, 2024	Perpetual
Rating	AA-	AA-
Security	Unsecured	Unsecured
Listing	Unlisted	Unlisted
Profit payment frequency	Payable six monthly	Payable six monthly
Redemption	6-108th month: 0.36% 109-120th month: 99.64%	Perpetual
Profit Rate	Base Rate plus 1.20%	Base Rate plus 1.50%
	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Lock-in-clause	Neither profit nor principal will be payable (even at maturity), if such payment will result in a shortfall in the Bank's Minimum Capital Requirement or Capital Adequacy Ratio or results in an increase in any existing shortfall in Minimum Capital Requirement or Capital Adequacy Ratio.	Payment of profit will be subject to the condition that such payment will not result in breach of the Bank's regulatory Minimum Capital Requirement or Capital Adequacy Ratio set by SBP from time to time. Any inability to exercise lock-in clause or the non-cummulative features will subject these TFCs to mandatory conversion into common shares / write off at the discretion of SBP.
Loss absorption clause	The instrument will be subject to Loss Absorbency under SBP's Basel III Circular	The instrument will be subject to loss absorption if Bank's Common Equity Tier (CET-1) ratio falls to or below 6.625% of Risk Weighted Assets or at the option of SBP.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
19. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	4,065,540	3,167,365
Mark-up / return / interest payable in foreign currencies	162,789	166,309
Unearned commission and income on bills discounted	929,994	558,086
Accrued expenses	1,348,586	1,125,210
Advance payments	456,970	439,176
Acceptances	8,086,181	8,735,265
Dividends payable	139,611	127,053
Branch adjustment account	732,728	310,170
Payable to defined benefit plan	-	52,851
Security deposit against lease / Ijarah financing	4,396,965	4,473,848
Withholding taxes payable	239,157	134,361
Federal excise duty payable	40,036	68,562
Workers' Welfare Fund	198,239	130,000
Switch fee payable	692,054	747,778
Provision against off-balance sheet obligations - note 19.1	109,377	108,025
Lease liability against ROU assets as per IFRS - 16 Leases - note 3.3.2	7,579,619	-
Others	1,177,631	834,417
	<u>30,355,477</u>	<u>21,178,476</u>
19.1 Provision against off-balance sheet obligations		
Opening balance	108,025	6,116
Charge for the period / year	1,352	101,909
Closing balance	<u>109,377</u>	<u>108,025</u>
20. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation of:		
- Available for sale securities	(4,717,975)	(6,303,882)
- Fixed Assets	3,649,575	3,649,575
- Non-banking assets acquired in satisfaction of claims	2,073,988	2,097,145
	1,005,588	(557,162)
Deferred tax on deficit on revaluation of:		
- Available for sale securities	1,651,291	2,206,359
	<u>2,656,879</u>	<u>1,649,197</u>
21. CONTINGENCIES AND COMMITMENTS		
- Guarantees - note 21.1	191,661,294	177,859,159
- Commitments - note 21.2	393,974,848	311,761,473
- Other contingent liabilities - note 21.3	726,751	792,879
	<u>586,362,893</u>	<u>490,413,511</u>
21.1 Guarantees		
Financial guarantees	4,411,124	3,841,612
Performance guarantees	118,381,987	114,818,848
Other guarantees	68,868,183	59,198,699
	<u>191,661,294</u>	<u>177,859,159</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
21.2 Commitments		
Documentary credits and short-term trade-related transactions - letters of credit	179,846,471	212,101,045
Commitments in respect of:		
- forward foreign exchange contracts - note 21.2.1	117,917,875	58,918,497
- forward government securities transactions 21.2.2	25,500,000	-
- forward lending / borrowing - note 21.2.3	70,502,203	40,682,738
Commitments for acquisition of:		
- fixed assets	70,731	28,565
- intangible assets	137,568	30,628
	<u>393,974,848</u>	<u>311,761,473</u>
21.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	65,967,808	36,434,542
Sale	51,950,067	22,483,955
	<u>117,917,875</u>	<u>58,918,497</u>
The above commitments have maturities falling within one year.		
21.2.2 Commitments in respect of forward government securities transaction		
Purchase	25,000,000	-
Sale	500,000	-
	<u>25,500,000</u>	<u>-</u>
21.2.3 Commitments in respect of forward lending / borrowing		
Forward repurchase agreement borrowing	57,061,935	20,806,907
Undrawn commitments	13,440,268	19,875,831
	<u>70,502,203</u>	<u>40,682,738</u>
21.3 Other contingent liabilities		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	<u>726,751</u>	<u>792,879</u>

22. DERIVATIVE INSTRUMENTS

The Bank at present does not offer derivative products such as Interest Rate Swaps, Cross Currency Swaps, Forward Rate Agreements or Foreign Exchange Options. The Bank's Treasury and Investment Banking Groups buy and sell derivative instruments such as Forward Exchange Contracts (FECs) and Equity Futures (EFs).

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended September 30, 2019	September 30, 2018
	(Rupees in thousand)	
23. MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	30,225,331	16,616,520
Investments	19,014,729	13,957,717
Lendings to financial institutions	178,153	63,407
Balances with banks	106,809	77,702
Securities purchased under resale agreements	1,211,783	276,275
	<u>50,736,805</u>	<u>30,991,621</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
On:		
Deposits	29,478,189	14,838,539
Borrowings	3,355,805	1,919,180
Subordinated debts	928,434	425,903
Interest expense on lease liability against ROU assets	747,445	-
	<u>34,509,873</u>	<u>17,183,622</u>
25. FEE AND COMMISSION INCOME		
Branch banking customer fees	414,287	300,347
Consumer finance related fees	78,383	57,712
Card related fees (debit and credit cards)	637,285	605,950
Credit related fees	102,492	84,910
Investment banking fees	122,552	128,437
Commission on trade	474,793	441,204
Commission on guarantees	413,608	355,755
Commission on remittances including home remittances	211,775	38,630
Commission on bancassurance	111,089	161,770
Others	59,699	60,670
	<u>2,625,963</u>	<u>2,235,385</u>
26. GAIN ON SECURITIES		
Realised - note 26.1	104,229	173,059
Unrealised - note 9.1	(394)	-
	<u>103,835</u>	<u>173,059</u>
26.1 Realised gain / (loss) on:		
Federal Government Securities	148,865	145,811
Shares	(42,238)	(5,668)
Non Government Debt Securities	88	1,780
Mutual Funds	(2,486)	31,136
	<u>104,229</u>	<u>173,059</u>
27. OTHER INCOME		
Rent of property	1,272	7,722
Loss on sale of fixed assets	(6,280)	(514)
Rent of lockers	30,875	29,244
Gain on sale of non banking assets	2,452	226,793
Recovery of expenses from customers	154,511	108,950
Termination of lease contracts under IFRS - 16 Leases	49,422	-
	<u>232,252</u>	<u>372,195</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
28. OPERATING EXPENSES		
Total compensation expenses	6,595,092	6,275,771
Property expense		
Rent and taxes	194,464	1,267,673
Insurance	101,650	64,027
Utilities cost	456,511	400,487
Security (including guards)	364,859	410,417
Repair & maintenance (including janitorial charges)	174,661	162,143
Depreciation on ROU assets	1,107,092	-
Depreciation	329,331	320,119
	2,728,568	2,624,866
Information technology expenses		
Software maintenance	177,898	180,895
Hardware maintenance	22,733	24,556
Depreciation	154,475	139,475
Amortisation	154,047	146,003
Network charges	141,506	142,913
	650,659	633,842
Other operating expenses		
Directors' fees, allowances	7,438	3,750
Fees and allowances to Shariah Board	4,378	3,490
Rent, taxes, insurance etc.	159,721	136,531
Legal and professional charges	75,676	79,580
Travelling, conveyance and entertainment	828,853	699,868
Brokerage and commission	53,067	62,897
NIFT clearing charges	45,340	38,996
Repair and maintenance	208,024	174,798
Communications	374,679	293,002
Stationery and printing	201,135	154,064
Marketing, advertisement and publicity	88,135	70,016
Donations	60,002	860
Auditors' remuneration	16,310	9,325
Depreciation	291,006	305,824
Security service charges	163,016	134,228
Training and development	17,979	9,531
Premium paid to Deposit Protection Corporation	311,493	95,081
Other expenditure	267,306	116,834
	3,173,558	2,388,675
	<u>13,147,877</u>	<u>11,923,154</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

29. This represents penalties imposed by the State Bank of Pakistan.

(Un-audited)	
For the nine months ended	
September 30, 2019	September 30, 2018
(Rupees in thousand)	

30. PROVISIONS AND WRITE OFFS - NET

Provision for diminution in value of investments	1,109,602	930,713
Provision against loans and advances	(283,633)	(406,900)
Reversal of provision against fixed assets	(11,586)	-
Reversal of provision against other assets	(11,462)	-
Reversal of provision against off-balance sheet obligations	807	-
Reversal of provision against cash and bank balances	4	-
Recovery of written off / charged off bad debts	(72,613)	(107,755)
	<u>731,119</u>	<u>416,058</u>

31. TAXATION

Current	2,863,289	1,989,165
Prior years	77,915	1,700,489
Deferred	(107,566)	(1,111,262)
	<u>2,833,638</u>	<u>2,578,392</u>

32. BASIC EARNINGS PER SHARE

Profit for the period - Rupees in '000	<u>4,379,465</u>	<u>3,623,457</u>
Weighted average number of Ordinary Shares - numbers	<u>1,260,260,180</u>	<u>1,260,260,180</u>
Basic earnings per share - Rupees	<u>3.48</u>	<u>2.88</u>

There is no dilutive effect on the basic earnings per share of the Bank, therefore dilutive earnings per share have not been presented separately.

33. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4 to the unconsolidated financial statements for the year ended December 31, 2018.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

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

33.1 Fair value of financial assets

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, Redemption prices and determined by valuers on the panel of Pakistan Bank's Association.

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

Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government Securities	The fair values of Federal Government Securities are determined on the basis of rates / prices sourced from Reuters.
Non Government Debt Securities	Non Government Debt Securities are valued on the basis of rates announced by Mutual Fund Association of Pakistan (MUFAP).
Foreign Government Debt Securities	Foreign Government Debt Securities are valued on the basis of rates taken from custodian of the securities which are usually drawn from Bloomberg.
Unit of Mutual Funds	Fair values of mutual funds are determined based on their net asset values as published at the close of reporting period.
Fixed Assets and Non Banking Assets Acquired in Satisfaction of Claims	Land and Non Banking assets acquired in satisfaction of claims are valued on a periodic basis using professional valuers. The valuation is based on their assessments of the market value of the assets.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

The table below analyses the financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

	September 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	197,586,447	-	197,586,447
Shares	3,644,454	-	300,000	3,944,454
Units of open end mutual funds	-	843,524	-	843,524
Fully paid preference shares	64,670	-	-	64,670
Non Government Debt Securities	-	1,586,100	4,251,048	5,837,148
Foreign securities	-	162,964	-	162,964
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	118,930,721	-	118,930,721
Non Government Debt Securities	-	1,778,654	-	1,778,654
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	65,967,808	-	65,967,808
Forward sale of foreign exchange	-	51,950,067	-	51,950,067
Forward agreements for borrowing	-	-	57,061,935	57,061,935
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	237,893,228	-	237,893,228
Shares	4,008,121	-	300,000	4,308,121
Units of open end mutual funds	-	971,446	-	971,446
Fully paid preference shares	59,745	-	-	59,745
Non Government Debt Securities	-	1,210,281	4,206,108	5,416,389
Foreign securities	-	413,663	-	413,663
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	11,171,395	-	11,171,395
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	36,434,542	-	36,434,542
Forward sale of foreign exchange	-	22,483,955	-	22,483,955
Forward agreements for borrowing	-	-	20,806,907	20,806,907

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
	Level 3	Level 3
33.2 Fair value of non-financial assets		
Fixed assets		
Property and equipment (freehold and leasehold land)	8,084,238	8,084,238
Other assets		
Non-banking assets acquired in satisfaction of claims	5,167,757	5,298,464

34. SEGMENT INFORMATION

34.1 Segment details with respect to Business Activities

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

For the nine months ended September 30, 2019 (Un-audited)

	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total
	(Rupees in thousand)							
Profit and loss								
Net mark-up / return / profit	(19,824,415)	15,848,303	16,472,407	2,148,717	2,255,443	534,827	(1,208,350)	16,226,932
Inter segment revenue - net	32,846,667	(12,822,598)	(19,234,828)	(1,501,231)	-	-	711,990	-
Non mark-up / return / interest income	1,476,413	1,195,709	1,772,665	204,584	206,867	23,912	153,022	5,033,172
Total income	14,498,665	4,221,414	(989,756)	852,070	2,462,310	558,739	(343,338)	21,260,104
Segment direct expenses	7,418,134	288,975	157,679	569,598	1,493,084	69,645	2,761,896	12,759,011
Inter segment expense allocation	91,364	363,233	-	76,490	-	-	25,784	556,871
Total expenses	7,509,498	652,208	157,679	646,088	1,493,084	69,645	2,787,680	13,315,882
Provisions	(311,382)	(165,606)	940,166	49,003	70,143	7,798	140,997	731,119
Profit / (loss) before tax	7,300,549	3,734,812	(2,087,601)	156,979	899,083	481,296	(3,272,015)	7,213,103

September 30, 2019 (Un-audited)

	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total
	(Rupees in thousand)							
Statement of financial position								
Cash and bank balances	23,110,590	1,023,840	29,684,042	-	4,113,799	262,143	34,696	58,229,110
Investments	-	9,169,840	290,186,915	-	7,812,133	20,831,491	1,148,202	329,148,581
Lendings to financial institutions	-	-	-	-	1,878,985	-	-	1,878,985
Advances - performing - net of provision	39,876,501	248,389,116	-	17,998,997	46,275,072	10,312,483	6,944,465	369,796,634
Advances - non-performing - net of provision	983,229	1,378,621	-	238,377	1,429,500	-	-	4,029,727
Others	9,312,397	6,918,747	2,585,623	720,177	5,296,724	575,331	35,660,688	61,069,687
Total Assets	73,282,717	266,880,164	322,456,580	18,957,551	66,806,213	31,981,448	43,788,051	824,152,724
Borrowings	4,573,182	12,780,974	46,920,720	1,986,516	5,128,100	13,261,231	2,758,409	87,409,132
Subordinated debts	-	-	-	-	-	-	9,992,000	9,992,000
Deposits and other accounts	532,741,788	62,701,382	-	22,076	52,077,046	264,139	80,103	647,886,534
Net inter segment balances - net	(481,402,456)	184,153,102	274,808,598	15,487,346	-	14,534,164	(7,580,754)	-
Others	17,370,203	7,244,706	727,262	1,461,613	4,514,297	2,820,874	6,871,246	41,010,201
Total liabilities	73,282,717	266,880,164	322,456,580	18,957,551	61,719,443	30,880,408	12,121,004	786,297,867
Equity	-	-	-	-	5,086,770	1,101,040	31,667,047	37,854,857
Total Equity and liabilities	73,282,717	266,880,164	322,456,580	18,957,551	66,806,213	31,981,448	43,788,051	824,152,724
Contingencies and commitments	51,496,412	327,383,452	188,053,023	-	6,507,943	11,991,369	930,694	586,362,893

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

For the nine months ended September 30, 2018 (Un-audited)								
Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total	
(Rupees in thousand)								
Profit and loss								
Net mark-up / return / profit	(9,434,762)	7,802,961	11,985,909	1,485,334	1,338,821	422,097	207,639	13,807,999
Inter segment revenue - net	17,773,649	(5,961,441)	(11,276,212)	(811,547)	-	-	275,551	-
Non mark-up / return / interest income	1,692,924	660,107	1,155,909	154,424	167,369	2,054	333,255	4,166,042
Total income	10,031,811	2,501,627	1,865,606	828,211	1,506,190	424,151	816,445	17,974,041
Segment direct expenses	6,849,219	288,638	131,904	468,177	1,350,819	60,082	1,704,257	10,853,096
Inter segment expense allocation	145,568	245,227	-	81,300	-	-	30,943	503,038
Total expenses	6,994,787	533,865	131,904	549,477	1,350,819	60,082	1,735,200	11,356,134
Provisions	411,929	(1,164,010)	1,146,840	(4,596)	20,268	-	5,627	416,058
Profit / (loss) before tax	2,625,095	3,131,772	586,862	283,330	135,103	364,069	(924,382)	6,201,849

December 31, 2018 (Audited)								
Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total	
(Rupees in thousand)								
Statement of financial position								
Cash and bank balances	17,756,676	810,416	29,951,560	-	3,809,342	874,204	78,849	53,281,047
Investments	-	13,389,091	223,738,330	-	8,169,564	13,627,192	1,309,810	260,233,987
Advances - performing - net of provision	36,991,679	222,393,797	-	19,304,293	46,549,799	9,621,704	6,701,958	341,563,230
Advances - non-performing - net of provision	787,659	547,041	-	148,992	60,225	-	-	1,543,917
Others	2,291,938	10,957,788	3,457,096	585,079	2,173,734	189,483	30,254,743	49,909,861
Total Assets	57,827,952	248,098,133	257,146,986	20,038,364	60,762,664	24,312,583	38,345,360	706,532,042
Borrowings	4,373,261	13,569,235	12,789,274	1,000,000	8,999,361	10,854,144	1,117,048	52,702,323
Subordinated debts	-	-	-	-	-	-	9,993,600	9,993,600
Deposits and other accounts	453,347,498	77,602,229	-	29,564	42,338,600	272,887	45,078	573,635,856
Net inter segment balances - net	(411,927,869)	141,230,500	244,158,060	17,473,521	2,168,060	11,386,676	(4,488,948)	-
Others	12,035,062	15,696,169	199,652	1,535,279	3,071,189	1,039,532	3,114,473	36,691,356
Total liabilities	57,827,952	248,098,133	257,146,986	20,038,364	56,577,210	23,553,239	9,781,251	673,023,135
Equity	-	-	-	-	4,185,454	759,344	28,564,109	33,508,907
Total Equity and liabilities	57,827,952	248,098,133	257,146,986	20,038,364	60,762,664	24,312,583	38,345,360	706,532,042
Contingencies and commitments	66,477,246	336,263,368	71,602,764	515,246	5,934,661	8,011,980	1,608,246	490,413,511

35. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited (the Parent) holds 71.91% of the Bank's share capital at period ended. The Bank has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

The Bank 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.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

Details of transactions with related parties and balances are as follows:

(Rupees in thousand)

	As at September 30, 2019 (Un-audited)					As at December 31, 2018 (Audited)						
	Parent	Directors	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other Related Parties	Parent	Directors	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other Related Parties
Investments												
Opening balance	-	-	-	-	49,133	-	-	-	-	-	217,634	-
Investment made during the period / year	-	-	-	-	180,977	-	-	-	-	-	154,796	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	-	-	(26,322)	-
Transfer in / (out) - net	-	-	-	-	306,002	300,000	-	-	-	-	(296,975)	-
Closing balance	-	-	-	-	536,112	300,000	-	-	-	-	49,133	-
Provision for diminution in value of investments	-	-	-	-	126,243	-	-	-	-	-	9,097	-
Advances												
Opening balance	9,581,279	451	332,540	-	3,803,463	-	781,073	695	397,255	-	3,797,303	-
Addition during the period / year	119,865,132	2,305	126,796	-	10,610,307	-	97,898,658	27,104	70,238	-	32,784,743	-
Repaid during the period / year	(121,803,945)	(2,564)	(77,388)	-	(10,917,335)	-	(89,098,452)	(63,482)	(74,429)	-	(31,663,208)	-
Transfer in / (out) - net	-	-	(3,782)	-	888,444	-	-	36,134	(60,524)	-	(1,115,375)	-
Closing balance	7,642,466	192	378,166	-	4,384,879	-	9,581,279	451	332,540	-	3,803,463	-
Other Assets												
Interest / mark-up receivable	109,068	-	72,673	-	114,643	-	52,483	3,671	65,415	-	23,533	-
Receivable from staff retirement fund	-	-	-	-	-	91,122	-	-	-	-	-	-
Security deposits receivable	3,600	-	-	-	-	-	3,600	-	-	-	-	-
Acceptances	-	-	-	-	62,163	-	-	-	-	-	172,199	-
Advance rent	1,369	-	-	-	-	-	7,517	-	-	-	-	-
Dividend receivable	-	-	-	-	227	-	-	-	-	-	-	-
Assets held for sale - net of provision	-	-	-	80,720	-	-	-	-	-	80,720	-	-
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the period / year	-	-	-	-	-	1,000,000	-	-	-	-	-	-
Settled during the period / year	-	-	-	-	-	(13,484)	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	1,000,000	-	-	-	-	-	-
Closing balance	-	-	-	-	-	1,986,516	-	-	-	-	-	-
Subordinated debt												
Opening balance	-	-	-	-	24,960	-	-	-	-	-	24,970	-
Issued / Purchased during the period / year	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the period / year	-	-	-	-	(10)	-	-	-	-	-	(10)	-
Closing balance	-	-	-	-	24,950	-	-	-	-	-	24,960	-
Deposits and other accounts												
Opening balance	9,809,885	24,892	159,716	28,930	5,187,631	3,194,361	5,770,715	29,001	186,588	3,251	7,210,018	3,042,573
Received during the period / year	386,989,304	291,490	716,407	349,514	239,299,072	32,646,702	356,365,334	310,892	704,636	130,345	248,876,185	18,009,853
Withdrawn during the period / year	(388,271,805)	(273,205)	(723,468)	(343,865)	(232,753,974)	(31,168,271)	(352,326,164)	(299,993)	(676,343)	(104,666)	(251,057,728)	(17,858,065)
Transfer in / (out) - net	-	-	(590)	-	42,683	-	-	(15,008)	(55,165)	-	159,156	-
Closing balance	8,527,384	43,177	152,065	34,579	11,775,412	4,672,792	9,809,885	24,892	159,716	28,930	5,187,631	3,194,361
Other Liabilities												
Interest / mark-up payable	23,718	82	1,365	-	35,592	77,037	16,717	68	1,390	-	37,455	8,840
Acceptances	-	-	-	-	62,163	-	-	-	-	-	172,199	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	52,851
Security deposits payable	-	-	287	-	204,019	-	-	-	287	-	161,946	-
Others	2,087	-	-	-	-	-	3,084	-	-	-	-	-
Contingencies and Commitments												
Contingencies and Commitments	155,101	-	-	40,000	2,445,525	-	55,910	-	-	-	1,353,114	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

(Rupees in thousand)

	For the nine months ended September 30, 2019 (Un-audited)						For the nine months ended September 30, 2018 (Un-audited)					
	Parent	Directors	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other Related Parties	Parent	Directors	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other Related Parties
Income												
Mark-up / return / interest earned	216,458	-	13,583	-	422,866	-	72,075	2,910	9,086	-	233,791	-
Fee and commission received	61	-	-	54	11,580	-	62	-	-	-	16,624	-
Dividend income	-	-	-	-	454	-	-	-	-	-	7,963	-
Rent received	-	-	-	-	-	-	-	-	-	-	749	-
Expense												
Mark-up / return / interest expensed	501,582	1,883	5,715	668	837,459	433,364	463,151	388	4,429	-	374,952	151,675
Contribution to employees funds	-	-	-	-	-	432,880	-	-	-	-	-	406,260
Remuneration and allowances paid	-	-	349,010	-	-	4,378	-	-	333,486	-	-	3,490
Post employment Benefits	-	-	21,145	-	-	-	-	-	17,744	-	-	-
Rent	16,326	-	-	-	-	-	17,606	-	-	-	-	-
Fee and commission paid	-	-	-	-	-	30,262	-	-	-	-	236	15,543
Fee paid	-	7,438	-	-	-	-	-	3,750	-	-	-	-
Dividend paid	906,282	104	75	-	-	7,830	-	-	-	-	-	-
Donations	50,000	-	-	-	-	10,000	-	-	-	-	-	-

In addition to above, rent free sub-branch is operating at FFC head office, Sona Tower.

36. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,602,602	12,602,602
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	33,430,561	28,990,178
Eligible Additional Tier 1 (ADT 1) Capital	5,886,257	5,736,610
Total Eligible Tier 1 Capital	39,316,818	34,726,788
Eligible Tier 2 Capital	5,170,481	5,075,159
Total Eligible Capital (Tier 1 + Tier 2)	44,487,299	39,801,947
Risk Weighted Assets (RWAs):		
Credit Risk	295,825,868	268,963,104
Market Risk	14,299,620	9,771,875
Operational Risk	39,356,590	39,356,590
Total	349,482,078	318,091,569
Common Equity Tier 1 Capital Adequacy Ratio	9.57%	9.11%
Tier 1 Capital Adequacy Ratio	11.25%	10.92%
Total Capital Adequacy Ratio	12.73%	12.51%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	39,316,818	34,726,788
Total Exposures	1,267,742,306	1,157,808,940
Leverage Ratio	3.10%	3.00%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	208,994,289	278,917,759
Total Net Cash Outflow	160,850,226	154,131,589
Liquidity Coverage Ratio	129.93%	180.96%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	637,251,817	584,918,449
Total Required Stable Funding	351,029,534	312,211,738
Net Stable Funding Ratio	181.54%	187.35%

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

37. ISLAMIC BANKING BUSINESS

The Bank is operating 94 Islamic banking branches including 3 sub-branches at nine months ended September 30, 2019 as compared to 94 Islamic banking branches including 3 sub-branches at year ended December 31, 2018.

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks		3,507,922	3,302,392
Balances with other banks		605,877	506,950
Due from financial institutions	37.1	1,878,985	-
Investments	37.2	7,812,133	8,169,564
Islamic financing and related assets	37.3	47,704,572	46,610,024
Fixed assets		2,017,498	547,807
Intangible assets		-	-
Due from head office		-	-
Other assets		3,279,226	1,625,927
Total assets		<u>66,806,213</u>	<u>60,762,664</u>
LIABILITIES			
Bills payable		476,229	757,821
Due to financial institutions		5,128,100	8,999,361
Deposits and other accounts	37.4	52,077,046	42,338,600
Due to head office		-	2,168,060
Subordinated debt		-	-
Other liabilities		4,038,068	2,313,368
		<u>61,719,443</u>	<u>56,577,210</u>
NET ASSETS		<u>5,086,770</u>	<u>4,185,454</u>
REPRESENTED BY			
Islamic Banking Fund		4,600,000	4,600,000
Reserves		-	-
Deficit on revaluation of assets		(28,073)	(30,306)
Unappropriated profit / (loss)	37.5	514,843	(384,240)
		<u>5,086,770</u>	<u>4,185,454</u>
CONTINGENCIES AND COMMITMENTS	37.6	<u>6,507,943</u>	<u>5,934,661</u>
Remuneration to Shariah Board		<u>4,378</u>	<u>4,940</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

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

	Note	(Un-audited)	
		For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in thousand)	
Profit / return earned	37.8	5,056,282	2,516,944
Profit / return expensed	37.9	2,800,839	1,178,123
Net Profit / return		2,255,443	1,338,821
Other income			
Fee and Commission Income		139,521	118,979
Dividend Income		-	-
Foreign Exchange Income		31,833	19,145
Gain / (loss) on securities		-	-
Other Income		35,513	29,245
Total other income		206,867	167,369
Total Income		2,462,310	1,506,190
Other expenses			
Operating expenses		1,491,471	1,350,813
Workers' Welfare Fund		-	-
Other charges		1,613	6
Total other expenses		1,493,084	1,350,819
Profit before provisions		969,226	155,371
Provisions and write offs - net		70,143	20,268
Profit before taxation		899,083	135,103
		(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
		(Rupees in thousand)	

37.1 Due from financial institutions

Bai Muajjal Receivable from State Bank of Pakistan in local currency	1,878,985	-
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September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in thousand)							

37.2 Investments by segments:

Federal Government Securities:

- Ijarah Sukuks	1,000,000	-	(29,200)	970,800	5,539,756	-	(32,130)	5,507,626
- GOP Bai Muajjal	5,246,146	-	-	5,246,146	1,031,054	-	-	1,031,054
	6,246,146	-	(29,200)	6,216,946	6,570,810	-	(32,130)	6,538,680

Non Government Debt Securities:

- Listed	175,000	-	1,127	176,127	210,000	-	1,824	211,824
- Unlisted	2,040,402	(621,342)	-	1,419,060	2,047,942	(628,882)	-	1,419,060
	2,215,402	(621,342)	1,127	1,595,187	2,257,942	(628,882)	1,824	1,630,884

Total investments	8,461,548	(621,342)	(28,073)	7,812,133	8,828,752	(628,882)	(30,306)	8,169,564
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

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

37.3 Islamic financing and related assets

Ijarah	4,278,654	4,159,292
Murabaha - note 37.3.1	4,115,154	5,163,391
Musharaka	21,365,359	16,689,289
Diminishing musharaka	12,356,996	9,489,949
Salam	1,411,913	6,209,050
Istisna	2,538,300	2,128,828
Receivable against sale of istisna / salam inventory	207,000	-
Service ijarah	603,005	390,477
Other islamic modes (executive car finance - qarz-e-hasana)	78,194	74,351
Advances against islamic assets - note 37.3.2	97,368	1,919,753
Inventory related to islamic financing - note 37.3.3	1,142,988	793,819
Gross islamic financing and related assets	48,194,931	47,018,199
Less: provision against islamic financings		
- Specific	453,432	374,871
- General	36,927	33,304
	490,359	408,175
Islamic financing and related assets - net of provision	47,704,572	46,610,024

37.3.1 Includes advance against Murabaha of Rs. 677,615 thousand (December 31, 2018: Rs.1,812,315 thousand).

37.3.2 Advance against islamic assets

	Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
	(Rupees in thousand)					
September 30, 2019 (Un-audited)	54,926	-	42,442	-	-	97,368
December 31, 2018 (Audited)	303,763	-	1,615,990	-	-	1,919,753

37.3.3 Inventory related to islamic financing

	Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
	(Rupees in thousand)					
September 30, 2019 (Un-audited)	-	-	-	90,463	1,052,525	1,142,988
December 31, 2018 (Audited)	-	-	-	126,178	667,641	793,819

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
37.4 Deposits and other accounts		
Customers		
Current deposits - non remunerative	16,325,709	14,940,668
Current deposits - remunerative	748,792	589,527
Savings deposits	19,008,327	19,290,437
Term deposits	11,959,866	6,395,547
Others	550,956	513,211
	<u>48,593,650</u>	<u>41,729,390</u>
Financial Institutions		
Current deposits - non remunerative	7,968	9,885
Savings deposits	495,428	474,325
Term deposits	2,980,000	125,000
	<u>3,483,396</u>	<u>609,210</u>
	<u>52,077,046</u>	<u>42,338,600</u>
37.5 Islamic banking business unappropriated profit / (loss)		
Opening balance	(384,240)	(616,817)
Add: Islamic banking profit for the period	899,083	232,577
Closing Balance	<u>514,843</u>	<u>(384,240)</u>
37.6 CONTINGENCIES AND COMMITMENTS		
-Guarantees	3,260,794	3,356,190
-Commitments	3,247,149	2,578,471
-Other contingent liabilities	-	-
	<u>6,507,943</u>	<u>5,934,661</u>
37.7 CHARITY FUND		
Opening balance	23,209	6,304
Additions during the period		
- Received from customers on delayed payments	42,743	24,659
- Non shariah compliant income	123	433
- Profit on charity account	13	3
- Others	51	59
	42,930	25,154
Payments / utilization during the period		
- Education	(467)	(1,139)
- Community welfare (provision of clean drinking water)	-	(1,850)
- Relief and disaster recovery	-	-
- Health	-	(4,233)
- Orphanage	-	(1,027)
	(467)	(8,249)
Closing balance	<u>65,672</u>	<u>23,209</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

(Un-audited)	
For the nine months ended	
September 30, 2019	September 30, 2018

(Rupees in thousand)

37.8 Profit / return earned on financing, investments and placements

Profit earned on:

Financing	4,273,056	2,193,823
Investments	644,700	287,247
Placements	11,725	35,874
Lendings	126,801	-
	<u>5,056,282</u>	<u>2,516,944</u>

37.9 Profit on deposits and other dues expensed

Deposits and other accounts	1,998,043	917,302
Due to financial institutions	575,529	195,220
Due to head office	81,549	65,601
Lease liability against ROU assets	145,718	-
	<u>2,800,839</u>	<u>1,178,123</u>

38. DATE OF AUTHORISATION

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

39. GENERAL

39.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the revised format for financial statements of banks issued by the SBP through BPRD Circular Letter No.5 dated March 22, 2019 and related clarifications / modifications.

39.2 The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassification has been disclosed in note 3.3.1 of these unconsolidated condensed interim financial statements.

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

**CONSOLIDATED CONDENSED INTERIM
FINANCIAL STATEMENTS (Un-Audited)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks	6	55,319,779	49,187,645
Balances with other banks	7	2,909,331	4,093,402
Lendings to financial institutions	8	1,878,985	-
Investments	9	329,148,581	260,233,987
Advances	10	373,826,361	343,107,147
Fixed assets	11	20,196,587	12,791,827
Intangible assets	12	811,703	741,361
Deferred tax assets	13	3,196,678	3,773,779
Other assets	14	36,783,999	32,522,174
		<u>824,072,004</u>	<u>706,451,322</u>
Assets attributable to discontinued operations	15	288,795	214,757
		<u>824,360,799</u>	<u>706,666,079</u>
LIABILITIES			
Bills payable	16	10,654,724	15,512,880
Borrowings	17	87,409,132	52,702,323
Deposits and other accounts	18	647,853,337	573,596,926
Liabilities against assets subject to finance lease		-	-
Subordinated debts	19	9,992,000	9,993,600
Deferred tax liabilities		-	-
Other liabilities	20	30,355,477	21,178,476
		<u>786,264,670</u>	<u>672,984,205</u>
Liabilities associated with discontinued operations	15	120,699	81,513
		<u>786,385,369</u>	<u>673,065,718</u>
		<u>37,975,430</u>	<u>33,600,361</u>
NET ASSETS			
REPRESENTED BY			
Share capital		12,602,602	12,602,602
Reserves		18,895,362	15,588,694
Surplus on revaluation of assets - net of tax			
Continued operations	21	2,656,879	1,649,197
Discontinued operations		27,397	5,723
Unappropriated profit		3,747,968	3,710,867
		<u>37,930,208</u>	<u>33,557,083</u>
Non-controlling interest		45,222	43,278
		<u>37,975,430</u>	<u>33,600,361</u>
CONTINGENCIES AND COMMITMENTS			
	22		

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

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

For the quarter and nine months ended September 30, 2019

	Note	For the quarter ended		For the nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		(Rupees in thousand)			
Mark-up / return / interest earned	24	20,530,105	11,871,127	50,736,805	30,991,621
Mark-up / return / interest expensed	25	15,159,487	6,995,632	34,509,873	17,183,622
Net mark-up / interest income		5,370,618	4,875,495	16,226,932	13,807,999
Non mark-up / interest income					
Fee and commission income	26	812,872	764,025	2,625,963	2,235,385
Dividend income		59,125	46,097	205,411	160,815
Foreign exchange income		623,288	280,643	1,865,711	1,224,588
Income / (loss) from derivatives		-	-	-	-
Gain on securities	27	66,525	38,582	103,835	173,059
Other income	28	82,486	192,610	232,252	372,195
Total non-markup / interest income		1,644,296	1,321,957	5,033,172	4,166,042
Total income		7,014,914	6,197,452	21,260,104	17,974,041
Non mark-up / interest expenses					
Operating expenses	29	4,390,513	4,219,546	13,147,877	11,923,154
Workers' Welfare Fund		37,197	(655,000)	68,239	(567,676)
Other charges	30	66,858	360	99,766	656
Total non-markup / interest expenses		4,494,568	3,564,906	13,315,882	11,356,134
Profit before provisions		2,520,346	2,632,546	7,944,222	6,617,907
Provisions and write offs - net	31	492,383	818,551	731,119	416,058
Extraordinary / unusual items		-	-	-	-
Profit before taxation		2,027,963	1,813,995	7,213,103	6,201,849
Taxation	32	770,611	712,157	2,833,638	2,578,392
Profit after taxation - continued operations		1,257,352	1,101,838	4,379,465	3,623,457
Profit / (loss) after taxation - discontinued operations		(6,651)	(1,885)	3,079	(6,156)
		<u>1,250,701</u>	<u>1,099,953</u>	<u>4,382,544</u>	<u>3,617,301</u>
Attributable to:					
Equity holders of the Bank		1,252,430	1,100,365	4,381,743	3,618,666
Non-controlling interest		(1,729)	(412)	801	(1,365)
		<u>1,250,701</u>	<u>1,099,953</u>	<u>4,382,544</u>	<u>3,617,301</u>
		(Rupees)		(Rupees)	
Basic earnings per share	33	0.99	0.87	3.48	2.87

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

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

For the quarter and nine months ended September 30, 2019

	For the quarter ended		For the nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	(Rupees in thousand)			
Profit after taxation	1,250,701	1,099,953	4,382,544	3,617,301
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in Wholesale Bank Branch	(99,889)	21,658	(20,288)	97,893
Movement in deficit on revaluation of investments - net of tax	1,323,883	(643,608)	1,030,839	(2,023,732)
Continued operations	(11,189)	(5,739)	21,674	(9,987)
Discontinued operations				
	1,212,805	(627,689)	1,032,225	(1,935,826)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement of defined benefit plan - net of tax	-	-	240,683	17,693
Movement in revaluation of non-banking assets - net of tax	-	(61,020)	(23,157)	(167,208)
Total comprehensive income	<u>2,463,506</u>	<u>411,244</u>	<u>5,632,295</u>	<u>1,531,960</u>
Total comprehensive income attributable to:				
Equity holders of the Bank	2,468,144	413,148	5,625,859	1,535,922
Non-controlling interest	(4,638)	(1,904)	6,436	(3,962)
	<u>2,463,506</u>	<u>411,244</u>	<u>5,632,295</u>	<u>1,531,960</u>
Total comprehensive income arises from:				
Continued operations	2,481,346	418,868	5,607,542	1,548,103
Discontinued operations	(17,840)	(7,624)	24,753	(16,143)
	<u>2,463,506</u>	<u>411,244</u>	<u>5,632,295</u>	<u>1,531,960</u>

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

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

For the nine months ended September 30, 2019

(Rupees in thousand)

	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of					Sub-total	Non-controlling interest	Total		
						Investments			Un-appropriated profit / (loss)	Fixed / Non banking assets				Discontinued operations	Continued operations
						Continued operations	Discontinued operations	Fixed / Non banking assets							
Balance as at January 1, 2018	12,602,602	123,847	234,669	7,808,891	3,864,856	390,491	19,877	4,751,763	2,703,887	32,500,883	44,353	32,545,236			
Impact of IFRS 9 of Wholesale Bank Branch	-	(850)	-	-	(219,026)	-	-	-	-	(219,876)	-	(219,876)			
Balance as at January 1, 2018 after impact of IFRS 9 of Wholesale Bank Branch	12,602,602	122,997	234,669	7,808,891	3,645,830	390,491	19,877	4,751,763	2,703,887	32,281,007	44,353	32,325,360			
Total comprehensive income for the nine months ended September 30, 2018															
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	-	-	-	3,618,666	3,618,666	(1,365)	3,617,301			
Other comprehensive income related to equity	-	97,893	-	-	-	(2,023,732)	(9,987)	(167,208)	17,693	(2,085,341)	-	(2,085,341)			
Transfer to Statutory reserve	-	97,893	-	724,691	-	(2,023,732)	(9,987)	(167,208)	3,636,359	1,533,325	(1,365)	1,531,960			
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(724,691)	-	-	-			
Transfer to General reserve	-	-	-	-	2,703,887	-	-	-	166,302	166,302	-	166,302			
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(2,703,887)	-	-	-			
Balance as at September 30, 2018	12,602,602	220,890	234,669	8,533,582	6,349,717	(1,633,241)	9,890	4,584,555	3,077,970	33,980,634	42,988	34,023,622			
Total comprehensive income for the quarter ended December 31, 2018															
Net profit for the quarter ended December 31, 2018	-	-	-	-	-	-	-	-	810,644	810,644	674	811,318			
Other comprehensive income related to equity	-	88,271	-	-	-	(2,464,282)	(4,167)	1,162,165	(15,692)	(1,233,705)	(384)	(1,234,089)			
Transfer to Statutory reserve	-	88,271	-	161,565	-	(2,464,282)	(4,167)	1,162,165	794,952	(423,061)	290	(422,771)			
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(161,565)	-	-	-			
Transfer to General reserve	-	-	-	-	-	-	-	-	(490)	(490)	-	(490)			
Balance as at December 31, 2018	12,602,602	309,161	234,669	8,695,147	6,349,717	(4,097,523)	5,723	5,746,720	3,710,867	33,557,083	43,278	33,600,361			
Impact of IFRS 9 of discontinued operations	-	-	-	-	-	-	-	-	3,223	3,223	1,143	4,366			
Total comprehensive income for the nine months ended September 30, 2019															
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	4,381,743	4,381,743	801	4,382,544			
Other comprehensive income related to equity	-	(20,288)	-	-	-	1,030,839	21,674	(23,157)	240,683	1,249,751	-	1,249,751			
Transfer to Statutory reserve	-	(20,288)	-	876,349	-	1,030,839	21,674	(23,157)	4,622,426	5,631,494	801	5,632,295			
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(876,349)	-	-	-			
Transfer to General reserve	-	-	-	-	2,450,607	-	-	-	(1,332)	(1,332)	-	(1,332)			
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(2,450,607)	-	-	-			
Transaction with owners, recorded directly in equity															
Final dividend 2018: Re. 1 per share	-	-	-	-	-	-	-	-	(1,260,260)	(1,260,260)	-	(1,260,260)			
Balance as at September 30, 2019	12,602,602	288,873	234,669	9,571,496	8,800,324	(3,066,684)	27,397	5,723,563	3,747,968	37,930,208	45,222	37,975,430			

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

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months ended September 30, 2019

	Note	For the nine months ended	
		September 30, 2019	September 30, 2018
(Rupees in thousand)			
Cash flow from operating activities			
Profit before taxation		7,213,103	6,201,849
Less: dividend income		(205,411)	(160,815)
		<u>7,007,692</u>	<u>6,041,034</u>
Adjustments:			
Depreciation		774,812	765,418
Amortization		154,047	146,003
Depreciation on ROU assets		1,107,092	-
Mark-up expense on lease liability against ROU assets		747,445	-
Termination of lease contracts under IFRS - 16 Leases		(49,422)	-
Reversal of rent expense already booked on IFRS 16 - Lease contracts		(1,178,463)	-
Charge for defined benefit plan		229,427	293,771
Provisions and write offs - net	31	803,732	523,813
Unrealised loss on held for trading securities		394	-
Loss on sale of fixed assets		6,280	514
		<u>2,595,344</u>	<u>1,729,519</u>
		<u>9,603,036</u>	<u>7,770,553</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	(2,281,851)
Held for trading securities		(54,763)	-
Advances		(29,920,932)	(59,932,243)
Other assets (excluding advance taxation)		(3,869,020)	459,421
		<u>(33,844,715)</u>	<u>(61,754,673)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(4,858,156)	(829,093)
Borrowings		34,706,809	(24,911,693)
Deposits		74,256,411	42,381,721
Other liabilities (excluding current taxation)		1,633,205	(128,885)
		<u>105,738,269</u>	<u>16,512,050</u>
Net cash flow generated from / (used in) operations		81,496,590	(37,472,070)
Discontinued operations		39,385	39,167
Payment made to defined benefit plan		-	(489,526)
Income tax paid		(3,335,011)	(3,091,833)
Net cash flow generated from / (used in) operating activities		<u>78,200,964</u>	<u>(41,014,262)</u>
Cash flow from investing activities			
Net investments in available for sale securities		41,199,736	40,503,518
Net investments in held to maturity securities		(109,607,408)	(2,423,115)
Dividend received		186,399	149,415
Investments in fixed assets - net of adjustment		(525,607)	(468,551)
Investments in intangible assets - net of adjustment		(221,991)	(32,610)
Proceeds from sale of fixed assets		20,749	13,012
Effect of translation of net investment in Wholesale Bank Branch		(20,288)	97,893
Discontinued operations		(45,118)	(40,729)
Net cash (used in) / generated from investing activities		<u>(69,013,528)</u>	<u>37,798,833</u>
Cash flow from financing activities			
(Payments) / receipts of subordinated debts - net		(1,600)	5,000,800
Payments against lease liabilities		(1,111,096)	-
Dividend paid		(1,247,702)	(11,423)
Net cash (used in) / generated from financing activities		<u>(2,360,398)</u>	<u>4,989,377</u>
Increase in cash and cash equivalents		<u>6,827,038</u>	<u>1,773,948</u>
Cash and cash equivalents at beginning of the period		53,281,057	48,183,160
Cash and cash equivalents at end of the period		<u>60,108,095</u>	<u>49,957,108</u>

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

- sd - - sd - - sd - - sd - - sd -

President & Chief Executive Chief Financial Officer Director Director Chairman

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group consists of Askari Bank Limited, the holding company and Askari Securities Limited, a partly owned subsidiary.
- 1.2 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, the Mall, Rawalpindi. The Bank is a scheduled commercial bank and is licensed under the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on September 30, 2019. The ultimate parent of the Bank is Fauji Foundation. The Bank has 517 branches (December 31, 2018: 516 branches); 516 in Pakistan and Azad Jammu and Kashmir (including 94 (December 31, 2018: 94) Islamic Banking branches and 44 (December 31, 2018: 43) sub-branches) and a Wholesale Bank Branch (WBB) in the Kingdom of Bahrain.
- 1.3 Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the repealed Companies Ordinance, 1984 as a public limited company. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

- 2.2 These consolidated condensed interim financial statements have been presented in accordance with the requirements of format prescribed by SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) and do not include all the information and disclosures required in the audited annual consolidated financial statements, and should be read in conjunction with the audited annual consolidated financial statements of the Group for the year ended December 31, 2018.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

IFRS - 16 Leases became effective for annual reporting periods beginning on or after January 1, 2019. The impact of the adoption of IFRS - 16 Leases on the Group's consolidated condensed interim financial statements is disclosed in note 3.3.2

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Group's financial statements.

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

- a) The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations (Amendments)	January 1, 2020
IAS 1 Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

- b) Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Group.

	Effective date (annual periods ending on or after)
IFRS 9 Financial Instruments	June 30, 2019

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan and Azad Jammu and Kashmir operations of the Group in preparation of these consolidated condensed interim financial statements.

IFRS 9, Financial Instruments, addresses the recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of an impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Group which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

The Group expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

3.3 Change in accounting policy

3.3.1 The SBP, vide BPRD Circular Letter No. 5 dated March 22, 2019 amended the format of condensed interim financial statements of banks. Accordingly, the Group has prepared these consolidated condensed interim financial statements on the new format prescribed by the SBP. The amended format introduced certain new disclosures and certain reclassification have been made in the consolidated condensed interim profit and loss account which are summarized below:

Reclassification from account head	Reclassification to account head	For the nine months ended September 30	
		2019	2018
		(Rupees in thousand)	
Other income	Provision and writeoffs - net	72,613	107,755
Other provisions / writeoff	Provision and writeoffs - net	23,048	-

3.3.2 During the period, IFRS 16 - Leases became applicable to the Bank. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases - Incentive, and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS - 16 Leases introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use (ROU) asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Group has adopted IFRS - 16 Leases from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as is permitted under the specific transitional provisions in the standard.

On adoption of IFRS - 16 Leases, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of remaining lease payment, discounted using the Bank's contract wise incremental borrowing rate as at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	<u>September 30, 2019</u>	<u>January 1, 2019</u>
	(Rupees in thousand)	
Total lease liability recognised	7,579,619	7,578,841

On adoption of IFRS - 16 Leases, the associated ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The ROU assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The ROU assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The ROU assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(un-audited)	
	September 30, 2019	January 1, 2019
	(Rupees in thousand)	
The recognised ROU assets relate to the following type of asset:		
Property	7,618,723	8,312,292

The effect of this change in accounting policy is as follows:

	(un-audited)	
	September 30, 2019	January 1, 2019
	(Rupees in thousand)	
Impact on Statement of Financial Position		
Increase in fixed assets - ROU assets	7,618,723	8,312,292
Decrease in other assets - Advances, deposits, advance rent and other prepayments	(665,532)	(733,451)
Increase in other assets - Advance taxation	244,394	-
	7,197,585	7,578,841
Increase in other liabilities - lease liability against ROU assets	(7,579,619)	(7,578,841)
Increase in exchange translation reserve	(224)	-
Decrease in net assets	(382,258)	-

Impact on Profit and Loss account

	For the nine months ended September 30, 2019
	(Rupees in thousand)
Increase in markup expense - lease liability against ROU assets	(747,445)
(Increase) / decrease in operating expenses	
- Depreciation on ROU assets	(1,107,092)
- Rent expense	1,178,463
Termination of lease contracts under IFRS - 16 Leases	49,422
Decrease in profit before tax	(626,652)
Decrease in tax	244,394
Decrease in profit after tax	(382,258)

Earnings per share for the nine months ended September 30, 2019 are Rs 0.30 per share lower as a result of the adoption of IFRS - 16 Leases.

While implementing IFRS - 16 Leases, the Group has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Group has opted not to recognise ROU assets for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	12,093,656	10,368,791
Foreign currencies	1,990,681	1,935,969
	<u>14,084,337</u>	<u>12,304,760</u>
With the State Bank of Pakistan in:		
Local currency current accounts	27,501,637	24,210,710
Foreign currency current accounts	3,211,853	2,829,226
Foreign currency deposit account	9,061,828	7,946,957
	<u>39,775,318</u>	<u>34,986,893</u>
With National Bank of Pakistan in:		
Local currency current accounts	1,215,082	1,883,326
Prize Bonds	245,042	12,666
	<u>55,319,779</u>	<u>49,187,645</u>
7. BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	353,325	354,396
In deposit accounts	-	291
	<u>353,325</u>	<u>354,687</u>
Outside Pakistan		
In current accounts	1,165,664	1,047,160
In deposit accounts	1,390,357	2,691,565
	<u>2,556,021</u>	<u>3,738,725</u>
Provision under IFRS 9 related to WBB	(15)	(10)
	<u>2,909,331</u>	<u>4,093,402</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Bai Muajjal receivable from SBP	1,878,985	-
Purchase under resale arrangement of equity securities	148,606	148,606
	<u>2,027,591</u>	<u>148,606</u>
Provision held against lending to financial institutions	(148,606)	(148,606)
Lending to financial institutions - net of provision	<u>1,878,985</u>	<u>-</u>

8.1 Category of classification

Domestic

Loss

September 30, 2019 (Un-audited)		December 31, 2018 - (Audited)	
Classified lending	Provision held	Classified lending	Provision held
(Rupees in thousand)			
<u>148,606</u>	<u>148,606</u>	<u>148,606</u>	<u>148,606</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

9. INVESTMENTS

September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value

(Rupees in thousand)

9.1 Investments by type:

Held for trading securities

Shares	54,763	-	(394)	54,369	-	-	-
	54,763	-	(394)	54,369	-	-	-

Available for sale securities

Federal Government Securities	202,118,682	(50,817)	(4,481,418)	197,586,447	244,060,807	(41,600)	(6,125,979)	237,893,228
Shares	6,550,257	(2,389,844)	(270,328)	3,890,085	5,898,588	(1,437,160)	(153,307)	4,308,121
Units of open end mutual funds	1,005,036	(146,912)	(14,600)	843,524	1,032,012	(2,376)	(58,190)	971,446
Fully paid preference shares	27,314	(9,189)	46,545	64,670	27,314	(7,139)	39,570	59,745
Non Government Debt Securities	7,335,568	(1,496,553)	(1,868)	5,837,147	6,957,717	(1,540,848)	(480)	5,416,389
Foreign securities	161,663	(2,393)	3,694	162,964	421,818	(2,659)	(5,496)	413,663
	217,198,520	(4,095,708)	(4,717,975)	208,384,837	258,398,256	(3,031,782)	(6,303,882)	249,062,592

Held to maturity securities

Federal Government Securities	119,093,406	(162,685)	-	118,930,721	11,293,815	(122,420)	-	11,171,395
Non Government Debt Securities	1,917,817	(139,163)	-	1,778,654	110,000	(110,000)	-	-
	121,011,223	(301,848)	-	120,709,375	11,403,815	(232,420)	-	11,171,395
Total investments	338,264,506	(4,397,556)	(4,718,369)	329,148,581	269,802,071	(3,264,202)	(6,303,882)	260,233,987

(Un-audited)
September 30,
2019

(Audited)
December 31,
2018

(Rupees in thousand)

9.1.1 Investments given as collateral

The market value of investments given as collateral is as follows:

Market Treasury Bills	45,026,502	12,793,905
Sukuks	8,848,346	8,369,037
Euro Bonds	5,067,177	3,381,368
Turkish Sukuks	956,956	-
Turkish Euro Bonds	437,432	-
Bahrain International Bonds	165,356	144,747
Srilankan Investment Bonds	-	277,070
	<u>60,501,769</u>	<u>24,966,127</u>

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	3,264,202	2,042,279
Provision under IFRS 9 related to WBB	-	173,151
Opening balance after IFRS 9 impact of WBB	3,264,202	2,215,430
Exchange adjustments	23,752	-
Charge / (reversals)		
Charge for the period / year	1,124,319	1,331,427
Charge / (reversal) of provision under IFRS 9 related to WBB	54,628	(6,472)
Reversals for the period / year	(69,345)	(268,539)
Reversal on disposals	-	(7,644)
	<u>1,109,602</u>	<u>1,048,772</u>
Closing balance	<u>4,397,556</u>	<u>3,264,202</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

9.2.2 Particulars of provision against debt securities

September 30, 2019 (Un-audited)		December 31, 2018 - (Audited)	
NPL	Provision	NPL	Provision
(Rupees in thousand)			

Category of classification

Domestic

Loss

1,606,552	1,851,611	1,650,848	1,817,527
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9.3 The market value of securities classified as held to maturity as at September 30, 2019 is Rs. 122,256,923 thousand (December 31, 2018: Rs. 11,029,123 thousand).

	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 thousand)					
Loans, cash credits, running finances, etc.	303,740,905	279,232,463	26,866,700	26,166,223	330,607,605	305,398,686
Islamic financing and related assets	46,312,007	46,583,103	1,882,924	435,096	48,194,931	47,018,199
Bills discounted and purchased	20,852,042	16,786,319	60,406	55,767	20,912,448	16,842,086
Advances - gross	370,904,954	342,601,885	28,810,030	26,657,086	399,714,984	369,258,971
Provision against advances						
- Specific	-	-	(24,780,306)	(25,113,169)	(24,780,306)	(25,113,169)
- General	(1,108,317)	(1,038,655)	-	-	(1,108,317)	(1,038,655)
Advances - net of provision	369,796,637	341,563,230	4,029,724	1,543,917	373,826,361	343,107,147

10.1 Particulars of advances (Gross)

In local currency

In foreign currencies

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
In local currency	374,521,222	347,815,947
In foreign currencies	25,193,762	21,443,024
	399,714,984	369,258,971

10.2 Advances include Rs. 28,810,030 thousand (December 31, 2018: Rs. 26,657,086 thousand) which have been placed under non-performing status as detailed below:

Category of classification

September 30, 2019 (Un-audited)		December 31, 2018 - (Audited)	
Non Performing loans	Provision	Non Performing loans	Provision

(Rupees in thousand)

Domestic

Other Assets Especially Mentioned - note 10.2.1

Substandard

Doubtful

Loss

2,194,990	-	90,038	1,883
324,634	29,147	286,591	23,421
1,124,855	421,754	429,231	187,411
25,165,551	24,329,405	25,851,226	24,900,454
28,810,030	24,780,306	26,657,086	25,113,169

10.2.1 This represents classification for Infrastructure projects, Agricultural, Mortgage and Small Entities finances.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

10.3 Particulars of provision against advances

	September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
	Specific	General	Consumer financing-General	Total	Specific	General	Consumer financing-General	Total
	(Rupees in thousand)							
Opening balance	25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584
Provision under IFRS 9 related to WBB	-	-	-	-	-	164,947	-	164,947
Opening balance after IFRS 9 impact of WBB	25,113,169	498,429	540,226	26,151,824	24,962,069	401,887	447,575	25,811,531
Exchange adjustment	-	20,432	-	20,432	-	-	-	-
Charge for the period / year	755,607	22,525	82,254	860,386	2,413,023	81,302	102,568	2,596,893
Provision under IFRS 9 related to WBB	-	(47,641)	-	(47,641)	-	16,119	-	16,119
Reversal for the period / year	(1,088,470)	(4,477)	(3,431)	(1,096,378)	(2,134,869)	(879)	(9,917)	(2,145,665)
	(332,863)	(29,593)	78,823	(283,633)	278,154	96,542	92,651	467,347
Amounts written off	-	-	-	-	-	-	-	-
Amounts charged off- agriculture financing	-	-	-	-	(127,054)	-	-	(127,054)
Closing balance	24,780,306	489,268	619,049	25,888,623	25,113,169	498,429	540,226	26,151,824

10.3.1 The net Forced Sales Value (FSV) benefit already availed has been increased by Rs. 5,429 thousand, which has resulted in a reduced charge for specific provision for the period by the same amount. Had the FSV benefit not increased, before and after tax profit for the year would have been lower by Rs. 5,429 thousand (September 30, 2018: higher by Rs. 211,414 thousand) and Rs. 3,529 thousand (September 30, 2018: higher by 137,419 thousand) respectively. Further, at September 30, 2019, cumulative net of tax benefit availed for FSV was Rs. 601,597 thousand (December 31, 2018: Rs. 598,068 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and unappropriated profit to that extent are not available for distribution by way of cash or stock dividend.

10.3.2 The Group has availed the relaxation of Rs.102,460 thousand (December 31, 2018: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

11. FIXED ASSETS

Capital work-in-progress - note 11.1
Property and equipment - note 11.2

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
	87,341	53,738
	20,109,246	12,738,089
	<u>20,196,587</u>	<u>12,791,827</u>

11.1 This represents advances to suppliers and contractors.

11.2 This includes right of use assets amounting to Rs 7,618,723 thousand due to adoption of IFRS - 16 Leases as explained in note 3.3.2.

11.3 Additions to fixed assets

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

	(Un-audited)	
	For the nine months ended September 30, 2019	September 30, 2018
	(Rupees in thousand)	
Capital work-in-progress	33,603	(55,214)
Property and equipment		
Building on leasehold	18,032	-
Renovation of premises	119,234	180,712
Furniture, fixtures and office equipment	63,459	81,391
Carpets	9,547	7,415
Machine and equipments	162,013	215,670
Computer equipments	146,805	33,719
Vehicles	24,549	4,025
	543,639	522,932
Right of use assets under IFRS - 16 Leases	1,056,278	-
Total	<u>1,633,520</u>	<u>467,718</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
11.4 Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:		
Renovation of premises	11,248	2,298
Furniture, fixtures and office equipment	6,178	5,034
Carpets	543	653
Machine and equipments	9,060	5,521
Vehicles	-	20
Total	<u>27,029</u>	<u>13,526</u>
	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
12. INTANGIBLE ASSETS		
Computer software	712,740	704,885
Less: Provision against intangibles	(12,819)	(24,404)
	699,921	680,481
Capital work in progress	111,782	60,880
	<u>811,703</u>	<u>741,361</u>
	(Un-audited)	(Audited)
	For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
12.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Capital work-in-progress	50,902	18,322
Directly purchased	171,089	14,288
Total	<u>221,991</u>	<u>32,610</u>
	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
13. DEFERRED TAX ASSETS		
Deductible temporary differences on		
- Post retirement employee benefits	34,003	163,600
- Deficit on revaluation of investments	1,651,291	2,206,359
- Impact under IFRS 9 related to WBB	121,871	121,871
- Provision against advances, off balance sheet	1,568,007	1,568,007
	3,375,172	4,059,837
Taxable temporary differences on		
- Accelerated tax depreciation	(178,494)	(286,058)
	(178,494)	(286,058)
	<u>3,196,678</u>	<u>3,773,779</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
14. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	14,255,703	9,793,092
Income / mark-up accrued in foreign currencies	873,349	477,756
Advances, deposits, advance rent and other prepayments	850,910	1,321,871
Advance taxation (payments less provisions)	6,312,379	5,918,572
Non banking assets acquired in satisfaction of claims	3,093,769	3,201,319
Mark to market gain on forward foreign exchange contracts - net	365,032	607,925
Suspense account	258,723	48,637
Stationary and stamps in hand	179,076	105,007
Dividend receivable	20,151	1,139
Acceptances	8,086,181	8,735,265
Receivable from defined benefit plan	91,122	-
Others	561,856	472,257
	<u>34,948,251</u>	<u>30,682,840</u>
Provision held against other assets - note 14.1	(238,240)	(257,811)
Other assets - net of provision	<u>34,710,011</u>	<u>30,425,029</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	<u>2,073,988</u>	<u>2,097,145</u>
Other assets - total	<u><u>36,783,999</u></u>	<u><u>32,522,174</u></u>
14.1 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	139,219	142,470
Non-banking assets acquired in satisfaction of claims	15,952	15,952
Suspense account	34,408	34,408
Stationary and stamps in hand	14,321	-
Provision under IFRS 9 related to WBB	-	447
Others	34,340	64,534
	<u>238,240</u>	<u>257,811</u>
14.1.1 Movement in provision held against other assets		
Opening balance	257,811	272,565
Provision under IFRS 9 related to WBB	-	149
Opening balance after IFRS 9 impact of WBB	257,811	272,714
Charge for the period / year	14,505	230
Provision under IFRS 9 related to WBB	-	298
Reversals for the period / year	(26,414)	(15,431)
Amounts written off / adjustments	(7,662)	-
	<u>(19,571)</u>	<u>(14,903)</u>
Closing balance	<u><u>238,240</u></u>	<u><u>257,811</u></u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

15. DISCONTINUED OPERATIONS

15.1 An analysis of the assets and liabilities attributable to discontinued operations as at the date of Statement of Financial Position is as follows:

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
15.1.1 Assets attributable to discontinued operations		
Cash and balances with treasury banks	-	-
Balances with other banks	93,783	69,943
Lendings to financial institutions	-	-
Investments	115,078	57,429
Advances	9,186	911
Fixed assets	13,761	4,238
Intangible assets	16,315	16,696
Deferred tax assets	-	-
Other assets	40,672	65,540
	<u>288,795</u>	<u>214,757</u>
Liabilities associated with discontinued operations		
Bills payable	-	-
Borrowings	-	-
Deposits and other accounts	-	-
Liabilities against assets subject to finance lease	-	-
Sub-ordinated debt	-	-
Deferred tax liabilities	20,158	-
Other liabilities	100,541	81,513
	<u>120,699</u>	<u>81,513</u>
	<u>168,096</u>	<u>133,244</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended	
	September 30, 2019	September 30, 2018
	(Rupees in thousand)	
15.1.2 Financial Performance		
Mark-up / return / interest earned	5,580	868
Mark-up / return / interest expensed	103	56
Net mark-up / interest income	5,477	812
Non mark-up / interest income		
Fee and commission income	19,580	23,545
Dividend income	1,404	711
Foreign exchange income	-	-
Income / (loss) from derivatives	-	-
Gain on securities	(5,126)	4,831
Other income	111	333
Total non-markup / interest income	15,969	29,420
Total income	21,446	30,232
Non mark-up / interest expenses		
Operating expenses	21,941	33,146
Workers' welfare fund	-	-
Other charges	-	-
Total non-markup / interest expenses	21,941	33,146
Loss before provisions	(495)	(2,914)
Provisions and write offs - net	-	-
Extraordinary / unusual items	-	-
Loss before taxation	(495)	(2,914)
Taxation	3,574	(3,242)
Profit / (loss) after taxation	3,079	(6,156)
15.1.3 Other Comprehensive Income		
Profit / (loss) after taxation	3,079	(6,156)
Movement in deficit on revaluation of investments - net of tax	21,674	(9,987)
	24,753	(16,143)
15.1.4 Cash Flow Information		
Net cash flows from operating activities	39,385	39,167
Net cash flows from investing activities	(45,118)	(40,729)
Net cash flows from financing activities	-	-
	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
16. BILLS PAYABLE		
In Pakistan	10,654,724	15,512,880

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
17. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	11,968,155	12,455,680
Long term financing facility	5,874,309	6,281,267
Financing facility for storage of agricultural produce	3,333	5,833
Renewable energy financing facility	435,751	224,077
Refinance from SBP - credit guarantee scheme for women entrepreneurs	708	-
	18,282,256	18,966,857
Repurchase agreement borrowings:		
State Bank of Pakistan	40,528,846	-
Financial institutions	16,329,563	20,766,755
	56,858,409	20,766,755
Refinance from Pakistan Mortgage Refinance Company	1,986,516	1,000,000
Total secured	77,127,181	40,733,612
Unsecured		
Call borrowings	7,523,542	10,851,663
Overdrawn nostro accounts	2,758,409	1,117,048
Total unsecured	10,281,951	11,968,711
	87,409,132	52,702,323

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 thousand)					

18. DEPOSITS AND OTHER ACCOUNTS

Customers

Current accounts	159,987,940	18,565,272	178,553,212	152,097,142	16,648,265	168,745,407
Savings deposits	322,383,146	35,275,173	357,658,319	284,295,933	30,842,212	315,138,145
Fixed deposits	99,211,969	6,642,757	105,854,726	80,061,600	5,961,134	86,022,734
	581,583,055	60,483,202	642,066,257	516,454,675	53,451,611	569,906,286

Financial institutions

Current accounts	995,979	12,027	1,008,006	811,441	-	811,441
Savings deposits	661,274	-	661,274	1,441,152	-	1,441,152
Fixed deposits	4,117,800	-	4,117,800	1,438,047	-	1,438,047
	5,775,053	12,027	5,787,080	3,690,640	-	3,690,640
	587,358,108	60,495,229	647,853,337	520,145,315	53,451,611	573,596,926

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

19. SUBORDINATED DEBTS

Term Finance Certificates - V	3,992,000	3,993,600
Term Finance Certificates - VI (ADT-1)	6,000,000	6,000,000
	9,992,000	9,993,600

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

19.1 The Group has raised unsecured sub-ordinated loans through issuance of Term Finance Certificates to improve the Group's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Group including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of outstanding issues are as follows:

	Term Finance Certificates - V	Term Finance Certificates - VI (ADT-1)
Outstanding amount	Rupees 3,993 million	Rupees 6,000 million
Issue amount	Rupees 4,000 million	Rupees 6,000 million
Issue date	September 30, 2014	July 03, 2018
Maturity Date	September 29, 2024	Perpetual
Rating	AA-	AA-
Security	Unsecured	Unsecured
Listing	Unlisted	Unlisted
Profit payment frequency	Payable six monthly	Payable six monthly
Redemption	6-108th month: 0.36% 109-120th month: 99.64%	Perpetual
Profit Rate	Base Rate plus 1.20%	Base Rate plus 1.50%
	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Lock-in-clause	Neither profit nor principal will be payable (even at maturity), if such payment will result in a shortfall in the Bank's Minimum Capital Requirement or Capital Adequacy Ratio or results in an increase in any existing shortfall in Minimum Capital Requirement or Capital Adequacy Ratio.	Payment of profit will be subject to the condition that such payment will not result in breach of the Bank's regulatory Minimum Capital Requirement or Capital Adequacy Ratio set by SBP from time to time. Any inability to exercise lock-in clause or the non-cummulative features will subject these TFCs to mandatory conversion into common shares / write off at the discretion of SBP.
Loss absorption clause	The instrument will be subject to Loss Absorbency under SBP's Basel III Circular	The instrument will be subject to loss absorption if Bank's Common Equity Tier (CET-1) ratio falls to or below 6.625% of Risk Weighted Assets or at the option of SBP.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	4,065,540	3,167,365
Mark-up / return / interest payable in foreign currencies	162,789	166,309
Unearned commission and income on bills discounted	929,994	558,086
Accrued expenses	1,348,586	1,125,210
Advance payments	456,970	439,176
Acceptances	8,086,181	8,735,265
Dividends payable	139,611	127,053
Branch adjustment account	732,728	310,170
Payable to defined benefit plan	-	52,851
Security deposit against lease / Ijarah financing	4,396,965	4,473,848
Withholding taxes payable	239,157	134,361
Federal excise duty payable	40,036	68,562
Workers' Welfare Fund	198,239	130,000
Switch fee payable	692,054	747,778
Provision against off-balance sheet obligations - note 20.1	109,377	108,025
Lease liability against ROU assets as per IFRS - 16 Leases - note 3.3.2	7,579,619	-
Others	1,177,631	834,417
	<u>30,355,477</u>	<u>21,178,476</u>
20.1 Provision against off-balance sheet obligations		
Opening balance	108,025	6,116
Charge for the period / year	1,352	101,909
Closing balance	<u>109,377</u>	<u>108,025</u>
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation of:		
- Available for sale securities	(4,717,975)	(6,303,882)
- Fixed Assets	3,649,575	3,649,575
- Non-banking assets acquired in satisfaction of claims	2,073,988	2,097,145
	1,005,588	(557,162)
Deferred tax on deficit on revaluation of:		
- Available for sale securities	1,651,291	2,206,359
	<u>2,656,879</u>	<u>1,649,197</u>
22. CONTINGENCIES AND COMMITMENTS		
- Guarantees - note 22.1	191,661,294	177,859,159
- Commitments - note 22.2	393,974,848	311,768,322
- Other contingent liabilities - note 22.3	726,751	792,879
	<u>586,362,893</u>	<u>490,420,360</u>
22.1 Guarantees		
Financial guarantees	4,411,124	3,841,612
Performance guarantees	118,381,987	114,818,848
Other guarantees	68,868,183	59,198,699
	<u>191,661,294</u>	<u>177,859,159</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
22.2 Commitments		
Documentary credits and short-term trade-related transactions - letters of credit	179,846,471	212,101,045
Commitments in respect of:		
- forward foreign exchange contracts - note 22.2.1	117,917,875	58,918,497
- forward government securities transactions 22.2.2	25,500,000	-
- forward lending / borrowing - note 22.2.3	70,502,203	40,682,738
Commitments for acquisition of:		
- fixed assets	70,731	29,633
- intangible assets	137,568	30,628
Commitments in respect of future contract transactions of equity securities	-	5,781
	<u>393,974,848</u>	<u>311,768,322</u>
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	65,967,808	36,434,542
Sale	51,950,067	22,483,955
	<u>117,917,875</u>	<u>58,918,497</u>
The above commitments have maturities falling within one year.		
22.2.2 Commitments in respect of forward government securities transaction		
Purchase	25,000,000	-
Sale	500,000	-
	<u>25,500,000</u>	<u>-</u>
22.2.3 Commitments in respect of forward lending / borrowing		
Forward repurchase agreement borrowing	57,061,935	20,806,907
Undrawn commitments	13,440,268	19,875,831
	<u>70,502,203</u>	<u>40,682,738</u>
22.3 Other contingent liabilities		
These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group.	<u>726,751</u>	<u>792,879</u>

23. DERIVATIVE INSTRUMENTS

The Group at present does not offer derivative products such as Interest Rate Swaps, Cross Currency Swaps, Forward Rate Agreements or Foreign Exchange Options. The Bank's Treasury and Investment Banking Groups buy and sell derivative instruments such as Forward Exchange Contracts (FECs) and Equity Futures (EFs).

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended September 30, 2019	September 30, 2018
	(Rupees in thousand)	
24. MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	30,225,331	16,616,520
Investments	19,014,729	13,957,717
Lendings to financial institutions	178,153	63,407
Balances with banks	106,809	77,702
Securities purchased under resale agreements	1,211,783	276,275
	<u>50,736,805</u>	<u>30,991,621</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
On:		
Deposits	29,478,189	14,838,539
Borrowings	3,355,805	1,919,180
Subordinated debts	928,434	425,903
Interest expense on lease liability against ROU assets	747,445	-
	<u>34,509,873</u>	<u>17,183,622</u>
26. FEE AND COMMISSION INCOME		
Branch banking customer fees	414,287	300,347
Consumer finance related fees	78,383	57,712
Card related fees (debit and credit cards)	637,285	605,950
Credit related fees	102,492	84,910
Investment banking fees	122,552	128,437
Commission on trade	474,793	441,204
Commission on guarantees	413,608	355,755
Commission on remittances including home remittances	211,775	38,630
Commission on bancassurance	111,089	161,770
Others	59,699	60,670
	<u>2,625,963</u>	<u>2,235,385</u>
27. GAIN ON SECURITIES		
Realised - note 27.1	104,229	173,059
Unrealised - note 9.1	(394)	-
	<u>103,835</u>	<u>173,059</u>
27.1 Realised gain / (loss) on:		
Federal Government Securities	148,865	145,811
Shares	(42,238)	(5,668)
Non Government Debt Securities	88	1,780
Mutual Funds	(2,486)	31,136
	<u>104,229</u>	<u>173,059</u>
28. OTHER INCOME		
Rent of property	1,272	7,722
Loss on sale of fixed assets	(6,280)	(514)
Rent of lockers	30,875	29,244
Gain on sale of non banking assets	2,452	226,793
Recovery of expenses from customers	154,511	108,950
Termination of lease contracts under IFRS - 16 Leases	49,422	-
	<u>232,252</u>	<u>372,195</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited)	
	For the nine months ended September 30, 2019	September 30, 2018
	(Rupees in thousand)	
29. OPERATING EXPENSES		
Total compensation expenses	6,595,092	6,275,771
Property expense		
Rent and taxes	194,464	1,267,673
Insurance	101,650	64,027
Utilities cost	456,511	400,487
Security (including guards)	364,859	410,417
Repair & maintenance (including janitorial charges)	174,661	162,143
Depreciation on ROU assets	1,107,092	-
Depreciation	329,331	320,119
	2,728,568	2,624,866
Information technology expenses		
Software maintenance	177,898	180,895
Hardware maintenance	22,733	24,556
Depreciation	154,475	139,475
Amortisation	154,047	146,003
Network charges	141,506	142,913
	650,659	633,842
Other operating expenses		
Directors' fees, allowances	7,438	3,750
Fees and allowances to Shariah Board	4,378	3,490
Rent, taxes, insurance etc.	159,721	136,531
Legal and professional charges	75,676	79,580
Travelling, conveyance and entertainment	828,853	699,868
Brokerage and commission	53,067	62,897
NIFT clearing charges	45,340	38,996
Repair and maintenance	208,024	174,798
Communications	374,679	293,002
Stationery and printing	201,135	154,064
Marketing, advertisement and publicity	88,135	70,016
Donations	60,002	860
Auditors' remuneration	16,310	9,325
Depreciation	291,006	305,824
Security service charges	163,016	134,228
Training and development	17,979	9,531
Premium paid to Deposit Protection Corporation	311,493	95,081
Other expenditure	267,306	116,834
	3,173,558	2,388,675
	<u>13,147,877</u>	<u>11,923,154</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

30. This represents penalties imposed by the State Bank of Pakistan.

(Un-audited)	
For the nine months ended	
September 30, 2019	September 30, 2018
(Rupees in thousand)	

31. PROVISIONS AND WRITE OFFS - NET

Provision for diminution in value of investments	1,109,602	930,713
Provision against loans and advances	(283,633)	(406,900)
Reversal of provision against fixed assets	(11,586)	-
Reversal of provision against other assets	(11,462)	-
Reversal of provision against off-balance sheet obligations	807	-
Reversal of provision against cash and bank balances	4	-
Recovery of written off / charged off bad debts	(72,613)	(107,755)
	<u>731,119</u>	<u>416,058</u>

32. TAXATION

Current	2,863,289	1,989,165
Prior years	77,915	1,700,489
Deferred	(107,566)	(1,111,262)
	<u>2,833,638</u>	<u>2,578,392</u>

33. BASIC EARNINGS PER SHARE

Profit for the period - Rupees in '000	<u>4,381,743</u>	<u>3,618,666</u>
Weighted average number of Ordinary Shares - numbers	<u>1,260,260,180</u>	<u>1,260,260,180</u>
Basic earnings per share - Rupees	<u>3.48</u>	<u>2.87</u>

There is no dilutive effect on the basic earnings per share of the Group, therefore dilutive earnings per share have not been presented separately.

34. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Group as 'held to maturity'. Securities classified as held to maturity are carried at a amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 4 to the consolidated financial statements for the year ended December 31, 2018.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or are frequently repriced in the case of customer loans and deposits.

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

34.1 Fair value of financial assets

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at MUFAP, Reuters page, Redemption prices and determined by valuers on the panel of Pakistan Bank's Association.

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

Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government Securities	The fair values of Federal Government Securities are determined on the basis of rates / prices sourced from Reuters.
Non Government Debt Securities	Non Government Debt Securities are valued on the basis of rates announced by Mutual Fund Association of Pakistan (MUFAP).
Foreign Government Debt Securities	Foreign Government Debt Securities are valued on the basis of rates taken from custodian of the securities which are usually drawn from Bloomberg.
Unit of Mutual Funds	Fair values of mutual funds are determined based on their net asset values as published at the close of reporting period.
Fixed Assets and Non Banking Assets Acquired in Satisfaction of Claims	Land and Non Banking assets acquired in satisfaction of claims are valued on a periodic basis using professional valuers. The valuation is based on their assessments of the market value of the assets.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

The table below analyses the financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

	September 30, 2019 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	197,586,447	-	197,586,447
Shares	3,644,454	-	300,000	3,944,454
Units of open end mutual funds	-	843,524	-	843,524
Fully paid preference shares	64,670	-	-	64,670
Non Government Debt Securities	-	1,586,100	4,251,048	5,837,148
Foreign securities	-	162,964	-	162,964
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	118,930,721	-	118,930,721
Non Government Debt Securities	-	1,778,654	-	1,778,654
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	65,967,808	-	65,967,808
Forward sale of foreign exchange	-	51,950,067	-	51,950,067
Forward agreements for borrowing	-	-	57,061,935	57,061,935
	December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	237,893,228	-	237,893,228
Shares	4,008,121	-	300,000	4,308,121
Units of open end mutual funds	-	971,446	-	971,446
Fully paid preference shares	59,745	-	-	59,745
Non Government Debt Securities	-	1,210,281	4,206,108	5,416,389
Foreign securities	-	413,663	-	413,663
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	11,171,395	-	11,171,395
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	36,434,542	-	36,434,542
Forward sale of foreign exchange	-	22,483,955	-	22,483,955
Forward agreements for borrowing	-	-	20,806,907	20,806,907

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
34.2 Fair value of non-financial assets	Level 3	Level 3
Fixed assets		
Property and equipment (freehold and leasehold land)	8,084,238	8,084,238
Other assets		
Non-banking assets acquired in satisfaction of claims	5,167,757	5,298,464

35. SEGMENT INFORMATION

35.1 Segment details with respect to Business Activities

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

For the nine months ended September 30, 2019 (Un-audited)

	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total
	(Rupees in thousand)							
Profit and loss								
Net mark-up / return / profit	(19,824,415)	15,848,303	16,472,407	2,148,717	2,255,443	534,827	(1,208,350)	16,226,932
Inter segment revenue - net	32,846,667	(12,822,598)	(19,234,828)	(1,501,231)	-	-	711,990	-
Non mark-up / return / interest income	1,476,413	1,195,709	1,772,665	204,584	206,867	23,912	153,022	5,033,172
Total income	14,498,665	4,221,414	(989,756)	852,070	2,462,310	558,739	(343,338)	21,260,104
Segment direct expenses	7,418,134	288,975	157,679	569,598	1,493,084	69,645	2,761,896	12,759,011
Inter segment expense allocation	91,364	363,233	-	76,490	-	-	25,784	556,871
Total expenses	7,509,498	652,208	157,679	646,088	1,493,084	69,645	2,787,680	13,315,882
Provisions	(311,382)	(165,606)	940,166	49,003	70,143	7,798	140,997	731,119
Profit / (loss) before tax	7,300,549	3,734,812	(2,087,601)	156,979	899,083	481,296	(3,272,015)	7,213,103

September 30, 2019 (Un-audited)

	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total
	(Rupees in thousand)							
Statement of financial position								
Cash and bank balances	23,110,590	1,023,840	29,684,042	-	4,113,799	262,143	34,696	58,229,110
Investments	-	9,169,840	290,186,915	-	7,812,133	20,831,491	1,148,202	329,148,581
Lendings to financial institutions	-	-	-	-	1,878,985	-	-	1,878,985
Advances - performing - net of provision	39,876,501	248,389,116	-	17,998,997	46,275,072	10,312,483	6,944,465	369,796,634
Advances - non-performing - net of provision	983,229	1,378,621	-	238,377	1,429,500	-	-	4,029,727
Others	9,312,397	6,918,747	2,585,623	720,177	5,296,724	575,331	35,579,968	60,988,967
Assets attributable to discontinued operations	-	266,880,164	322,456,580	18,957,551	66,806,213	31,981,448	43,707,331	824,072,004
Total Assets	73,282,717	266,880,164	322,456,580	18,957,551	66,806,213	31,981,448	43,996,126	824,360,799
Borrowings	4,573,182	12,780,974	46,920,720	1,986,516	5,128,100	13,261,231	2,758,409	87,409,132
Subordinated debts	-	-	-	-	-	-	9,992,000	9,992,000
Deposits and other accounts	532,708,591	62,701,382	-	22,076	52,077,046	264,139	80,103	647,853,337
Net inter segment balances - net	(481,369,259)	184,153,102	274,808,598	15,487,346	-	14,534,164	(7,613,951)	-
Others	17,370,203	7,244,706	727,262	1,461,613	4,514,297	2,820,874	6,871,246	41,010,201
Liabilities associated with discontinued operations	-	266,880,164	322,456,580	18,957,551	61,719,443	30,880,408	12,087,807	786,264,670
Total liabilities	73,282,717	266,880,164	322,456,580	18,957,551	61,719,443	30,880,408	12,208,506	786,385,369
Equity	-	-	-	-	5,086,770	1,101,040	31,787,620	37,975,430
Total Equity and liabilities	73,282,717	266,880,164	322,456,580	18,957,551	66,806,213	31,981,448	43,996,126	824,360,799
Contingencies and commitments	51,496,412	327,383,452	188,053,023	-	6,507,943	11,991,369	930,694	586,362,893

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

For the nine months ended September 30, 2018 (Un-audited)								
Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total	
(Rupees in thousand)								
Profit and loss								
Net mark-up / return / profit	(9,434,762)	7,802,961	11,985,909	1,485,334	1,338,821	422,097	207,639	13,807,999
Inter segment revenue - net	17,773,649	(5,961,441)	(11,276,212)	(811,547)	-	-	275,551	-
Non mark-up / return / interest income	1,692,924	660,107	1,155,909	154,424	167,369	2,054	333,255	4,166,042
Total income	10,031,811	2,501,627	1,865,606	828,211	1,506,190	424,151	816,445	17,974,041
Segment direct expenses	6,849,219	288,638	131,904	468,177	1,350,819	60,082	1,704,257	10,853,096
Inter segment expense allocation	145,568	245,227	-	81,300	-	-	30,943	503,038
Total expenses	6,994,787	533,865	131,904	549,477	1,350,819	60,082	1,735,200	11,356,134
Provisions	411,929	(1,164,010)	1,146,840	(4,596)	20,268	-	5,627	416,058
Profit / (loss) before tax	2,625,095	3,131,772	586,862	283,330	135,103	364,069	(924,382)	6,201,849

December 31, 2018 (Audited)								
Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head Office / others	Total	
(Rupees in thousand)								
Statement of financial position								
Cash and bank balances	17,756,676	810,416	29,951,560	-	3,809,342	874,204	78,849	53,281,047
Investments	-	13,389,091	223,738,330	-	8,169,564	13,627,192	1,309,810	260,233,987
Advances - performing - net of provision	36,991,679	222,393,797	-	19,304,293	46,549,799	9,621,704	6,701,958	341,563,230
Advances - non-performing - net of provision	787,659	547,041	-	148,992	60,225	-	-	1,543,917
Others	2,291,938	10,957,788	3,457,096	585,079	2,173,734	189,483	30,174,023	49,829,141
	57,827,952	248,098,133	257,146,986	20,038,364	60,762,664	24,312,583	38,264,640	706,451,322
Assets attributable to discontinued operations	-	-	-	-	-	-	214,757	214,757
Total Assets	57,827,952	248,098,133	257,146,986	20,038,364	60,762,664	24,312,583	38,479,397	706,666,079
Borrowings	4,373,261	13,569,235	12,789,274	1,000,000	8,999,361	10,854,144	1,117,048	52,702,323
Subordinated debts	-	-	-	-	-	-	9,993,600	9,993,600
Deposits and other accounts	453,308,568	77,602,229	-	29,564	42,338,600	272,887	45,078	573,596,926
Net inter segment balances - net	(411,888,939)	141,230,500	244,158,060	17,473,521	2,168,060	11,386,676	(4,527,878)	-
Others	12,035,062	15,696,169	199,652	1,535,279	3,071,189	1,039,532	3,114,473	36,691,356
	57,827,952	248,098,133	257,146,986	20,038,364	56,577,210	23,553,239	9,742,321	672,984,205
Liabilities associated with discontinued operations	-	-	-	-	-	-	81,513	81,513
Total liabilities	57,827,952	248,098,133	257,146,986	20,038,364	56,577,210	23,553,239	9,823,834	673,065,718
Equity	-	-	-	-	4,185,454	759,344	28,655,563	33,600,361
Total Equity and liabilities	57,827,952	248,098,133	257,146,986	20,038,364	60,762,664	24,312,583	38,479,397	706,666,079
Contingencies and commitments	66,477,246	336,263,368	71,602,764	515,246	5,934,661	8,011,980	1,615,095	490,420,360

36. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited (the Parent) holds 71.91% of the Group's share capital at period ended. The Group has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

Details of transactions with related parties and balances are as follows:

(Rupees in thousand)

	As at September 30, 2019 (Un-audited)					As at December 31, 2018 (Audited)				
	Parent	Directors	Key management personnel	Companies with common directorship, having equity under 20%	Other Related Parties	Parent	Directors	Key management personnel	Companies with common directorship, having equity under 20%	Other Related Parties
Investments										
Opening balance	-	-	-	49,133	-	-	-	-	217,634	-
Investment made during the period / year	-	-	-	180,977	-	-	-	-	154,796	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	(26,322)	-
Transfer in / (out) - net	-	-	-	306,002	300,000	-	-	-	(296,975)	-
Closing balance	-	-	-	536,112	300,000	-	-	-	49,133	-
Provision for diminution in value of investments	-	-	-	126,243	-	-	-	-	9,097	-
Advances										
Opening balance	9,581,279	451	332,540	3,803,463	-	781,073	695	397,255	3,797,303	-
Addition during the period / year	119,865,132	2,305	126,796	10,610,307	-	97,898,658	27,104	70,238	32,784,743	-
Repaid during the period / year	(121,803,945)	(2,564)	(77,388)	(10,917,335)	-	(89,098,452)	(63,482)	(74,429)	(31,663,208)	-
Transfer in / (out) - net	-	-	(3,782)	888,444	-	-	36,134	(60,524)	(1,115,375)	-
Closing balance	7,642,466	192	378,166	4,384,879	-	9,581,279	451	332,540	3,803,463	-
Other Assets										
Interest / mark-up receivable	109,068	-	72,673	114,643	-	52,483	3,671	65,415	23,533	-
Receivable from staff retirement fund	-	-	-	-	91,122	-	-	-	-	-
Security deposits receivable	3,600	-	-	-	-	3,600	-	-	-	-
Acceptances	-	-	-	62,163	-	-	-	-	172,199	-
Advance rent	1,369	-	-	-	-	7,517	-	-	-	-
Dividend receivable	-	-	-	227	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	-
Borrowings during the period / year	-	-	-	-	1,000,000	-	-	-	-	-
Settled during the period / year	-	-	-	-	(13,484)	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	1,000,000	-	-	-	-	-
Closing balance	-	-	-	-	1,986,516	-	-	-	-	-
Subordinated debt										
Opening balance	-	-	-	24,960	-	-	-	-	24,970	-
Issued / Purchased during the period / year	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the period / year	-	-	-	(10)	-	-	-	-	(10)	-
Closing balance	-	-	-	24,950	-	-	-	-	24,960	-
Deposits and other accounts										
Opening balance	9,809,885	24,892	159,716	5,187,631	3,194,361	5,770,715	29,001	186,588	7,210,018	3,042,573
Received during the period / year	386,989,304	291,490	716,407	239,299,072	32,646,702	356,365,334	310,892	704,636	248,876,185	18,009,853
Withdrawn during the period / year	(388,271,805)	(273,205)	(723,468)	(232,753,974)	(31,168,271)	(352,326,164)	(299,993)	(676,343)	(251,057,728)	(17,858,065)
Transfer in / (out) - net	-	-	(590)	42,683	-	-	(15,008)	(55,165)	159,156	-
Closing balance	8,527,384	43,177	152,065	11,775,412	4,672,792	9,809,885	24,892	159,716	5,187,631	3,194,361
Other Liabilities										
Interest / mark-up payable	23,718	82	1,365	35,592	77,037	16,717	68	1,390	37,455	8,840
Acceptances	-	-	-	62,163	-	-	-	-	172,199	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	52,851
Security deposits payable	-	-	287	204,019	-	-	-	287	161,946	-
Others	2,087	-	-	-	-	3,084	-	-	-	-
Contingencies and Commitments										
Contingencies and Commitments	155,101	-	-	2,445,525	-	55,910	-	-	1,353,114	-

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

(Rupees in thousand)

	For the nine months ended September 30, 2019 (Un-audited)					For the nine months ended September 30, 2018 (Un-audited)				
	Parent	Directors	Key management personnel	Companies with common directorship, having equity under 20%	Other Related Parties	Parent	Directors	Key management personnel	Companies with common directorship, having equity under 20%	Other Related Parties
Income										
Mark-up / return / interest earned	216,458	-	13,583	422,866	-	72,075	2,910	9,086	233,791	-
Fee and commission received	61	-	-	11,580	-	62	-	-	16,624	-
Dividend income	-	-	-	454	-	-	-	-	7,963	-
Rent received	-	-	-	-	-	-	-	-	749	-
Expense										
Mark-up / return / interest expensed	501,582	1,883	5,715	837,459	433,364	463,151	388	4,429	374,952	151,675
Contribution to employees funds	-	-	-	-	432,880	-	-	-	-	406,260
Remuneration and allowances paid	-	-	349,010	-	4,378	-	-	333,486	-	3,490
Post employment Benefits	-	-	21,145	-	-	-	-	17,744	-	-
Rent	16,326	-	-	-	-	17,606	-	-	-	-
Fee and commission paid	-	-	-	-	30,262	-	-	-	236	15,543
Fee paid	-	7,438	-	-	-	-	3,750	-	-	-
Dividend paid	906,282	104	75	-	7,830	-	-	-	-	-
Donations	50,000	-	-	-	10,000	-	-	-	-	-

In addition to above, rent free sub-branch is operating at FFC head office, Sona Tower.

37. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,602,602	12,602,602
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	33,478,515	29,036,877
Eligible Additional Tier 1 (ADT 1) Capital	5,886,257	5,747,573
Total Eligible Tier 1 Capital	39,364,772	34,784,450
Eligible Tier 2 Capital	5,170,481	5,064,335
Total Eligible Capital (Tier 1 + Tier 2)	44,535,253	39,848,785
Risk Weighted Assets (RWAs):		
Credit Risk	296,033,943	269,107,754
Market Risk	14,299,620	9,771,875
Operational Risk	39,361,691	39,361,691
Total	349,695,254	318,241,320
Common Equity Tier 1 Capital Adequacy Ratio	9.57%	9.12%
Tier 1 Capital Adequacy Ratio	11.26%	10.93%
Total Capital Adequacy Ratio	12.74%	12.52%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	39,364,772	34,784,450
Total Exposures	1,267,950,381	1,157,947,222
Leverage Ratio	3.10%	3.00%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	208,994,289	278,917,759
Total Net Cash Outflow	160,850,226	154,131,589
Liquidity Coverage Ratio	129.93%	180.96%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	637,251,817	584,918,449
Total Required Stable Funding	351,029,534	312,211,738
Net Stable Funding Ratio	181.54%	187.35%

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

38. ISLAMIC BANKING BUSINESS

The Group is operating 94 Islamic banking branches including 3 sub-branches at nine months ended September 30, 2019 as compared to 94 Islamic banking branches including 3 sub-branches at year ended December 31, 2018.

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	(Rupees in thousand)	
ASSETS			
Cash and balances with treasury banks		3,507,922	3,302,392
Balances with other banks		605,877	506,950
Due from financial institutions	38.1	1,878,985	-
Investments	38.2	7,812,133	8,169,564
Islamic financing and related assets	38.3	47,704,572	46,610,024
Fixed assets		2,017,498	547,807
Intangible assets		-	-
Due from head office		-	-
Other assets		3,279,226	1,625,927
Total assets		<u>66,806,213</u>	<u>60,762,664</u>
LIABILITIES			
Bills payable		476,229	757,821
Due to financial institutions		5,128,100	8,999,361
Deposits and other accounts	38.4	52,077,046	42,338,600
Due to head office		-	2,168,060
Subordinated debt		-	-
Other liabilities		4,038,068	2,313,368
		<u>61,719,443</u>	<u>56,577,210</u>
NET ASSETS		<u>5,086,770</u>	<u>4,185,454</u>
REPRESENTED BY			
Islamic Banking Fund		4,600,000	4,600,000
Reserves		-	-
Deficit on revaluation of assets		(28,073)	(30,306)
Unappropriated profit / (loss)	38.5	514,843	(384,240)
		<u>5,086,770</u>	<u>4,185,454</u>
CONTINGENCIES AND COMMITMENTS	38.6	<u>6,507,943</u>	<u>5,934,661</u>
Remuneration to Shariah Board		<u>4,378</u>	<u>4,940</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

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

	Note	(Un-audited)	
		For the nine months ended	
		September 30, 2019	September 30, 2018
		(Rupees in thousand)	
Profit / return earned	38.8	5,056,282	2,516,944
Profit / return expensed	38.9	2,800,839	1,178,123
Net Profit / return		2,255,443	1,338,821
Other income			
Fee and Commission Income		139,521	118,979
Dividend Income		-	-
Foreign Exchange Income		31,833	19,145
Gain / (loss) on securities		-	-
Other Income		35,513	29,245
Total other income		206,867	167,369
Total Income		2,462,310	1,506,190
Other expenses			
Operating expenses		1,491,471	1,350,813
Workers' Welfare Fund		-	-
Other charges		1,613	6
Total other expenses		1,493,084	1,350,819
Profit before provisions		969,226	155,371
Provisions and write offs - net		70,143	20,268
Profit before taxation		899,083	135,103
		(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
		(Rupees in thousand)	

38.1 Due from financial institutions

Bai Muajjal Receivable from State Bank of Pakistan in local currency	1,878,985	-
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September 30, 2019 (Un-audited)				December 31, 2018 (Audited)			
Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value

(Rupees in thousand)

38.2 Investments by segments:

Federal Government Securities:

- Ijarah Sukuks	1,000,000	-	(29,200)	970,800	5,539,756	-	(32,130)	5,507,626
- GOP Bai Muajjal	5,246,146	-	-	5,246,146	1,031,054	-	-	1,031,054
	6,246,146	-	(29,200)	6,216,946	6,570,810	-	(32,130)	6,538,680

Non Government Debt Securities:

- Listed	175,000	-	1,127	176,127	210,000	-	1,824	211,824
- Unlisted	2,040,402	(621,342)	-	1,419,060	2,047,942	(628,882)	-	1,419,060
	2,215,402	(621,342)	1,127	1,595,187	2,257,942	(628,882)	1,824	1,630,884

Total investments	8,461,548	(621,342)	(28,073)	7,812,133	8,828,752	(628,882)	(30,306)	8,169,564
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Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

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

38.3 Islamic financing and related assets

Ijarah	4,278,654	4,159,292
Murabaha - note 38.3.1	4,115,154	5,163,391
Musharaka	21,365,359	16,689,289
Diminishing musharaka	12,356,996	9,489,949
Salam	1,411,913	6,209,050
Istisna	2,538,300	2,128,828
Receivable against sale of istisna / salam inventory	207,000	-
Service ijarah	603,005	390,477
Other islamic modes (executive car finance - qarz-e-hasana)	78,194	74,351
Advances against islamic assets - note 38.3.2	97,368	1,919,753
Inventory related to islamic financing - note 38.3.3	1,142,988	793,819
Gross islamic financing and related assets	48,194,931	47,018,199
Less: provision against islamic financings		
- Specific	453,432	374,871
- General	36,927	33,304
	490,359	408,175
Islamic financing and related assets - net of provision	47,704,572	46,610,024

38.3.1 Includes advance against Murabaha of Rs. 677,615 thousand (December 31, 2018: Rs.1,812,315 thousand).

38.3.2 Advance against islamic assets

	Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
	(Rupees in thousand)					
September 30, 2019 (Un-audited)	54,926	-	42,442	-	-	97,368
December 31, 2018 (Audited)	303,763	-	1,615,990	-	-	1,919,753

38.3.3 Inventory related to islamic financing

	Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
	(Rupees in thousand)					
September 30, 2019 (Un-audited)	-	-	-	90,463	1,052,525	1,142,988
December 31, 2018 (Audited)	-	-	-	126,178	667,641	793,819

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in thousand)	
38.4 Deposits and other accounts		
Customers		
Current deposits - non remunerative	16,325,709	14,940,668
Current deposits - remunerative	748,792	589,527
Savings deposits	19,008,327	19,290,437
Term deposits	11,959,866	6,395,547
Others	550,956	513,211
	<u>48,593,650</u>	<u>41,729,390</u>
Financial Institutions		
Current deposits - non remunerative	7,968	9,885
Savings deposits	495,428	474,325
Term deposits	2,980,000	125,000
	<u>3,483,396</u>	<u>609,210</u>
	<u>52,077,046</u>	<u>42,338,600</u>
38.5 Islamic banking business unappropriated profit / (loss)		
Opening balance	(384,240)	(616,817)
Add: Islamic banking profit for the period	899,083	232,577
Closing Balance	<u>514,843</u>	<u>(384,240)</u>
38.6 CONTINGENCIES AND COMMITMENTS		
-Guarantees	3,260,794	3,356,190
-Commitments	3,247,149	2,578,471
-Other contingent liabilities	-	-
	<u>6,507,943</u>	<u>5,934,661</u>
38.7 CHARITY FUND		
Opening balance	23,209	6,304
Additions during the period		
- Received from customers on delayed payments	42,743	24,659
- Non shariah compliant income	123	433
- Profit on charity account	13	3
- Others	51	59
	42,930	25,154
Payments / utilization during the period		
- Education	(467)	(1,139)
- Community welfare (provision of clean drinking water)	-	(1,850)
- Relief and disaster recovery	-	-
- Health	-	(4,233)
- Orphanage	-	(1,027)
	(467)	(8,249)
Closing balance	<u>65,672</u>	<u>23,209</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the nine months ended September 30, 2019

(Un-audited)	
For the nine months ended	For the nine months ended
September 30, 2019	September 30, 2018

(Rupees in thousand)

38.8 Profit / return earned on financing, investments and placements

Profit earned on:

Financing	4,273,056	2,193,823
Investments	644,700	287,247
Placements	11,725	35,874
Lendings	126,801	-
	<u>5,056,282</u>	<u>2,516,944</u>

38.9 Profit on deposits and other dues expensed

Deposits and other accounts	1,998,043	917,302
Due to financial institutions	575,529	195,220
Due to head office	81,549	65,601
Lease liability against ROU assets	145,718	-
	<u>2,800,839</u>	<u>1,178,123</u>

39. DATE OF AUTHORISATION

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

40. GENERAL

40.1 These consolidated condensed interim financial statements have been prepared in accordance with the revised format for financial statements of banks issued by the SBP through BPRD Circular Letter No.5 dated March 22, 2019 and related clarifications / modifications.

40.2 The comparative figures have been re-arranged and reclassified for comparison purposes. The significant reclassification has been disclosed in note 3.3.1 of these consolidated condensed interim financial statements.

- sd -
President & Chief Executive

- sd -
Chief Financial Officer

- sd -
Director

- sd -
Director

- sd -
Chairman



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