

SILKBANK LIMITED
Condensed Interim
Financial Statements

For The Nine Months Ended September 30, 2020

CORPORATE INFORMATION
as of September 30, 2020

*** Board of Directors**

Khalid Aziz Mirza	Acting Chairman
Shaukat Tarin	Director
Rashid Akhtar Chughtai	Director
Zubair Nawaz Chattha	Director
Masroor Ahmed Qureshi	Director
Tariq Iqbal Khan, FCA	Director
Samia Shahzad Murad	Director
Azmat Shahzad Ahmed Tarin	Director
Jawad Majid Khan	Director
Nabeel Anjum Malik	Acting President & CEO

Company Secretary

Faiz Ul Hasan Hashmi

Chief Financial Officer

Khurram Khan

Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Masroor Ahmed Qureshi	Member
Wajih Zaidi	Secretary

Nomination, Remuneration & Human Resource Committee

Khalid Aziz Mirza	Chairman
Rashid Akhtar Chughtai	Member
Goharulayn Afzal	Secretary

Risk Management Committee

Tariq Iqbal Khan, FCA	Acting Chairman
Masroor Ahmed Qureshi	Member
Muhammad Atif Kauser	Secretary

Information Technology Committee

Zubair Nawaz Chattha	Chairman
Masroor Ahmed Qureshi	Member
Javed Yousuf Edhi	Secretary

**An election of Board of Directors of the Bank was held on August 11, 2020, in which the shareholders have elected above mentioned Board of Directors. The Bank is awaiting SBP approval of new Board. Once the SBP approval is in place, the Board Committees will also be reconstituted accordingly.*

Auditors

M/s. Grant Thornton Anjum Rahman (GTAR)
Chartered Accountants

Legal Advisor

M/s. Abdul Majced & Co
Advocates & Corporate Consultants

Registered Office

Silkbank Limited,
13-L, F-7 Markaz,
Islamabad.
Direct Tel: (051) 26080-26-27-28,
PABX: (051) 26080-77-78-79 Ext: 111
Fax: (051) 26080-29
Email: companysecretary@silkbank.com.pk
Website: www.silkbank.com.pk

Share Registrar

M/s. CDC Share Registrar Services Limited
CDC House, 99 – B, Block ‘B’,
S.M.C.H.S., Main Shakra-e-Faisal
Karachi-74400.
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdepak.com
Website: www.cdepakistan.com

Director's Report as of September 30, 2020

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the third quarter ended September 30th, 2020.

Economic Review:

The government has set ambitious growth and revenue targets for FY-21, targeting GDP growth rate of 2.1%, current account deficit of 1.5%, and the fiscal deficit of 7% of GDP for FY-21. On the revenue side, the government expects to collect Rs. 4.96 trillion. Further, the government expects inflation to increase at 7% - 9% YoY on average. The 3M-FY21 economic indicators, except inflation, have been on the positive trajectory, which is indicative of improving business condition and growth prospects. The suppressed domestic demand, after country-wide lockdown, eased off inflationary pressures and created room for SBP to cut the policy rate by 625 basis points to 7%. However, the average inflation which after the outbreak of COVID-19 was forecasted to fall below the earlier estimate of 7 - 9% is again forecasted by SBP to remain in the same range during FY-21. The upward forecast in CPI is mainly attributed to rise in prices of consumer staples, due to supply chain disruptions.

On the positive side, the increased business activity during 3M-FY21 resulted in FBR exceeding its quarterly tax collection; FBR tax collection for 3M-FY21 stood at Rs. 1.00 trillion against the budget of Rs. 970 billion. Further, the current account posted a surplus of USD 792 million during 3M-FY21 as compared to the deficit of USD 1.4 billion in the same period last year mainly due to growth in remittance. The remittances, during the quarter showed a remarkable growth of 31% YoY and stood at USD 7.1 billion as compared to USD 5.4 billion during 3M-FY20. The country's FX reserves remained stable during the quarter and stood at USD 19.5 billion in Sept-20. The improvement in current account and stability in FX reserves indicates the absence of pressure on exchange rate parity. Going forward, foreign currency debt repayment will be neutralized with expected issuance of Eurobond and international Sukuk and with the revival of IMF Extended Fund Facility (EFF) financing plan. However, the increase in exports and FDI are imperative to build sustainable foreign exchange reserves.

Banking Sector:

The phase of monetary easing, a cumulative cut of 625 basis points in policy rate during H2-FY20 from 13.25% to 7%, came to a halt in Sept MPC. The cut in policy rate has enabled the commercial banks to realize one-off capital gain on government securities but at the cost of narrowing spreads which will put pressure on Net Interest Income of the banks in coming years. On the positive side, the decrease in interest rate will increase private sector credit, which previously had been abridged due to higher financing cost. Further, the banks also have the opportunity to expand their asset base and earn interest income from government introduced growth-oriented financing schemes like Naya Pakistan Housing Loan Scheme, and Kamyab Jawan Program etc. Further, despite low interest rates, banking deposit continued to grow and stood at Rs. 16.8 trillion witnessing a change of 15.41% YTD as of Sept-20. However, the introduction of Treasury Single Account (TSA) would drive away the deposits from banking sector. Such move would not only build pressure on the liquidity position of banks but also would negatively impact its profitability due to replenishment of withdrawn deposit through costlier private sector deposit or through SBP repo funding.

Financial Performance:

The Bank has posted a profit before tax of Rs. 601 million and after-tax Profit of Rs. 151 million for the period ended September 30, 2020.

During this period, in line with the Bank's strategy, total deposits grew by Rs. 5 billion to Rs. 154 billion and gross advances decreased by Rs. 4 billion

Summarized financial performance of Silkbank Limited for the nine months ended September 30th, 2020 is as follows:

	Rs in 'million'
Profit before tax	601
Tax - Current	(125)
Prior	-
Deferred	<u>(325)</u>
Profit after tax	<u>151</u>
	Rupee
Earnings per share – Basic and Diluted.	0.02

Business Performance:

Branch Banking:

Branch Banking continues to remain one of the most integral businesses for the Bank, serving over 206,858 customers contributing more than 57% of the Bank's deposit base. Total deposit as at 30th September, 2020 stood at approximately Rs. 88.6 billion, overall deposit growth of approximately Rs. 750 million achieved till the end of third quarter, 2020. This growth was realized through the addition of Rs. 7.8 billion in core accounts while shedding some expensive institutional / non-core deposits. The Current Account grew by Rs. 4.4 billion at the end of third quarter, 2020.

Branch Banking has successfully launched a new current account product, namely Business Value Account (BVA) plus, for businessmen and entities. The enhancement in the existing Business Value Account improved our competitive edge along with highlighting unique features associated with this current account making it first of a kind in the market. The soft launch of BVA plus has gained attention from customers giving confidence to our sales staff to effectively promote it further.

On the Digital front, various new initiatives were undertaken during the third quarter, to facilitate our customers. Work on introducing new Digital Channel of SMS Banking was completed. This new digital channel will give an easy access to customers for their relationship information by sending text at Silkbank official SMS number (9873). This will save our customers from the hassle of calling at our call center and waiting in queues to get their required information. Further, the team also completed the groundwork of enabling customers for Self-Registration of Mobile Banking. This is a big initiative and makes Silkbank as one of the few banks offering this functionality. Both these initiatives will provide convenience to our customers, enhance our digital penetration and reduce call volumes at our call center.

The overall digital drive, enhanced focus and implementation of Digital Change Agents approach (implemented at the start of the year for converting conventional transactions onto Digital Mediums) has immensely helped in increasing Digital Transactions Mix to 40% by September 2020. Bank will continue to enhance the feature sets and encourage customers to use more of Digital Channels which will help in reducing its operational cost.

ADC Business:

During the third quarter of 2020, because of the COVID pandemic, our customers increased the usage of Debit cards even more. Point of Sales (POS) transactions during Q3-2020 surpassed those of Q3-2019 by over Rs. 40 million with a spend of Rs. 466 million and 126,594 transactions versus Rs. 426 million and 120,000 transactions respectively noting that per customer spend has increased by 3.7%. The highest POS monthly spend till date was recorded during September 2020 of Rs.176.2 million. Alternate distribution and e-delivery channels contributed to an increase in transactions from 538,676 to 699,812 transactions respectively from the same period last year. Of this, Rs. 4.87 million in NFI was generated from 446,507 transactions through bill payments, topups etc.

Bancassurance:

Bancassurance business continued its momentum during the period ended September 30, 2020 and generated a revenue of appx. Rs. 40 million. With business activity slowly reviving in the third quarter and increase in customer footprint in branches "Participation from All" drive is back which has supported the business to increase branch productivity and generated maximum number of applications. Policy cancellation remains controlled and stands at 5% at the end of Q3-2020.

Consumer Banking:

Consumer Banking Division has always placed the utmost priority on providing customers an unrivalled customer experience. During Q3, 2020, the entire country was in the grip of COVID-19 pandemic and lockdowns in major business hubs. During these challenging times, the Bank devised a strategy which focused on providing relief to the customers with the help of innovative new features and initiatives. New relief installment plans and principal deferment plans were launched to help customers facing repayment pressure, while initiatives like digital repayment solutions were also introduced to help customer facing mobility limitations.

A major component of Bank's strategy was increased focus on digital banking and digital banking channels. New convenient features including card activation via Mobile Banking, Easy Credit Card repayment via digital channels and Balance Transfer facility on Mobile Banking were launched in conjunction with customer campaigns and educational programs to help our customers familiarize themselves with digital banking. Furthermore, there are multiple initiatives in pipeline including 3D-Secure 2.0 and tokenization, which will further elevate our digital banking footprint in the months to come.

Despite the suppressed economic activity and reduced customer confidence, the Bank successfully acquired 9,895 fresh accounts which included Personal Loan, Ready Line and Credit Cards. With the entire industry experiencing reduction in ending net receivables (ENR), the Bank launched multiple initiatives to rejuvenate ENR and have been successful in recouping most of the ENR erosion experienced during the quarter. Total Consumer Banking ENR currently stood at Rs 18.5 billion and have retained market share of 38% in consumer assets and positioned as one of the leading fresh credit card issuers in the market.

Unsecured:

Personal Loans:

At end of Q3, 2020, the Personal Loan portfolio stood at Rs. 5.7 billion ENR with active customer base of 23,000 customers.

During the quarter, multiple initiatives were taken to mitigate the crisis due to COVID-19 pandemic and facilitate Bank's customers with multiple financial solutions. To help lessen the financial burden on customer, SBP relief package was offered to customers with the options of principal deferment and rescheduling / restructuring of the loan. Apart from this multiple pay early and get rewarded, promotions were launched where customers were incentivized to make monthly payments before the due date by offering 100% cashback.

Ready Line:

At the close of Q3, 2020, Ready line ending net receivables stood at Rs. 7.3 billion with a total customer base of 48,447 customers.

During the quarter, promotions such as 50% mark-up waiver on two bills for new customers as well as targeted subset of non-utilizers customers were launched. Spend promotion targeting auspicious occasion such as EID, where chance to win double the cashback against the amount spent was offered to 100 lucky winners upon meeting spending criteria. Similarly, on the 73rd independence anniversary of Pakistan, an exciting spend promotion was launched where customers were simply asked to celebrate the anniversary with Silkbank Ready Line by spending 14,000 or more & offered a chance to become one of 73 lucky winners to win 100% amount back. To encourage use of digital channels, spend promotion was launched encouraging the valued Ready Line customers to meet their bills commitment via SilkMobile or internet banking by offering them an incentive to win Samsung S-20 mobile phone.

Credit Cards:

Credit Card sales gained momentum resulting in total fresh acquisition of 9,570 cards for the quarter, which increased the cards in force (CIF) to 163,496 cards while ENR stood at Rs. 5.4 billion as of September 30th, 2020.

Silkbank became one of the top 3 banks in terms of credit card repayment volumes via digital channels. Overall, 30% of total repayments of Silkbank credit cards were made through digital channels in the month of September 2020.

In addition to the above, the Bank has launched Silk Critical Illness Plans for credit card customers which provide coverage against 13 critical illnesses with coverage of up to Rs. 1.0 million.

There are many other initiatives in the pipeline which would further strengthen Credit Cards positioning in the market i.e. launch of Mastercard, Contactless Visa cards, Enhanced E-commerce platform, and Quick Response (QR) issuance.

Secured Portfolio:

In line with strategy no new acquisition of M'Power were initiated during the quarter and the focus was on retention of our good portfolio. Silkbank M'Power, is a running finance facility secured against residential and commercial properties stands at an ENR of Rs. 1.7 billion.

Emaan Islamic Banking (Emaan)

Despite challenging macro-economic conditions, Emaan Islamic showed significant growth in the deposit book. Emaan deposit base grew by Rs. 2,936 million and closed book at Rs. 36,211 million with CASA TD ratio at 79:21, translating into growth of 8.82%. Core deposit grew by Rs. 1,286 million translating into growth of 14.72%. Advances book closed at Rs.7,291 million.

Compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR)

As at September 30, 2020, the equity of the Bank stood at Rs. 10.70 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of Rs. 9.88 billion. The Capital Adequacy Ratio (CAR) of the Bank is 4.16%.

The Board has given targets to the management to ensure improvement in all key ratios of the Bank in 2020.

We are pleased to inform you that the Bank has received the approval of SBP for its OREO disposal proposal and adjustment / settlement of major borrowers' loans. The Bank expects substantial payment against these loans through this proposal, which would make these accounts regular and improve the bottom line of the Bank.

The Bank is committed to adhere to the given targets and is confident of reaching capital compliance by March 31, 2021.

Credit Rating

The long-term entity rating of the Bank is A- (Single A Minus) and the short-term rating is A-2 (A-Two) as determined by "JCR VIS" Credit Rating Company Limited. The outlook on the assigned rating is "Stable".

Future Outlook

Due to an on-going COVID-19 pandemic, and the resultant decline in real estate prices on account of depressive economic situation of the country, the Bank had classified the Real Estate loans, with a concrete recovery plan in place. The SBP, during its last inspection, had also identified a security shortfall in the real estate portfolio of the Bank. However, with the support of SBP, the shortfall identified has been completely covered through additional collateral valued by SBP nominated valuers.

Additionally, the Board has required the management to make efforts to revive, the mortgage assets business for further growth in the consumer banking business. Most importantly, the Bank will increasingly emphasize human capital development by strengthening "a pay for performance culture" and improved succession planning process.

With the successful implementation of the strategies outlined by the Board, your Directors are hopeful that the profitable growth of the Bank will continue in the years to come.

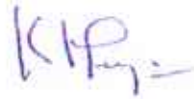
Acknowledgement

We once again take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation. We are equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

**For and on Behalf of the Board of
Silkbank Limited**



**Nabeel Anjum Malik
Acting President & CEO**



**Khalid Aziz Mirza
Chairman**

Karachi, November 28, 2020

SILKBANK LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020

		September 30, 2020 Un-audited	December 31, 2019 Audited
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	12,635,213	11,838,682
Balances with other banks	9	352,099	1,168,163
Lendings to financial institutions	10	7,594,096	18,101,837
Investments	11	130,846,705	36,245,350
Advances	12	99,301,565	105,374,947
Fixed assets	13	5,173,117	5,910,389
Intangible assets	14	211,311	217,077
Deferred tax assets	15	5,619,052	4,864,227
Other assets	16	20,834,310	19,737,679
Assets held for sale	17	2,229,729	2,229,729
		284,797,197	205,688,080
LIABILITIES			
Bills payable	18	2,184,326	2,483,658
Borrowings	19	108,900,860	31,973,231
Deposits and other accounts	20	154,087,372	148,853,513
Liabilities against assets subject to finance lease		-	-
Subordinated debt	21	2,439,066	2,125,418
Deferred tax liabilities		-	-
Other liabilities	22	8,265,993	9,480,373
		276,877,617	194,916,193
NET ASSETS		8,919,580	10,771,887
REPRESENTED BY			
Shareholders' equity			
Share capital - net	23	23,431,374	23,431,374
Reserves		820,890	820,890
(Deficit) / Surplus on revaluation of assets - net of tax	24	(1,783,834)	256,510
Accumulated loss		(13,548,850)	(13,736,887)
		8,919,580	10,771,887
CONTINGENCIES AND COMMITMENTS	25		

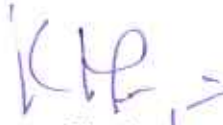
The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Acting President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UNAUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Quarter ended		Nine Months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Rupees in '000					
Mark-up / return / profit / interest earned	27	6,385,584	2,385,593	18,203,936	11,915,429
Mark-up / return / profit / interest expensed	28	(5,318,210)	(4,320,362)	(16,269,634)	(10,396,639)
Net Mark-up / return / profit / interest income / (loss)		1,067,374	(1,954,769)	1,934,402	1,518,790
NON MARK-UP / INTEREST INCOME					
Fee and commission income	29	547,860	647,175	1,634,969	1,704,591
Dividend income		-	-	-	3,425
Foreign exchange income / (loss)		115,077	934,990	(389,830)	193,648
(Loss) / income from derivatives		(430)	(887,623)	722,389	138,960
(Loss) / gain on securities	30	(135,700)	59,507	5,428,279	19,599
Other loss	31	(290,913)	(126,238)	(239,291)	(78,984)
Total non-markup / Interest Income		235,894	627,811	7,156,516	1,981,239
Total Income / (loss)		1,303,268	(1,328,958)	9,090,918	3,500,029
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	32	(2,051,171)	(2,013,736)	(5,638,459)	(5,852,637)
Workers Welfare Fund		62,616	5,186	(12,274)	-
Other charges	33	(11,199)	(59,974)	(28,434)	(185,066)
Total non-markup / Interest expenses		(2,009,754)	(2,068,524)	(5,679,167)	(6,037,703)
(Loss) / profit before provisions, extra ordinary / unusual item and taxation		(706,486)	(3,395,482)	3,411,751	(2,537,674)
Provisions and write offs - net	34	(1,871,686)	(863,410)	(2,810,318)	(1,467,090)
Extra ordinary / unusual items		-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION		(2,578,172)	(4,258,892)	601,433	(4,004,764)
Taxation	35	842,557	1,372,966	(450,589)	1,235,669
(LOSS) / PROFIT AFTER TAXATION		(1,735,616)	(2,885,926)	150,844	(2,769,095)
Rupee					
Basic and Diluted (Loss) / Earning Per Share	36	(0.19)	(0.32)	0.02	(0.30)

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Director


Director


Acting President & Chief Executive Officer


Director

SILKBANK LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Quarter ended September 30, 2020	September 30, 2019	Nine Months ended September 30, 2020	September 30, 2019
	Rupees in '000			
(Loss) / profit after tax for the period	(1,735,615)	(2,885,926)	150,844	(2,769,095)
Other comprehensive (loss) / Income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(2,142,049)	48,115	(2,037,282)	90,852
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain on defined benefit obligations - net of tax	-	-	33,191	10,413
Movement in surplus on revaluation of fixed assets - net of tax	(582)	(582)	(1,744)	(1,745)
Movement in surplus on revaluation of non-banking assets - net of tax	-	(593)	(1,318)	(593)
	(582)	(1,175)	30,129	8,075
Total comprehensive loss	(3,878,246)	(2,838,986)	(1,856,309)	(2,670,168)

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.


Chief Financial Officer


Acting President & Chief Executive Officer


Director


Director


Director

SILKBANK LIMITED**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UNAUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

	Share Capital	Surplus / (deficit) on revaluation of		Capital Reserve	Revenue Reserve	Total Equity
		Investments	Fixed / Non Banking Assets	Statutory Reserve*	Accumulated Loss	
Rupees in '000						
Balance as at January 01, 2019 - Audited	23,431,374	(144,910)	78,703	820,890	(9,797,310)	14,386,747
Loss after taxation for the nine months ended September 30, 2019 - Un-audited	-	-	-	-	(2,769,095)	(2,769,095)
Other comprehensive income / (loss) - net of tax - Un-audited	-	90,652	(2,338)	-	10,413	98,927
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	2,684	2,684
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets- net of tax	-	-	-	-	911	911
Balance as at September 30, 2019 - Un-audited	23,431,374	(54,058)	74,365	820,890	(12,552,397)	11,720,174
Loss after taxation for the quarter ended December 31, 2019 - Un-audited	-	-	-	-	(1,183,908)	(1,183,908)
Other comprehensive income / (loss) - net of tax - Un-audited	-	236,784	(581)	-	(1,477)	234,726
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	895	895
Balance as at December 31, 2019 - Audited	23,431,374	182,726	73,784	820,890	(13,738,887)	10,771,887
Profit after taxation for the nine months ended September 30, 2020 - Un-audited	-	-	-	-	150,844	150,844
Other comprehensive (loss) / income - net of tax - Un-audited	-	(2,037,282)	(3,062)	-	33,191	(2,007,153)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	2,684	2,684
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets- net of tax	-	-	-	-	1,318	1,318
Balance as at September 30, 2020 - Un-audited	23,431,374	(1,854,556)	70,722	820,890	(13,548,850)	8,919,580

* Statutory reserves represent amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Director



Director



Acting President & Chief Executive Officer




Director

SILKBANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT - UNAUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

		September 30, 2020	September 30, 2019
	Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		601,433	(4,004,764)
Less: Dividend income		-	(3,425)
		<u>601,433</u>	<u>(4,008,189)</u>
Adjustments:			
Depreciation on fixed assets	32	299,431	323,441
Depreciation on right-of-use assets	32	505,034	505,034
Depreciation on non-banking assets acquired in satisfaction of claims	32	47,926	50,960
Amortization of intangible assets	32	52,085	47,897
Amortization of premium on investments - net		(242,560)	(12,284)
Finance charge on lease liability against right-of-use assets	28	333,459	361,537
Provisions against loans & advances	34	2,914,815	1,598,374
Gain on sale of fixed assets	31	(1,288)	(596)
Unrealized (gain) / loss on revaluation of investments - held-for-trading	30	(16,200)	1,678
Share of profit from associate	31	(8,665)	(406)
Loss on sale of non-banking assets acquired in satisfaction of claims	31	352,445	189,947
Write offs against fixed assets	34	9,841	2,080
		<u>4,246,323</u>	<u>3,067,662</u>
		<u>4,847,756</u>	<u>(940,527)</u>
Decrease / (increase) in operating assets			
Lendings to financial institutions		10,507,741	(7,039,956)
Net investments in held-for-trading securities		(24,105,815)	(811,285)
Advances		3,158,567	(10,364,911)
Other assets (excluding advance taxation)		(1,383,692)	1,248,446
		<u>(11,803,199)</u>	<u>(16,967,706)</u>
(Decrease) / increase in operating liabilities			
Bills payable		(299,332)	(592,841)
Borrowings		76,927,629	19,625,114
Deposits		5,233,859	9,286,600
Other liabilities (excluding current taxation)		(992,813)	(499,970)
		<u>80,869,343</u>	<u>27,818,903</u>
		<u>73,913,900</u>	<u>9,910,670</u>
Income tax paid		(406,550)	(479,115)
Net cash flow generated from operating activities		<u>73,507,350</u>	<u>9,431,555</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(57,444,155)	(7,417,487)
Net investment in held-to-maturity securities		(15,918,240)	(257,658)
Dividend received		-	3,425
Net investment in fixed assets and intangible assets		(187,954)	(393,437)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		191,203	273,500
Proceeds on disposal of fixed assets		65,889	47,204
Net cash flow used in investing activities		<u>(73,293,257)</u>	<u>(7,744,453)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts of subordinated debts		313,648	125,818
Payment of finance lease obligation		-	(2,663)
Payment of lease liability against right-of-use assets		(547,274)	(746,376)
Net cash flow used in financing activities		<u>(233,626)</u>	<u>(623,221)</u>
(Decrease) / increase in cash and cash equivalents		<u>(19,533)</u>	<u>1,063,881</u>
Cash and cash equivalents at the beginning of the period		13,006,845	9,181,561
Cash and cash equivalents at the end of the period	37	<u>12,987,312</u>	<u>10,245,442</u>

The annexed notes 1 to 45 form an integral part of these condensed interim financial statements.


 Chief Financial
 Officer


 Acting President & Chief
 Executive Officer


 Director


 Director


 Director

SILKBANK Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

1 STATUS AND NATURE OF BUSINESS

Silkbank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Act, 2017. The Bank commenced commercial operations on May 07, 1995. The Bank's shares are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 123 branches (December 31, 2019: 123 branches) including 30 (December 31, 2019: 30) Islamic banking branches in Pakistan. The Bank's registered office is located at Silkbank Building, 13-L, F-7 Markaz, Islamabad. The short-term and long-term credit ratings of the Bank rated by JCR-VIS Credit Rating Company Limited in October 2020 are 'A-2' and 'A-' respectively.

Major shareholders of the Bank as on September 30, 2020 are Sinthos Capital (comprising of Mr. Sheukat Tarin, Mr. Sadeq Sayeed and Mr. Azmat Tarin), Arif Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and Mr. Zulqarnain Nawaz Chatta / Mr. Zubair Nawaz Chatta of Gourmet Group.

As at September 30 2020, the equity of the Bank is Rs. 10.7 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of Rs. 9.88 billion against the Minimum Capital Requirement (MCR) of Rs. 10 billion as proscribed by State Bank of Pakistan (SBP). Further, the Capital Adequacy Ratio (CAR) of the Bank is 4.16% (December 31, 2019: 5.61%) against the minimum CAR requirement of SBP of 11.50% (2019: 12.50%). Consequently, the Bank is non-compliant with MCR and CAR at September 30, 2020 end which can expose the Bank to regulatory actions under the Banking laws.

Further SBP has allowed to treat the general provision held against consumer financing as part of Common Equity Tier I instead of Tier II for the purpose of CAR calculation. In case such relaxation has not been provided to the Bank, CAR would have been lower by 0.79%.

The management of the Bank has taken following steps to improve the financial position of the Bank and to meet the requirement for MCR and CAR as per the plan submitted by the Bank to the regulator.

1. The Bank has obtained the in-principal approval of the Board to initiate the process of a Rights issue in order to inject further capital;
2. The Bank has obtained the approval of SBP for creation of an Islamic Development REIT Fund for resolution of major NPL portfolio and disposal of Non-Banking Assets (NBA) of the Bank. The Bank expects substantial upside as a result of the same.

Sponsors / Directors are of the opinion that, taking into account the above mentioned plans and measures, the Bank would meet with the requirement of MCR and CAR as enumerated by the regulator.

2 BASIS OF PREPARATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 The Islamic banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Act, 2017 except for the adoption of IFAS-3 'Profit & Loss Sharing on Deposits' as disclosed in note 3.4.
- 2.3 The financial results of the Islamic banking branches have been included in these condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 42 to these condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

- 3.1 These 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 as applicable in Pakistan comprise of:

- The accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;

- Directives issued by the SBP and the Securities and Exchange Commission of Pakistan ("SECP") from time to time.

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.

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, the SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through S.R.O. 411(I) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting periods beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their quarterly & half-yearly financial statements in line with the format prescribed under BPRD Circular Letter No. 05 of 2019 dated March 22, 2019, 'Format of Interim Financial Statements' (as updated from time to time), effective from the accounting year ended December 31, 2019. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these condensed interim financial statements is based on the requirements laid down by the SBP.
- 3.4 The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of IFAS-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFS). The standard will result in certain new disclosures in the condensed interim financial statements of the Bank.
- 3.5 The disclosures made in these condensed interim financial statements are limited based on the format prescribed by the SBP vide BPRD circular letter No. 5 dated March 22, 2019 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2019.

4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (where applicable) and certain investments and derivative financial instruments have been measured at fair value and net obligations in respect of defined benefit scheme are carried at their present value.

These condensed interim financial statements have been prepared in Pakistani Rupee which is the functional and presentation currency of the Bank. The amounts are rounded off to the nearest thousand rupee, unless otherwise stated.

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2019 except mentioned below.

5.1 Change in Accounting Policies

Disposal of Non Banking Assets (NBA)

During the period ended September 30, 2020, the Bank changed its accounting policy to derecognize Non-Banking Assets (NBA) from the basis of recovery of 50% of total sale consideration to "at least 40% to 50% of total sale consideration", to apply the more realistic approach related to sale of NBAs.

During the period ended September 30, 2020, management commissioned a detailed survey on previous sale transactions of NBAs which provide detailed information and the behavior of the payment made by the buyers for sale of NBAs on the basis of which management conclude that the limit of 50% should be replaced by at least 40% to 50%.

After assessing the impacts of the change in accounting policy, the Bank's management concluded that there is no impact on prior year amounts because the said change in accounting policy does not negate to derecognize NBAs previously recorded. Therefore, management concluded that it should apply new policy prospectively from the start of 2020.

5.2 Impact of COVID-19

COVID-19 will impact banks in Pakistan on a number of fronts including increase in overall credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations, slow down of the real estate sector resulting in delays in disposal of non banking assets and associated activities and managing cyber security threat as a significant number of the Bank staff is working from home and an ever increasing number of customers are also being encouraged to use digital channels. Further, the decline in the discount rate regime during the period positively impacted the investments through capital gains on Government Securities.

The Bank's risk management policies continue to be similar as disclosed in the financial statements for the year ended December 31, 2019 except for the following additional considerations due to the prevalent COVID-19 pandemic.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points since beginning of the year, to 7 percent and by introducing certain regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) The existing regulatory retail portfolio limit of Rs. 125 million has been enhanced to Rs. 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer borrowers' principal loan repayments by one year or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year or more.

The Risk Management function of the Bank is regularly conducting assessment of the credit portfolio to identify borrowers most likely to be affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in light of the prevalent COVID-19 pandemic. In addition the Bank is continuously reviewing the entire portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak... This will be a continuous process till the effect of the pandemic is minimized.

The Bank expects that borrowers in general will be impacted by this pandemic. Since many of these borrowers have already come forward to avail the SBP granted deferment / restructuring & rescheduling relief, the full effect of the economic stress is difficult to predict given the uncertain economic environment and the uncertainty regarding the possible duration of the pandemic.

The Bank is fully aware of the risks associated with COVID-19 and is regularly conducting assessments of portfolios and operations to ensure that risks are best minimized.

5.3 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the year 2020

As referred to in note 4.3 to the Bank's financial statements for the year ended December 31, 2019, there are certain standards, amendments and interpretations that are effective for the annual period beginning on or after January 1, 2020. These are considered either not to be relevant or not to have any significant impact on the Bank's condensed interim financial statements.

5.4 Standards, Interpretations of and amendments to accounting and reporting standards that are not yet effective

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

Standard, Interpretation or Amendment	Effective date (Annual periods beginning on or after)
---------------------------------------	--

IFRS 9 - Financial Instruments: Classification and Measurement

January 01, 2021

The SBP through BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021.

IFRS 9: 'Financial Instruments' addresses 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 impairment charge based on an 'Expected Credit Losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL has 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.

There are certain new and amended standards and interpretations as referred to in note 4.3 to the Bank's financial statements for the year ended December 31, 2019, that are mandatory for the Bank's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and methods used for critical accounting estimates and judgments adopted in these condensed interim financial information are same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2019.

7 FINANCIAL RISK MANAGEMENT

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

The Bank's activities are exposed to a variety of financial risks i.e. market risk, credit risks and liquidity risks. The condensed interim financial statements do not include all risk management information and are disclosed in the annual financial statements, thus should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

There have been no material changes to our policies and practices regarding risk management and governance as described in annual financial statements for the year ended December 31, 2019 except for certain additions in the criteria to address significant risks emanating from the retail portfolio to ensure that relevant indicators relating to likelihood of default, are being captured in a timely manner under the current situation.

		September 30, 2020	December 31, 2019
	Note	Un-audited	Audited
Rupees In '000			
8 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		2,186,194	1,877,165
Foreign currencies		2,071,440	1,094,328
		4,257,634	2,771,493
With State Bank of Pakistan In			
Local currency current accounts	8.1	6,746,957	6,784,412
Foreign currency current accounts		641,477	685,106
Foreign currency deposit accounts	8.2	866,991	1,276,607
		8,255,425	8,746,125
With National Bank of Pakistan In			
Local currency current accounts		108,460	198,679
National Prize Bonds		13,694	122,385
		<u>12,635,213</u>	<u>11,838,682</u>

- 8.1 Deposits with the SBP are maintained to comply with the statutory requirements of the SBP issued from time to time (section 22 of the Banking Companies Ordinance, 1962).
- 8.2 This represents account maintained with the SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as proscribed by the SBP). It carries interest rates Nil (December 31, 2019: 0.70%).

		September 30, 2020	December 31, 2019
		Un-audited	Audited
Rupees In '000			
9 BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		170,436	105,487
In deposit account		74	68
		170,510	105,555
Outside Pakistan			
In current accounts		181,589	1,062,608
		<u>352,099</u>	<u>1,168,163</u>

10 LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse repo)		3,450,676	13,751,114
Foreign placement		1,348,878	900,748
Bai Muajjal receivable from State Bank of Pakistan		2,794,643	3,449,975
		<u>7,594,096</u>	<u>18,101,837</u>

11 INVESTMENTS

11.1	Investments by type:	September 30, 2020 - Un-audited				December 31, 2019 - Audited			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees in '000									
Held-for-trading securities									
Federal Government Securities									
	Market Treasury Bills	17,775,382	-	(1,232)	17,774,150	-	-	-	-
	Pakistan Investment Bonds	6,333,849	-	17,432	6,351,281	-	-	-	-
Shares									
	Listed	-	-	-	-	2,150	-	1,266	3,416
		24,109,231	-	16,200	24,125,431	2,150	-	1,266	3,416
Available-for-sale securities									
Federal Government Securities									
	Market Treasury Bills	-	-	-	-	3,536,303	-	(597)	3,535,706
	Pakistan Investment Bonds	87,353,841	-	(2,776,422)	84,577,419	29,007,986	-	76,368	29,084,354
	GOP Ijarah Sukuks	5,389,886	-	(55,379)	5,334,507	2,272,205	-	4,735	2,277,000
Shares - Listed									
	Ordinary Shares	438,801	-	(20,402)	418,399	487,528	-	202,955	690,481
Shares - Unlisted									
	Unlisted Ordinary Shares	5,680	(5,680)	-	-	5,680	(5,680)	-	-
Non Government Debt Securities									
	Sukuks - Listed	-	-	-	-	229,699	-	(2,345)	227,354
	Term Finance Certificates - Listed	75,466	-	(961)	74,505	37,500	-	-	37,500
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		93,272,454	(14,460)	(2,853,164)	90,404,830	35,585,739	(14,460)	281,118	35,852,305
Held-to-maturity securities									
Federal Government Securities									
	Pakistan Investment Bonds	15,918,240	-	-	15,918,240	-	-	-	-
	Other Federal Government Securities	257,658	-	-	257,658	257,658	-	-	257,658
Non Government Debt Securities									
	Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
		16,250,808	(74,910)	-	16,175,898	332,568	(74,910)	-	257,658
Associates									
	SPI Insurance Company Limited	140,546	-	-	140,546	131,881	-	-	131,881
	Total investments	133,773,039	(89,370)	(2,836,964)	130,846,705	36,052,338	(89,370)	282,362	36,245,350
Rupees in '000									
11.2	Investments by segments:	September 30, 2020 - Un-audited				December 31, 2019 - Audited			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Federal Government Securities									
	Market Treasury Bills	17,775,382	-	(1,232)	17,774,150	3,536,303	-	(597)	3,535,706
	Pakistan Investment Bonds	109,605,930	-	(2,758,990)	106,846,940	29,007,986	-	76,368	29,084,354
	GOP Ijarah Sukuks	5,389,886	-	(55,379)	5,334,507	2,272,285	-	4,735	2,277,000
	Bai Muajjal	257,658	-	-	257,658	257,658	-	-	257,658
		133,028,856	-	(2,815,601)	130,213,255	35,074,212	-	80,506	35,154,718
Shares									
	Ordinary shares - Listed	438,801	-	(20,402)	418,399	487,528	-	204,221	693,897
	Ordinary shares - Unlisted	5,680	(5,680)	-	-	5,680	(5,680)	-	-
		444,481	(5,680)	(20,402)	418,399	493,208	(5,680)	204,221	693,897
Non Government Debt Securities									
	Sukuks - Listed	-	-	-	-	229,699	-	(2,345)	227,354
	Term Finance Certificates - Listed	75,466	-	(961)	74,505	37,500	-	-	37,500
	Term Finance Certificates - Unlisted	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		84,246	(8,780)	(961)	74,505	275,979	(8,780)	(2,345)	284,854
	Shares repurchase (fully provided)	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Associates									
	SPI Insurance Company Limited	140,546	-	-	140,546	131,881	-	-	131,881
	Total investments	133,773,039	(89,370)	(2,836,964)	130,846,705	36,052,338	(89,370)	282,362	36,245,350

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
11.2.1 Investments given as collateral		
Market Treasury Bills	14,889,588	-
Pakistan Investment Bonds	90,166,917	21,753,482
	<u>105,028,603</u>	<u>21,753,482</u>
11.3 Provision for diminution in value of investments		
11.3.1 Opening balance	89,370	89,370
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Amounts written off	-	-
Closing balance	<u>89,370</u>	<u>89,370</u>

Category of classification	September 30, 2020 - Un-audited		December 31, 2019 - Audited	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	Rupees in '000			
Domestic	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	83,690	83,690	83,690	83,690
Total	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>	<u>83,690</u>

11.4 The market value of securities classified as held to maturity is Rs. 16,176 million (December 31, 2019: Rs. 258 million).

12 ADVANCES

	Note	Performing		Non Performing		Total	
		September 30, 2020 Un-audited	December 31, 2019 Audited	September 30, 2020 Un-audited	December 31, 2019 Audited	September 30, 2020 Un-audited	December 31, 2019 Audited
		Rupees in '000					
Loans, cash credits, running finances, etc		67,669,809	71,248,276	32,278,948	11,976,290	89,948,757	83,224,568
Islamic financing and related assets	42.3	4,958,319	6,252,194	2,791,600	22,749,660	7,749,919	28,001,854
Bills discounted and purchased		416,478	1,007,349	3,113	3,113	418,591	1,010,462
Advances - gross		<u>73,043,606</u>	<u>77,507,819</u>	<u>35,073,661</u>	<u>34,729,063</u>	<u>108,117,267</u>	<u>112,236,882</u>
Provision against advances	12.3						
- Specific		-	-	8,096,434	6,077,627	8,096,434	6,077,627
- General		719,268	784,308	-	-	719,268	784,308
		<u>719,268</u>	<u>784,308</u>	<u>8,096,434</u>	<u>6,077,627</u>	<u>8,815,702</u>	<u>6,861,935</u>
Advances - net of provision		<u>72,324,338</u>	<u>76,723,511</u>	<u>26,977,227</u>	<u>28,651,436</u>	<u>99,301,565</u>	<u>105,374,947</u>

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
12.1 Particulars of advances (Gross)		
In local currency	108,117,267	112,236,882
In foreign currencies	-	-
	<u>108,117,267</u>	<u>112,236,882</u>

12.2 Advances include Rs. 35,074 million (December 31, 2019: Rs. 34,729 million) which have been placed under non-performing status as detailed below.

Category of classification - specific	September 30, 2020 - Un-audited		December 31, 2019 - Audited	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Substandard	497,848	78,477	1,543,094	196,926
Doubtful	623,190	42,177	4,911,888	516,582
Loss	33,952,823	7,976,780	28,274,081	5,364,119
Total	<u>35,073,661</u>	<u>8,096,434</u>	<u>34,729,063</u>	<u>6,077,627</u>

12.3 Particulars of provision against advances:

	Note	September 30, 2020 - Un-audited			December 31, 2019 - Audited		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		6,077,627	784,308	6,861,935	4,524,443	687,723	5,212,166
Charge for the period / year		3,233,469	-	3,233,469	2,728,504	96,585	2,825,109
Reversals for the period / year		(253,604)	(66,040)	(319,644)	(189,803)	-	(189,803)
	34	2,979,855	(66,040)	2,914,815	2,538,631	96,585	2,635,216
Amounts written off		(961,048)	-	(961,048)	(896,447)	-	(896,447)
Closing balance		<u>8,096,434</u>	<u>718,268</u>	<u>8,815,702</u>	<u>6,077,627</u>	<u>784,308</u>	<u>6,861,935</u>

- 12.3.1 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances upto five years from the date of classification.
- 12.3.2 As of September 30, 2020, the Bank has availed FSV benefits against all non performing advances. Had the benefit not been taken by the Bank, loss after tax would have been Rs.16,958 million (December 31, 2019: Rs. 5,738 million), which shall not be available for payment of cash or stock dividend / bonus to employees.
- 12.3.3 As per Prudential Regulation for consumer financing issued by the SBP, percentage of reserve is linked to non-performing loans to gross loans ratio. Consequently, the general provisioning on consumer financing is maintained at 4% (December 31, 2019: 4%) of unsecured portfolio of the Bank.

	Note	September 30,	December 31,
		2020	2019
		Un-audited	Audited
		Rupees in '000	
13	FIXED ASSETS		
Capital work-in-progress	13.1	27,618	38,078
Property and equipment		1,463,484	1,685,262
Right-of-use assets		3,682,015	4,187,049
		<u>5,173,117</u>	<u>5,910,389</u>

13.1	Capital work-in-progress		
Civil works		4,669	808
Advances to suppliers and contractors		22,949	37,270
		<u>27,618</u>	<u>38,078</u>

	September 30,	September 30,
	2020	2019
	Un-audited	Un-audited
	Rupees in '000	
13.2	Additions to fixed assets	
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	36,873	51,218
Property and equipment		
Furniture and fixture	5,398	11,012
Electrical, office and computer equipment	38,824	62,900
Vehicles	88,636	99,143
Leasehold improvements	19,239	35,793
	<u>162,096</u>	<u>208,848</u>
Total	<u>188,968</u>	<u>260,066</u>

13.3	Disposal of fixed assets		
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture	-	219	
Electrical, office and computer equipment	2,925	66	
Vehicles	61,676	21,819	
Total	<u>64,601</u>	<u>22,104</u>	

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
14 INTANGIBLE ASSETS		
Capital work-in-progress	48,877	63,919
Software	162,434	153,158
	<u>211,311</u>	<u>217,077</u>

	September 30, 2020 Un-audited	September 30, 2019 Un-audited
	Rupees in '000	
14.1 Additions to Intangible assets		

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

Capital work-in-progress	11,976	27,429
Software (directly purchased)	61,361	35,480
Total	<u>73,337</u>	<u>62,909</u>

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
16 DEFERRED TAX ASSETS		

Deductible Temporary Differences on

- Tax losses carried forward		611,111	1,498,167
- Post retirement employee benefits		-	2,713
- Deficit on revaluation of investments	24	998,608	-
- Provision for diminution in value of investments		3,073	3,073
- Provision against non-performing advances		3,190,403	2,658,631
- Provision against Workers' Welfare Fund (WWF)		51,390	47,094
- Provision against other assets		208,198	216,018
- Depreciation on non-banking assets		96,707	88,113
- Unabsorbed tax depreciation		566,867	566,867
		<u>6,724,367</u>	<u>5,078,676</u>

Taxable Temporary Differences on

- Surplus on revaluation of investments	24	-	(98,390)
- Surplus on revaluation of non-banking assets	24	(2,216)	(2,216)
- Surplus on revaluation of fixed assets	24	(10,334)	(11,274)
- Post retirement employee benefits		(15,159)	-
- Accelerated tax depreciation		(77,598)	(102,569)
		<u>(105,305)</u>	<u>(214,449)</u>
		<u>5,619,052</u>	<u>4,864,227</u>

15.1 The Bank has an aggregate amount of deferred tax assets of Rs. 5,619 million (December 31, 2019: Rs. 4,864 million) which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against taxable temporary differences relating to prior years. The Bank has prepared five years financial projections for future taxable profits, which have been approved by the Board of Directors of the Bank, to assess the recoverability of deferred tax assets. The projections involve certain key management assumptions underlying the estimation of future taxable profits. The determination of future taxable profits is most sensitive to certain key assumptions such as growth of low cost deposits, growth in high yield consumer advances, investment returns, branch expansion plans, potential provision against assets, interest rates, cost of funds and expected recoveries of classified loans. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax assets. Management believes that it is probable that the Bank will be able to achieve the profits and consequently, the deferred tax asset will be fully realised in future.

		September 30, 2020	December 31, 2019
		Un-audited	Audited
		Rupees in '000	
16	OTHER ASSETS		
	Income / mark-up accrued in local currency - net of provision	7,838,075	5,823,652
	Income / mark-up accrued in foreign currency - net of provision	242	555
	Accrued rent	96,618	354,616
	Advances, deposits, advance rent and other prepayments	254,606	416,787
	Profit paid in advance on fixed deposits	89,544	241,151
	Advance taxation (payments less provisions)	1,708,896	1,427,694
	Not defined benefit assets	43,310	-
	Non-banking assets	9,694,858	10,001,190
	Branch adjustment account	114,437	-
	Mark to market gain on forward contracts	241,601	82,843
	Acceptances	557,128	1,268,440
	Receivable from sale of non-banking assets acquired in satisfaction of claims	127,354	291,050
	Fee receivable from Credit Card members	263,939	158,323
	Others	347,447	241,861
		<u>21,378,055</u>	<u>20,308,164</u>
	Less: Provision held against other assets	(574,216)	(602,274)
	Other assets - net of provisions	20,803,839	19,705,890
	Surplus on revaluation of non-banking assets	30,471	31,789
	Other assets - total	<u>20,834,310</u>	<u>19,737,679</u>
16.1	Market value of Non-banking assets acquired in satisfaction of claims	<u>9,159,113</u>	<u>9,438,705</u>
16.2	Non-banking assets		
	- acquired in satisfaction of claims	9,454,038	6,190,224
	- under agreement to sale third parties	191,283	3,760,949
	- with buy back option with customers	49,537	50,017
		<u>9,694,858</u>	<u>10,001,190</u>
16.3	Provision held against other assets		
	Non-banking assets acquired in satisfaction of claims	566,216	594,274
	Others	8,000	8,000
		<u>574,216</u>	<u>602,274</u>
16.3.1	Movement in provision held against other assets		
	Opening balance	602,274	623,274
	Charge for the period / year	180,000	-
	Reversals for the period / year	(180,000)	(21,000)
	Not reversal for the period / year	-	(21,000)
	Reversal on disposal / write off	(28,058)	-
	Closing balance	<u>574,216</u>	<u>602,274</u>

16.4 The non-banking assets acquired in satisfaction of claims (NBAs with market value) aggregating to Rs.9,159 million (December 31, 2019: Rs.9,439 million) are currently un-developed and have been evaluated based on the valuation reports from the valuers on Pakistan Bank' Association list of approved valuers. The Bank exposure exceeds the prescribed limit of 2.5% of aggregate advances and investments (excluding investment in Government securities) as proscribed by the SBP under regulation Dobl Property Swap.

17 ASSETS HELD FOR SALE

On September 10, 2015, the Bank entered into an Agreement to Sell (the Agreement) for the previous Head Office Building of the Bank against sale consideration of Rs. 2,370 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 118.50 million, which is currently reported in 'other liabilities' (note 22). The remaining balance is required to be paid by the buyer within 5 years from the date of the Agreement. The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of the asset as held for sale. Upon request of the customer, the agreement is further extended for the period of one year.

The Management considered the property to meet the criteria to be classified as hold for sale at that date for the following reasons:

- The Property is available for immediate sale and can be sold in its current condition.
- The sale is expected to be completed within the extended period.
- The management is committed to a plan to sell and it is unlikely that plan will be significantly changed or withdrawn.

The particulars of the assets to be classified as hold for sale and related liabilities are as follows:

		Cost	Accumulated Depreciation	Carrying Amount as at September 30, 2020			
	Note	Rupees in '000					
Leasehold land		1,866,750	-	1,866,750			
Building on freehold land		622,250	259,271	362,979			
		<u>2,489,000</u>	<u>259,271</u>	<u>2,229,729</u>			
Liability associated with assets classified as Held for sale	22			(116,500)			
Net assets				<u><u>2,111,229</u></u>			
			September 30, 2020	December 31, 2019			
			Un-audited	Audited			
			Rupees in '000				
18	BILLS PAYABLE						
	In Pakistan		2,184,326	2,483,658			
	Outside Pakistan		-	-			
			<u>2,184,326</u>	<u>2,483,658</u>			
19	BORROWINGS						
	Secured						
	Borrowings from State Bank of Pakistan under export refinance scheme		1,822,756	1,712,901			
	Repurchase agreement borrowings		105,070,306	21,597,750			
	Total secured		<u>106,893,062</u>	<u>23,310,651</u>			
	Unsecured						
	Call borrowings		-	1,289,553			
	Trading liability		1,600,938	6,380,152			
	Overdrawn nostro accounts		406,860	992,875			
	Total unsecured		<u>2,007,798</u>	<u>8,662,580</u>			
			<u>108,900,860</u>	<u>31,973,231</u>			
20	DEPOSITS AND OTHER ACCOUNTS						
		September 30, 2020 - Un-audited			December 31, 2019 - Audited		
		In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
		Rupees in '000					
	Customers						
	Current deposits	26,492,462	4,368,235	30,860,697	21,547,734	4,788,979	26,336,713
	Saving deposits	53,438,060	3,277,972	56,716,032	45,049,599	2,569,948	47,619,547
	Term deposits	53,153,255	2,018,475	55,171,730	48,458,516	2,433,754	50,892,270
	Margin deposits	965,257	-	965,257	1,680,088	-	1,680,088
	Call deposits	1,249,083	-	1,249,083	1,035,119	-	1,035,119
		<u>135,298,117</u>	<u>9,664,682</u>	<u>144,962,799</u>	<u>117,771,036</u>	<u>9,792,681</u>	<u>127,563,717</u>
	Financial Institutions						
	Current deposits	46,466	7,717	54,173	97,822	39,173	136,995
	Saving deposits	8,253,672	21,694	8,275,366	17,442,933	20,229	17,463,162
	Term deposits	699,590	95,444	795,034	3,000,447	89,192	3,689,639
		<u>8,999,718</u>	<u>124,855</u>	<u>9,124,573</u>	<u>21,141,202</u>	<u>148,594</u>	<u>21,289,796</u>
		<u>144,297,835</u>	<u>9,789,537</u>	<u>154,087,372</u>	<u>138,912,238</u>	<u>9,941,275</u>	<u>148,853,513</u>

		September 30, 2020	December 31, 2019
	Note	Un-audited	Audited
		Rupees in '000	
21 SUBORDINATED DEBT			
Subordinated Term Finance Certificates	21.1	1,998,800	1,999,200
Subordinated Loan from Sponsors	21.2	440,268	126,218
		<u>2,439,066</u>	<u>2,125,418</u>

21.1 The Bank has issued privately placed, unsecured and subordinated Term Finance Certificates (TFCs) as instruments of redeemable capital under section 66 of the Companies Act, 2017 and the Basel III guidelines issued by the SBP. The key features of the issue are as follows:

Issue amount	Rs. 2,000 million
Issue date	August 10, 2017
Maturity date	Up to 8 years from date of issue
Rating	(BBB+) by JCR-VIS Credit Rating Company Limited (Triple B Plus)
Security	The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits.
Profit payment frequency	Profit will be payable semi-annually in arrears on the outstanding principal amount and will be calculated on a 365 day year basis.
Redemption	0.14% of the issue amount during the first 7 years and remaining 99.86% in last two equal semi-annual installments of 49.93% each.
Mark-up	6 months KIBOR plus 1.85% per annum
Call option	The Bank may call TFCs in part or in full, after 5 years from date of issue on any profit payment date, subject to SBP approval and with not less than 30 days prior notice to the Trustee and Investors. The call option once announced will be irrevocable.
Lock-in-clause	As per the lock-in requirement for Tier II issues, neither profit nor principal will be payable (even at maturity) in respect of the TFC, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or results in an increase in any existing shortfall in MCR or CAR.
Loss absorbency clause	The instrument will be subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rule, the SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by fair value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by the SBP, subject to a cap of 1,238,390,093 shares.

21.2 Due to the lock-in-clause as mentioned in note 21.1 and as per SBP instructions, the Bank has received an unsecured and interest free subordinated loan from the sponsor in order to make the payment of the installments including profit thereon in respect of the above mentioned TFC's. Upon compliance with Capital Adequacy Ratio (CAR), this subordinated loan will be repaid to the Sponsor.

		September 30, 2020	December 31, 2019
	Note	Un-audited	Audited
		Rupees in '000	
22 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,204,381	1,041,287
Mark-up / return / interest payable in foreign currencies		8,225	24,035
Unearned commission and income on bills discounted		57,487	54,912
Accrued expenses		578,058	377,682
Acceptances		557,128	1,288,440
Mark to market loss on forward contracts		133,308	422,803
Branch adjustment account		-	12,582
Payable to defined benefit plan - permanent staff		-	7,752
Payable to defined benefit plan - contractual staff		66,716	50,060
Provision against off-balance sheet obligations	22.1	116,012	116,012
Workers' Welfare Fund (WWF)		146,778	134,504
Advance received against future sale of non-banking assets		85,006	121,239
Advance received against future sale of asset held for sale	17	118,500	118,500
Deferred income against non-banking assets		153,657	153,657
Islamic pool management reserve		7,681	5,024
Lease liability against right-of-use assets		4,083,460	4,297,275
Non checking account		100,973	382,292
PRR remitting account		94,691	58,945
Fund received against application of Housing Scheme		74,145	149,570
Others		679,887	683,802
		<u>8,266,993</u>	<u>9,480,373</u>

		September 30, 2020	December 31, 2019
	Note	Un-audited	Audited
		Rupees in '000	
22.1 Provision against off-balance sheet obligations			
Opening balance		116,012	116,012
Charge for the period / year		-	-
Reversals for the period / year		-	-
Amount written off		-	-
Closing balance		<u>116,012</u>	<u>116,012</u>
23 SHARE CAPITAL- NET			
23.1 Authorised capital			
September 30, 2020			December 31, 2019
Un-audited			Audited
Number of shares in '000			
<u>10,500,000</u>		<u>10,500,000</u>	
		Ordinary shares of Rs. 10 each	
		<u>105,000,000</u>	<u>105,000,000</u>
23.2 Issued, subscribed and paid up capital			
September 30, 2020			December 31, 2019
Un-audited			Audited
Number of shares in '000			
<u>9,081,861</u>		<u>9,081,861</u>	
		Ordinary shares of Rs. 10 each	
		Fully paid in cash	
		Less: Discount on issue of shares	
		<u>90,818,612</u>	<u>90,818,612</u>
		<u>(67,387,238)</u>	<u>(67,387,238)</u>
		<u>23,431,374</u>	<u>23,431,374</u>
24 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) / Surplus on revaluation of			
- Available for sale securities	11.1	(2,853,164)	281,110
- Fixed assets		52,801	55,485
- Non-banking assets acquired in satisfaction of claims	16	30,471	31,789
		<u>(2,769,892)</u>	<u>368,390</u>
Deferred tax on (deficit) / surplus on revaluation of			
- Available for sale securities	15	998,608	(98,390)
- Fixed assets	15	(10,334)	(11,274)
- Non-banking assets acquired in satisfaction of claims	15	(2,216)	(2,216)
		<u>986,058</u>	<u>(111,880)</u>
		<u>(1,783,834)</u>	<u>256,510</u>
25 CONTINGENCIES AND COMMITMENTS			
Guarantees	25.1	12,575,681	11,110,083
Commitments	25.2	63,000,846	27,332,813
Contingent liabilities	25.3	1,258,332	1,258,952
		<u>66,834,858</u>	<u>39,699,828</u>
25.1 Guarantees:			
Financial guarantees		59,940	59,940
Performance guarantees		7,949,926	7,811,701
Other guarantees		4,565,816	3,238,422
		<u>12,575,681</u>	<u>11,110,083</u>
25.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		2,690,472	2,458,714
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	11,932,123	23,483,537
- forward government securities transactions	25.2.2	38,378,063	1,351,959
Commitments for acquisition of:			
- operating fixed assets		187	633
- intangible assets		-	57,970
		<u>53,000,846</u>	<u>27,332,813</u>

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
25.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	8,510,514	14,799,455
Sale	3,421,609	8,664,062
	<u>11,932,123</u>	<u>23,463,517</u>

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
25.2.2 Commitments in respect of forward government securities transactions		
Purchase	38,378,063	929,110
Sale	-	422,849
	<u>38,378,063</u>	<u>1,351,959</u>

25.2.3 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	September 30, 2020 Un-audited	December 31, 2019 Audited
	Rupees in '000	
25.3 Contingent liabilities:		
Claims against the Bank not acknowledged as debt	1,222,692	1,221,312
Claims against the Bank by Competition Commission of Pakistan & others	36,640	35,640
	<u>1,259,332</u>	<u>1,256,952</u>

25.3.1 Suits for damages of Rs. 24.39 billion (December 31, 2019: Rs. 24.40 billion) have been filed against the Bank by various borrowers / employees in respect of certain disputes relating to loans and advances. The management of the Bank and its legal counsel consider that the suits are a counterblast in response to the recovery suits filed by the Bank. The Bank and its legal counsel are confident that the cases will be dismissed as actual damages have to be proven in such suits.

25.4 For contingencies relating to taxation refer note 35.1-35.3.

26 DERIVATIVE INSTRUMENTS

Product Analysis

September 30, 2020 - Un-audited	
Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
Rupees in '000	

Counterparties

Hedging

- Banks	24,371,938	(67,033)
- Other entities	25,938,248	166,326
Total	<u>50,310,186</u>	<u>108,293</u>

December 31, 2019 - Audited

Forward Contracts	
Notional Principal	Mark to Market gain / (loss)
Rupees in '000	

Counterparties

Hedging

- Banks	22,983,136	(362,050)
- Other entities	1,832,361	22,090
Total	<u>24,815,497</u>	<u>(339,960)</u>

		September 30, 2020	September 30, 2019
		Un-audited	Un-audited
	Note	Rupees In '000	
27	MARK-UP / RETURN / PROFIT / INTEREST EARNED		
	On:		
	a) Loans and advances	8,995,574	8,933,304
	b) Investments	8,056,297	1,461,547
	c) Lendings to financial institutions	1,151,294	1,515,218
	d) Balances with banks	771	5,380
		<u>18,203,936</u>	<u>11,915,429</u>
28	MARK-UP / RETURN / PROFIT / INTEREST EXPENSED		
	On:		
	a) Deposits	9,452,363	8,494,225
	b) Borrowings	5,994,159	1,096,258
	c) Subordinated debt	213,608	192,926
	d) Cost of foreign currency swaps against foreign currency deposits / borrowings	260,714	243,006
	e) Lease liability against right-of-use assets	333,459	361,537
	f) Others	15,231	8,687
		<u>16,269,534</u>	<u>10,396,639</u>
29	FEE & COMMISSION INCOME		
	Branch banking customer fees	137,602	141,405
	Card related fees (debit and credit cards)	1,020,233	1,022,852
	Credit related fees	256,159	259,154
	Commission on trade	107,576	131,286
	Commission on guarantees	52,848	54,290
	Commission on remittances including home remittances	12,831	14,557
	Commission on bancassurance	38,501	66,583
	Others	9,219	14,464
		<u>1,634,969</u>	<u>1,704,591</u>
30	GAIN / (LOSS) ON SECURITIES		
	Realised	5,412,079	21,277
	Unrealised - held for trading	16,200	(1,678)
		<u>5,428,279</u>	<u>19,599</u>
30.1	Realised gain / (loss) on:		
	Federal Government Securities	5,370,284	44,876
	Shares	41,154	(23,599)
	Non Government Debt Securities	641	-
		<u>5,412,079</u>	<u>21,277</u>
31	OTHER INCOME / (LOSS)		
	Rent on property and non-banking assets	102	13,113
	Gain on sale of fixed assets - net	1,288	596
	Loss on sale of non-banking assets - net	(352,445)	(189,947)
	Rent on lockers	16,740	14,699
	Postage, telco and other service charges recovered	40,850	23,609
	Share of profit from associate	8,665	406
	Early loan termination charges	45,509	58,540
		<u>(239,291)</u>	<u>(78,984)</u>

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

32 OPERATING EXPENSES

Total compensation expense	2,883,822	2,809,779
Property expense		
Rent & taxes	29,055	27,189
Insurance on non-banking assets acquired in satisfaction of claims	938	752
Utilities cost	152,683	165,364
Security (including guards)	23,265	129,825
Repair & maintenance (including janitorial charges)	49,627	58,874
Depreciation on buildings	68,892	101,420
Depreciation on right-of-use assets	505,034	505,034
Depreciation on non-banking assets acquired in satisfaction of claims	47,926	50,980
Professional charges	7,533	424
	884,953	1,039,842
Information technology expenses		
Software maintenance	167,910	146,197
Hardware maintenance	63,332	79,202
Depreciation	55,121	40,469
Amortisation	52,085	47,897
Website development charges	298	248
	338,746	314,013
Other operating expenses		
Directors' fees and allowances	29,698	17,100
Fees and allowances to Shariah Board	11,291	11,419
Legal & professional charges	102,328	280,696
Outsourced services costs	140,716	43,059
Travelling & conveyance	76,160	96,383
NIFT clearing charges	8,317	12,084
Depreciation	175,418	181,552
Training & development	7,446	19,765
Postage & courier charges	26,604	31,138
Communication	316,804	252,968
Stationery & printing	55,746	53,156
Marketing, advertisement & publicity	191,335	267,691
Auditors' remuneration	18,975	16,728
Insurance (including deposit protection)	122,964	107,816
Repairs & maintenance	66,650	66,649
Financial charges on leased assets	-	159
Brokerage and commission	7,960	7,138
Subscriptions and news papers	14,464	17,387
Entertainment	31,942	40,505
Vehicle running & maintenance	16,323	21,948
Card related expenses (debit and credit cards)	90,079	108,530
Security	18,881	26,732
Others	837	8,420
	1,530,938	1,689,003
	5,638,459	5,852,637

33 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	1,133	162,005
Operational loss	27,301	23,061
	28,434	185,066

		September 30, 2020	September 30, 2019
	Note	Un-audited Rupees in '000	Un-audited
34	PROVISIONS & WRITE OFFS - NET		
		12.3	2,914,815
	Provisions against loans & advances		1,598,374
	Write offs against fixed assets		9,841
	Recovery of written off / charged off bad debts		2,080
		<u>(114,338)</u>	<u>(133,364)</u>
		<u>2,810,318</u>	<u>1,467,090</u>

35	TAXATION		
	Current		125,348
	Prior years		-
	Deferred		109,298
			<u>325,241</u>
			<u>(1,344,967)</u>
			<u>450,589</u>
			<u>(1,235,669)</u>

35.1 The income tax returns of the Bank have been submitted up to Tax Year 2019. The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs.1,996 million (2019: Rs.1,996 million) made by Tax officer for Assessment / Tax Year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. The disallowances amounting to Rs. 808 million (December 31, 2019: Rs.798 million) in respect of Tax Years 2003, 2006 and 2015 to 2019 are pending at Commissioner Inland Revenue (Appeals) (CIR (A)). Management is confident that the outcome of these appeals would be in favor of the Bank.

35.2 Income tax returns for Tax Years 2011 and 2014 were selected for audit. The proceedings of the audit are in process, no order has been passed by the relevant tax authorities.

The proceedings u/s 161 / 205 of the Income Tax Ordinance, 2001 regarding monitoring of withholding taxes pertaining to the Tax Years 2006, 2007 and 2011 to 2019 were completed. Orders were issued by the Assessing Officer creating total tax demand of Rs. 179 million (already paid by the bank) including default surcharge of Rs. 25 million. The Bank has filed appeals against orders u/s 161 / 205 before CIR (A). The Bank's appeals for Tax Years 2013 and 2014 before the CIR (A) were rejected after which appeals before the ATIR, Karachi have been filed, which are pending hearing. Management is confident that the outcome of these appeals would be in favor of the Bank.

35.3 The Bank's return in respect of AJK operations have been submitted up to and including Tax Year 2019. Certain appeals were filed before the various Appellate and other forums which are either pending for adjudication or the proceedings initiated against the Bank have been dropped / withdrawn. Management is confident that the outcome of pending appeals would be in favor of the Bank.

		September 30, 2020	September 30, 2019
		Un-audited Rupees in '000	Un-audited
36	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit / (loss) after tax for the period	<u>150,844</u>	<u>(2,769,095)</u>
	Weighted average of ordinary shares (Number)	<u>9,081,861</u>	<u>9,081,861</u>
	Basic and Diluted Earning / (Loss) Per Share	<u>0.02</u>	<u>(0.30)</u>
37	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	12,635,213	10,014,713
	Balance with other banks	<u>352,099</u>	<u>230,729</u>
		<u>12,987,312</u>	<u>10,245,442</u>

38 FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices. Fair value of unquoted equity investments other than investments in associates 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, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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 the transfer occurred. There were no transfers between levels 1 and 2 during the period.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

38.1 Fair value of financial assets

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

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

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

	September 30, 2020 - Un-audited				Total
	Carrying Value	Level 1	Level 2	Level 3	
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	17,774,150	-	17,774,150	-	17,774,150
Pakistan Investment Bonds	106,846,940	-	106,846,940	-	106,846,940
GOP Ijarah Sukuks	5,334,507	-	5,334,507	-	5,334,507
Bal Murajjal	257,658	-	257,658	-	257,658
Shares					
Listed companies	418,399	418,399	-	-	418,399
Non-Government Debt Securities					
Sukuks - Listed	-	-	-	-	-
Term Finance Certificates - Listed	74,505	-	74,505	-	74,505
	130,706,159	418,399	130,287,760	-	130,706,159
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	12,635,213	-	-	-	-
Balances with other banks	352,099	-	-	-	-
Lendings to financial institutions	7,594,098	-	-	-	-
Advances	99,301,565	-	-	-	-
Other assets	8,303,890	-	-	-	-
	128,186,863	-	-	-	-
	258,893,022	418,399	130,287,760	-	130,706,159
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	8,510,514	-	8,510,514	-	8,510,514
Forward sale of foreign exchange	3,421,609	-	3,421,609	-	3,421,609
Forward purchase of government securities transactions	38,378,063	-	38,378,063	-	38,378,063
Forward sale of government securities transactions	-	-	-	-	-

December 31, 2019 - Audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	3,535,708	-	3,535,706	-	3,535,708
Pakistan Investment Bonds	29,084,354	-	29,084,354	-	29,084,354
GOP Ijarah Sukuks	2,277,000	-	2,277,000	-	2,277,000
Bai Muajjal	257,658	-	257,658	-	257,658
Shares					
Listed companies	693,897	693,897	-	-	693,897
Non-Government Debt Securities					
Sukuks - Listed	227,354	-	227,354	-	227,354
Term Finance Certificates - Listed	37,500	-	37,500	-	37,500
	30,113,489	693,897	35,419,572	-	36,113,469
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	11,836,082	-	-	-	-
Balances with other banks	1,168,163	-	-	-	-
Lendings to financial institutions	18,101,837	-	-	-	-
Advances	105,374,947	-	-	-	-
Other assets	6,552,718	-	-	-	-
	143,036,347	-	-	-	-
	179,149,816	693,897	35,419,572	-	36,113,469
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	14,799,455	-	14,799,455	-	14,799,455
Forward sale of foreign exchange	8,664,082	-	8,664,082	-	8,664,082
Forward purchase of government securities transactions	929,110	-	929,110	-	929,110
Forward sale of government securities transactions	422,849	-	422,849	-	422,849

Valuation techniques used in determination of fair valuation of financial instruments within level 2 are:

Item	Valuation approach and input used
Market Treasury Bills and Pakistan Investment Bonds	Fair values are derived using the PKRV rates.
GOP Ijarah Sukuks	Fair values of GOP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Sukuks - Listed and Term Finance Certificates - Listed	Investments in debt securities i.e. term finance certificates and sukuk certificates issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

38.2 Fair value of non-financial assets

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

September 30, 2020 - Un-audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
Fixed assets - land and buildings	177,372	-	177,372	-	177,372
Non-banking assets acquired in satisfaction of claims	9,159,113	-	9,159,113	-	9,159,113
Assets held for sale	2,229,729	-	2,229,729	-	2,229,729
	11,566,214	-	11,566,214	-	11,566,214
December 31, 2019 - Audited					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
Fixed assets - land and buildings	185,145	-	185,146	-	185,146
Non-banking assets acquired in satisfaction of claims	9,438,705	-	9,438,705	-	9,438,705
Assets held for sale	2,229,729	-	2,229,729	-	2,229,729
	11,854,580	-	11,854,580	-	11,854,580

38.2.1 Certain categories of fixed assets (land and buildings), non-banking assets acquired in satisfaction of claims and assets held for sale are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in annual financial statements for the year ended December 31, 2019.

Segment Details with respect to Business Activities

September 30, 2020 - Un-audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (loss)	4,173,232	(3,343,436)	1,104,808	1,934,402
Inter segment revenue - net	-	-	-	-
Non Mark-up / Interest Income / (Loss)	1,570,854	(125,775)	5,711,437	7,158,518
Total Income / (loss)	5,744,086	(3,469,211)	6,816,043	9,090,918
Segment direct expenses	(2,844,212)	(2,772,086)	(52,869)	(5,679,167)
Inter segment expense allocation	(1,108,225)	1,172,637	(64,412)	-
Total expenses	(3,952,437)	(1,599,449)	(127,281)	(5,679,167)
Provisions	(895,638)	(2,114,780)	-	(2,810,318)
Profit / (loss) before tax	1,086,111	(7,183,440)	6,888,762	601,433
Statement of Financial Position				
Cash & Bank balances	-	2,818,469	10,168,843	12,987,312
Investments	-	5,443,347	125,403,358	130,846,705
Net inter segment lending	90,875,730	49,639,100	107,275,523	247,590,353
Lendings to financial institutions	1,146,546	202,332	6,245,218	7,594,096
Advances - performing	27,271,097	45,053,234	7	72,324,338
Advances - non performing - net of provision	1,241,142	25,736,085	-	26,977,227
Others	795,644	36,575,686	(3,303,811)	34,067,519
Total Assets	121,130,159	165,468,253	245,789,138	532,387,550
Borrowings	688,058	1,587,344	106,627,460	108,900,860
Subordinated debt	-	2,439,056	-	2,439,056
Deposits & other accounts	95,167,862	58,919,510	-	154,087,372
Net inter segment borrowing	21,958,937	127,180,372	98,471,044	247,590,353
Others	3,329,321	6,505,874	615,024	10,450,319
Total Liabilities	121,142,176	186,612,266	205,713,528	523,467,970
Equity	(12,017)	(31,144,013)	40,075,610	8,919,580
Total Equity & Liabilities	121,130,159	165,468,253	245,789,138	532,387,550
Contingencies & Commitments	1,222,692	15,301,980	50,310,186	66,834,858

September 30, 2019 - (Un-audited)				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Profit and Loss Account				
Net mark-up / return / profit / (loss)	5,444,264	(3,951,254)	25,780	1,518,790.00
Inter segment revenue - net	-	-	-	-
Non Mark-up / Interest Income	1,639,770	93,774	247,695	1,981,239.00
Total Income / (loss)	7,084,034	(3,857,480)	273,475	3,500,029.00
Segment direct expenses	(2,783,018)	(3,198,257)	(58,428)	(6,037,703.00)
Inter segment expense allocation	(1,017,337)	1,091,291	(73,954)	-
Total expenses	(3,800,355)	(2,104,966)	(132,382)	(6,037,703.00)
Provisions	(658,315)	(808,775)	-	(1,467,090.00)
Profit / (loss) before tax	2,625,364	(6,771,221)	141,093	(4,004,764.00)

December 31, 2019 - Audited				
Consumer / SME	Whole Sale Banking	Treasury	Total	
Rupees in '000				
Statement of Financial Position				
Cash & Bank balances	-	3,435,857	9,570,988	13,006,845.00
Investments	-	275,692	35,969,658	36,245,350.00
Net inter segment lending	86,585,401	19,779,983	78,082,280	184,427,664.00
Lendings to financial institutions	765,638	135,112	17,201,089	18,101,837.00
Advances - performing	31,071,521	45,051,900	-	76,723,511.00
Advances - non-performing - net of provision	1,049,619	27,001,817	-	28,651,436.00
Others	929,772	32,151,609	(122,280)	32,959,101.00
Total Assets	120,981,949	128,432,060	140,701,735	390,115,744.00
Borrowings	574,507	1,138,384	30,260,330	31,973,231.00
Subordinated debt	-	2,125,418	-	2,125,418.00
Deposits & other accounts	93,090,095	54,863,418	-	148,853,513.00
Net inter segment borrowing	24,192,373	47,086,257	113,140,034	184,427,664.00
Others	2,224,974	9,615,188	123,869	11,964,031.00
Total Liabilities	120,981,949	114,828,655	143,533,253	379,343,857.00
Equity	-	13,603,406	(2,831,519)	10,771,887.00
Total Equity & Liabilities	120,981,949	128,432,061	140,701,734	390,115,744.00
Contingencies & Commitments	1,221,312	13,663,020	24,815,496	39,699,828.00

Segment determination are made on the basis of management accountability, monitoring and decision making of these reporting segments at regular intervals. Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include intersegment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

40 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, employee benefit plans and its directors and key management personnel.

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.

Majority of the transactions with related parties comprise loans and advances, deposits, issuance of letters of credit and guarantees. Advances for the house building, conveyance and for personal use have also been provided to the staff and executives at reduced rates in accordance with the employment and pay policy and such advances have not been disclosed in the following schedule. Facility of group life insurance and hospitalisation insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained cars.

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

	September 30, 2020 - Un-audited				December 31, 2019 - Audited			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
Balances								
Investments								
Opening balance	-	-	131,881	418,226	-	-	126,054	112,248
Investment made / share profit during the period / year	-	-	8,665	602,706	-	-	5,227	604,099
Investment redeemed / disposed off during the period / year	-	-	-	(605,735)	-	-	-	(300,119)
Closing balance	-	-	140,546	413,197	-	-	131,881	418,226
Advances								
Opening balance	22,342	9,925	-	2,312,557	9,085	7,456	-	1,122,073
Addition during the period / year	44,893	84,276	-	75,894	78,858	205,357	-	4,595,664
Repaid during the period / year	(66,856)	(72,667)	-	(208,574)	(66,601)	(202,888)	-	(3,405,980)
Closing balance	379	21,634	-	2,179,877	22,342	9,925	-	2,312,557
Provision held against advances	-	-	-	130,608	-	-	-	130,608
Other Assets								
Interest / mark-up accrued	93	263	-	157,500	872	200	-	123,213
Insurance claim receivable	-	-	6,837	-	-	-	9,778	-
Prepaid insurance	-	-	2,571	-	-	-	604	-
Subordinated debt								
Opening balance	-	-	-	126,218	-	-	-	-
Issued / purchased during the period / year	-	-	-	314,048	-	-	-	126,218
Redemption during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	440,266	-	-	-	126,218
Deposits and other accounts								
Opening balance	7,078	85,006	41,608	1,488,688	5,620	64,292	18,250	2,023,605
Received during the period / year	377,717	516,894	180,742	2,909,088	267,826	1,159,796	202,582	10,895,272
Withdrawn during the period / year	(384,563)	(503,120)	(186,768)	(2,941,457)	(266,370)	(1,130,082)	(209,230)	(11,430,219)
Closing balance	230	98,780	35,582	1,456,319	7,076	85,006	41,608	1,488,688
Other Liabilities								
Interest / mark-up payable	18	606	488	22,037	-	-	743	9,152
Contingencies and Commitments								
Other contingencies	-	-	-	-	-	-	-	-

	September 30, 2020 - Un-audited				September 30, 2019 - Un-audited			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
Rupees in '000								
Transactions								
Income								
Mark-up / return / interest earned	992	1,988	-	206,267	1,578	1,265	-	164,796
Net gain on sale of securities	-	-	-	31,359	-	-	-	-
Share of profit from associate	-	-	8,665	-	-	-	406	-
Expense								
Mark-up / return / interest paid	214	2,171	2,216	100,631	298	9,483	1,565	93,602
Services rendered	-	-	-	-	-	-	-	113,146
Short term employment benefits	97,706	325,868	-	-	92,327	259,900	-	-
Contribution to Defined Benefit Plan	3,880	10,903	-	-	4,095	8,758	-	-
Meeting fee	23,060	-	-	-	17,100	-	-	-
Insurance premium paid	-	-	38,950	-	-	-	12,313	-
Insurance claims settled	-	-	2,867	-	-	-	4,797	-

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

Minimum Capital Requirement (MCR)

Paid-up capital (net of losses) 9,882,624 9,694,487

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	4,472,653	6,331,077
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>4,472,653</u>	<u>6,331,077</u>
Eligible Tier 2 Capital	<u>1,863,606</u>	<u>2,637,949</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>6,336,259</u>	<u>8,969,026</u>

Risk Weighted Assets (RWAs):

Credit Risk	133,348,991	138,592,235
Market Risk	4,882,282	1,673,780
Operational Risk	14,214,926	14,214,926
Total	<u>152,446,199</u>	<u>154,480,941</u>

Common Equity Tier 1 Capital Adequacy Ratio	<u>2.93%</u>	<u>4.10%</u>
Tier 1 Capital Adequacy Ratio	<u>2.93%</u>	<u>4.10%</u>
Total Capital Adequacy Ratio	<u>4.16%</u>	<u>5.81%</u>

Leverage Ratio (LR):

Eligible Tier-1 Capital	4,472,653	6,331,077
Total Exposures	<u>299,483,144</u>	<u>219,608,606</u>
Leverage Ratio	<u>1.49%</u>	<u>2.88%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	45,613,498	36,648,252
Total Net Cash Outflow	<u>41,053,560</u>	<u>41,719,855</u>
Liquidity Coverage Ratio	<u>111.11%</u>	<u>87.84%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	173,580	133,214,604
Total Required Stable Funding	<u>122,842</u>	<u>132,679,684</u>
Net Stable Funding Ratio	<u>141.30%</u>	<u>100.40%</u>

42 ISLAMIC BANKING BUSINESS

The Bank is operating with 30 Islamic Banking branches at the end of September 30, 2020 (December 31, 2019: 30).

The statement of financial position of these branches as at September 30, 2020 are as follows:

		September 30, 2020	December 31, 2019
	Note	Un-audited	Audited
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		2,193,477	2,142,308
Balances with other banks		43,204	540,286
Due from financial institutions	42.1	24,443,468	5,478,118
Investments	42.2	2,266,258	257,658
Islamic financing and related assets - net	42.3	7,291,345	27,448,800
Fixed assets		1,263,124	1,414,903
Intangible assets		4,607	2,972
Due from Head Office		5,339,393	-
Other assets	42.4	1,555,378	985,008
Total assets		44,390,264	38,270,653
LIABILITIES			
Bills payable		370,160	133,503
Due to financial institutions		-	-
Deposits and other accounts	42.5	36,211,322	33,274,825
Due to Head Office		-	154,880
Subordinated debt		-	-
Other liabilities		1,630,455	1,572,884
Total liabilities		38,111,937	35,136,092
NET ASSETS		6,278,317	3,134,561
REPRESENTED BY			
Islamic banking fund		6,625,000	6,625,000
Reserves		-	-
Deficit on revaluation of assets		(1,400)	-
Unappropriated profit / Accumulated loss	42.0	(345,283)	(3,490,439)
		6,278,317	3,134,561
CONTINGENCIES AND COMMITMENTS	42.6		

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

		September 30, 2020	September 30, 2019
	Note	Un-audited	Un-audited
Rupees in '000			
Profit / return earned	42.7	6,936,332	(81,644)
Profit / return expensed	42.8	(2,241,731)	(2,624,835)
Net profit / return / (loss)		3,693,601	(2,706,279)
Other Income			
Fee and commission income		13,885	11,550
Foreign exchange loss		(64,968)	(38,808)
Income from derivatives		87,254	59,879
Gain / (loss) on securities		10,471	(900)
Other income		9,860	10,031
Total other income		56,502	41,662
Total Income / (loss)		3,750,103	(2,664,617)
Other expenses			
Operating expenses		(634,516)	(612,866)
Workers Welfare Fund		(64,187)	-
Other charges		(725)	(708)
Total other expenses		(699,427)	(613,574)
Profit / (loss) before provisions		3,050,676	(3,278,191)
Provisions and write offs - net		94,480	(281,756)
Profit / (loss) for the period		3,145,156	(3,559,947)

September 30, 2020 - Un-audited			December 31, 2019 - Audited		
In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total

42.1 Due from Financial Institutions

Bal Muajjal receivable from State Bank of Pakistan
Bal Muajjal receivable from other financial institution

Rupees in '000						
	2,794,643	-	2,794,643	3,449,975	-	3,449,975
	21,648,825	-	21,648,825	2,028,143	-	2,028,143
	24,443,468	-	24,443,468	5,478,118	-	5,478,118

September 30, 2020 - Un-audited				December 31, 2019 - Audited			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value

42.2 Investments by segments:

Federal Government Securities:

Ijrah Sukuks
Bal Muajjal

Total Investments

Rupees in '000							
	2,000,000	-	(1,400)	1,998,600	-	-	-
	257,658	-	-	257,658	257,658	-	257,658
	2,257,658	-	(1,400)	2,256,258	257,658	-	257,658

42.3 Islamic financing and related assets - net

Murabaha

Musawamah

Diminishing Musharaka

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

Islamic financing and related assets - net of provision

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

Note

	392,503	2,876,403
	-	127,343
	7,357,418	24,998,108
12	7,749,919	28,001,854

	(458,574)	(553,054)
	-	-
	(458,574)	(553,054)
	7,291,345	27,448,800

42.3.1 Islamic financing includes Rs.2,792 million (December 31, 2019: Rs. 22,750 million) which have been placed under non-performing status as detailed below:

Category of classification - specific

Domestic

Substandard

Doubtful

Loss

Total

September 30, 2020 - Un-audited		December 31, 2019 - Audited	
Non Performing Loans	Provision	Non Performing Loans	Provision

Rupees in '000

	-	42,075	-
	202,892	462,500	-
	2,588,708	22,244,285	553,054
	2,791,600	22,749,680	553,054

42.3.2 This includes transfer of Non Performing Loans (NPL) owned by Emaan Islamic Banking to Conventional Banking at a sale consideration of Rs. 20,161 million.

42.3.3 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) hold as collateral against non-performing advances upto five years from the date of classification.

42.3.4 As of September 30, 2020, the Bank has availed FSV benefits against all non performing advances. Had the benefit not been taken by the Bank, profit would have been lower by Rs.2,232 million (December 31, 2019: loss would have been higher Rs.5,804 million), which shall not be available for payment of cash or stock dividend / bonus to employees.

42.4 Other Assets

This includes transfer of Mark-up receivable owned by Emaan Islamic Banking to Conventional Banking at a sale consideration of its: 4,596 million.

42.5 Deposits

September 30, 2020 - Un-audited			December 31, 2019 - Audited		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total

Rupees in '000

Customers

Current deposits

Saving deposits

Term deposits

Margin deposits

Call deposits

	2,775,625	480,689	3,256,314	2,232,798	613,408	2,846,204
	17,174,722	726,983	17,900,705	13,584,144	388,203	13,932,347
	7,106,206	367,378	7,473,584	5,217,006	881,603	6,098,609
	32,460	-	32,460	30,700	-	30,700
	92,637	-	92,637	76,557	-	76,557
	27,181,650	1,574,050	28,755,700	21,121,203	1,863,214	22,984,417

Financial Institutions

Current deposits

Saving deposits

Term deposits

	12,716	337	13,053	29,206	6,667	35,873
	7,291,469	-	7,291,469	10,053,435	-	10,053,435
	151,100	-	151,100	201,100	-	201,100
	7,455,285	337	7,455,622	10,283,741	6,667	10,290,408
	34,636,935	1,574,387	36,211,322	31,404,944	1,869,881	33,274,825

	September 30, 2020 Un-audited	December 31, 2019 Audited
Rupees in '000		
42.6 Contingencies and Commitments		
Guarantees	989,853	563,350
Commitments	1,292,995	2,046,818
	<u>2,282,848</u>	<u>2,610,168</u>

	September 30, 2020 Un-audited	September 30 2019 Un-audited
Rupees in '000		
42.7 Profit / return earned of financing, investments and placement		
On:		
Financing	5,034,245	(471,997)
Investments	142,873	73,575
Due from Financial Institutions	758,214	316,778
	<u>5,935,332</u>	<u>(81,644)</u>

	September 30, 2020 Un-audited	December 31, 2019 Audited
Rupees in '000		
42.8 Profit expensed on Deposits and other Dues Expensed		
On:		
Deposits and other accounts	2,069,913	2,420,964
Due to Financial Institutions	(296)	22,547
Cost of foreign currency swaps against foreign currency deposits / borrowings	79,723	83,884
Lease liability against right-of-use assets	92,391	97,240
	<u>2,241,731</u>	<u>2,624,635</u>

	September 30, 2020 Un-audited	December 31, 2019 Audited
Rupees in '000		
42.9 Islamic Banking Business Unappropriated profit / Accumulated loss		
Opening Balance	(3,490,439)	1,098,279
Add: Islamic Banking profit / (loss) for the period / year	3,145,156	(4,588,718)
Closing Balance	<u>(345,283)</u>	<u>(3,490,439)</u>

43 GENERAL

43.1 Corresponding figures have been rearranged / reclassified to reflect more appropriate presentation.

43.2 The figures have been rounded off to the nearest thousand rupees, unless stated otherwise.

44 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

There are no adjusting events that are required to be adjusted or disclosed in the condensed interim financial statements.

45 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on November 28, 2020 by the Board of Directors of the Bank.


Chief Financial Officer


Acting President & Chief Executive Officer


Director


Director


Director