

Excellence
& Beyond



Registered Office:

13-L, F-7 Markaz, Islamabad.

📞 021-111-100-777

🌐 www.silkbank.com.pk

FACEBOOK /silkbankpk



EXCELLENCE & BEYOND

Excellence is what we aspire for, live and deliver. It is the driving force in everything we do, taking us closer to our vision - to be the “Benchmark of Excellence in Premier Banking.”

We have completed a decade in the banking industry and continue in our commitment to Service Quality, bringing the most innovative banking products and services to our customers. Excellence in Service Quality remains at the core of our business philosophy, ensuring at the same time that our products and processes cater to the diversified financial needs of our valued customers.

We look beyond from where we stand today - aspiring to achieve greater heights.

Soar

to the Peaks



VISION

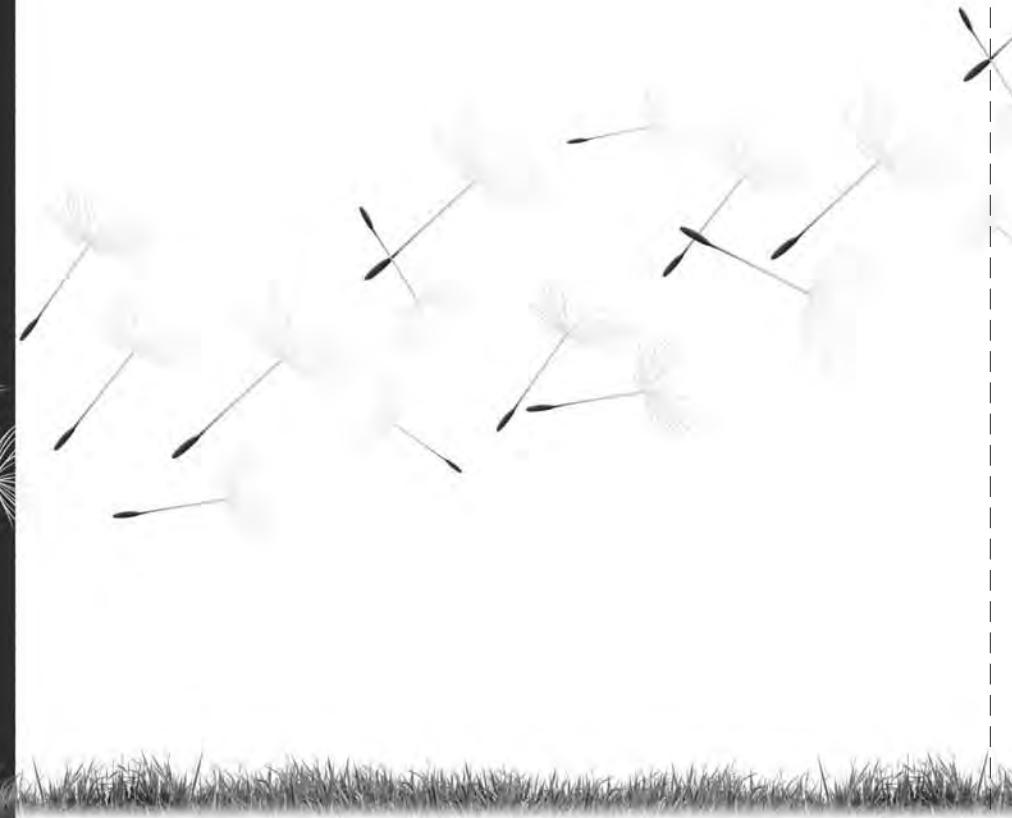
Benchmark of excellence in Premier Banking.

MISSION

To be the leader in Premier Banking; trusted by customers for accessibility, service and innovation. Be an employer of choice, creating value for all stakeholders.

Values

Defining Our Strength



CORE VALUES

Customer Focus

At Silkbank, the customer remains at the core of all activities. Service Quality is our key differentiator.

Integrity

At Silkbank, we are honest and upfront maintaining the highest level of personal and corporate integrity.

Teamwork

Teamwork is our key strength. Our success lies in unity.

Creativity

Out of the box thinking is the enabling factor for us to be recognized as an innovative organization.

Meritocracy

Merit remains our key primary criteria for rewarding performance.

Humility

Humility remains at the core of all our relationships.

Table

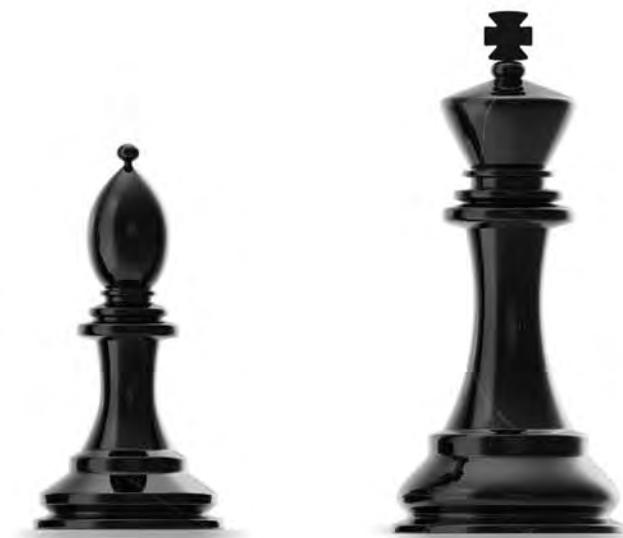
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Perseverance

towards Success



CORPORATE INFORMATION

Significant benchmarks can only be attained by a skilled and dedicated team, having a clear vision to steer forward towards a common goal. Silkbank takes pride in having such a team, committed and dedicated to contribute to the advancement of the organization. This dedication and commitment resulted in the Bank achieving excellent results in the 3rd Quarter of 2019.

CORPORATE INFORMATION

AS OF SEPTEMBER 30, 2019

| Board of Directors | |
|---------------------------|---------------------------|
| Khalid Aziz Mirza | Acting Chairman |
| Rashid Akhtar Chughtai | Director |
| Shahzad Enver Murad | Director |
| Talha Saeed Ahmed | Director |
| Tariq Iqbal Khan, FCA | Director |
| Zubair Nawaz Chattha | Director |
| Masroor Ahmed Qureshi | Director |
| Azmat Shahzad Ahmed Tarin | Director, President & CEO |

| Company Secretary | |
|----------------------|--|
| Faiz Ul Hasan Hashmi | |

| Chief Financial Officer | |
|-------------------------|--|
| Khurram Khan | |

| Audit Committee | |
|-----------------------|-----------|
| Tariq Iqbal Khan, FCA | Chairman |
| Shahzad Enver Murad | Member |
| Masroor Ahmed Qureshi | Member |
| Wajih Zaidi | Secretary |

| Nomination, Remuneration & Human Resource Committee | |
|---|-----------|
| Khalid Aziz Mirza | Chairman |
| Rashid Akhtar Chughtai | Member |
| Azmat Tarin | Invitee |
| Goharulayn Afzal | Secretary |

| Risk Management Committee | |
|---------------------------|-----------|
| Shahzad Enver Murad | Chairman |
| Tariq Iqbal Khan, FCA | Member |
| Masroor Ahmed Qureshi | Member |
| Muhammad Atif Kause | Secretary |

| Information Technology Committee | |
|----------------------------------|-----------|
| Zubair Nawaz Chattha | Chairman |
| Masroor Ahmed Qureshi | Member |
| Talha Saeed Ahmed | Member |
| Javed Yousuf Edhi | Secretary |

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

| Legal Advisor | |
|-----------------------------------|--|
| M/s. Abdul Majeed & 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 Shahra-e-Faisal, | |
| Karachi-74400. | |
| Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275) | |
| Fax: (92-21) 34326053 | |
| Email: info@cdcpak.com | |
| Website: www.cdcPakistan.com | |

over Impediments
Triumph



**REPORTS AND STATEMENTS
TO THE MEMBERS**

For almost a decade, Silkbank, through perseverance and hard work, steered the institution through impediments and difficulties. The resolve and resilience of the team paid off, reflecting well in the financial results of the 3rd Quarter of 2019.

DIRECTOR'S REPORT

AS OF SEPTEMBER 30, 2019

Dear Shareholders,

We are pleased to present the financial statements of the Bank for the third quarter ended September 30, 2019.



Economic Review

After achieving a 13-year high growth of 5.8% in FY-18, Pakistan's economy in FY-19 witnessed significantly lower growth of 3.29% against the ambitious target of 6.2% mainly due to large current account deficit, monetary tightening, fragile government finances, and limited foreign exchange reserves. The SBP has projected GDP growth of mere 2.4% for FY-20.

While underlying inflationary pressures remained strong and the twin deficits stayed at elevated levels, monetary policy was further tightened in the first quarter of FY-20 with an increase in policy rate by 100 basis points to 13.25%. A new development was noted in the calculation of CPI with the change in base year from 2007-08 to 2015-16. The Inflation during September 2019 stood at 11.4% from new base while it was recorded at 12.6% from old base. The fiscal deficit in FY-19 stood at 7.2% of GDP as compared to the target of 4.9%. The target fiscal deficit for FY-20 is still 7.1%.

Government has now officially obtained the \$6 billion IMF bailout program which will be spread over 36 months. Inflows are also expected in the coming years through borrowings from ADB and through fresh issue of Euro bonds. In addition to this, Foreign Portfolio Investment (FPI) rose by a massive 182.8% to \$107.3 million against an outflow of \$129.6 million during the same period last year. These developments collectively have had a positive impact on FX reserves; standing at \$15 billion. The current account deficit, though, decreased substantially by 55% from \$2.85 billion in July-August FY-19 to \$1.29 billion in July-August FY-20. The increase in foreign direct investment and exports is imperative to build sustainable FX reserves.

Banking Sector

Banking sector's profitability in recent years has been constrained by a series of one-offs and regulatory changes, including past pension costs, banking transaction taxes, deposit insurance, overseas penalties and provisions, in addition to the dampening effects of narrowing spreads. However, with the policy rate increasing from 5.75% to 13.25% in the span of one and a half year, the banking profitability is now expected to surge in the upcoming years as increase in interest rates has reversed the contraction cycle of net interest margin.

Also, the rise in interest rates has led to a record high of Non-Performing Loans (NPLs) of Rs. 783 billion in June 2019 as compared to Rs. 694.4 billion in December 2018, depicting an increase of Rs. 88.552 billion.

Financial Performance

The Bank has posted an after-tax loss of Rs. 2,769 million for the period ended September 30, 2019.

During this period, the total deposits of the Bank grew by Rs. 9,287 billion to Rs. 141,950 billion, and gross advances increased by Rs. 9,817 billion.

Summarized financial performance of Silkbank Limited for the 3rd Quarter ended September 30, 2019, is as follows:

| Financial Performance | Rs. in million |
|------------------------------------|----------------|
| Loss before Tax | (4,004.76) |
| Tax - Current | (-) |
| Prior | (109.29) |
| Deferred | 1,344.96 |
| Loss after Tax | (2,769.09) |
| Rupee | |
| Loss per share – Basic and Diluted | (0.30) |

The loss declared by the Bank is primarily attributed to delay in payments from Real Estate customers of the Bank. The unexpected ban on construction of high-rise buildings in Karachi by the Supreme Court of Pakistan for a certain period of time, adversely affected the Real Estate projects financed by the Bank.

As a result, the Bank had to classify lucrative Real Estate loans on prudent basis, with a concrete recovery plan in place.

Furthermore, the SBP during its last inspection identified a security shortfall in the Real Estate portfolio of the Bank. However, with the support of SBP, the shortfall so identified has been more than adequately covered through additional collateral valued by SBP nominated valuers. Those accounts stand classified as per SBP instructions.



Business Performance

Branch Banking

Branch Banking remains one of the most critical businesses for the Bank, serving over 189,159 customers contributing more than 61% of the Bank's deposit base. Total deposit as at September 30, 2019 stood at Rs. 86.6 billion, depicting an overall deposit growth of Rs. 8.3 billion achieved by the end of the 3rd quarter of 2019. A new initiative of Tab-based Banking Solution has been launched which will provide customers the convenience of Instant Account Opening at their doorstep, in-Branch Debit Card Activation, and Instant Biometric Verification.

With more such initiatives in the pipeline, we hope to see Branch Banking produce even better results in the last quarter of 2019.

ADC Business

Branch Banking expanded its debit card product suite by launching EMV compliant Gold and Platinum variants of Visa Debit Card ("VDC") with exciting features for customers. Silkbank VISA Debit Card ("VDC") continued to show strong growth during Q3, 2019. VDC usage over Point of Sales (POS) recorded a spend of Rs.378.13 million against 106,591 transactions reflecting a growth of 2.39% in volume and 6.79% in number of transactions as compared to Q3 of 2018. The highest POS monthly spend of Rs. 132.74 million was recorded during August 2019. Alternate Distribution and e-delivery channels have added value to the product offering of the Bank and have enhanced the reach and accessibility of its banking services.

Bancassurance

Bancassurance business continued its momentum in the 3rd quarter of 2019 and generated a revenue income of Rs. 25.78 million. This enabled the business to achieve a revenue of Rs. 64.78 million as of YTD 2019. The branch productivity has also increased through attractive sales campaigns and a drive of "Participation from All".



Consumer Banking

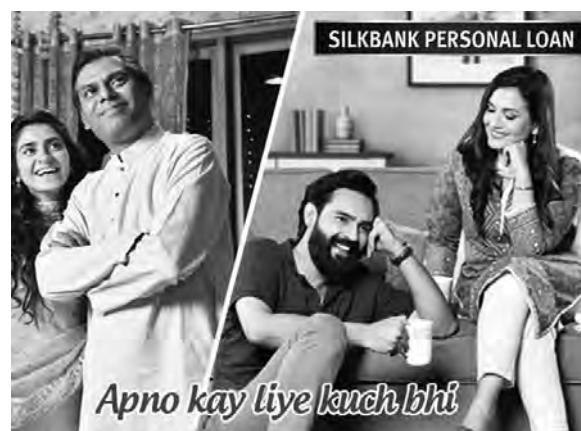
Silkbank Consumer Banking division offers a range of specially designed secured and unsecured products to meet the consumer's lifestyle needs. Despite the challenging macroeconomic conditions including the record hike in KIBOR in 2019, Silkbank unsecured consumer business has excelled, recording an impressive ENR growth as compared to its peer banks. ENR growth till the 3rd quarter was almost double the growth of all our peer competitors combined. We have maintained our leadership position in PIL and RL with 38% market share and ENR of Rs. 14.24 billion. Silkbank is now the 3rd largest credit card issuer in Pakistan and is leading the market in fresh card issuance for the 3rd year running. Total Credit Cards in Force have increased to 164,277 Cards, while Credit Cards ENR has increased to Rs. 5.4 billion.



Unsecured

Personal Loan

During the 3rd quarter of 2019, we launched another variant of Personal Installment Loan, named "Smart Plan". It is a unique end-use defined product which facilitates customers by giving them the option to purchase variety of products from alliance partners on discounted prices and transfer the unused approved limit. In order to incentivize customers to pay early and get rewarded promotion was launched in the month of August. Numerous tactical promotions were also run during this period to increase acquisition numbers. As a result, we have a total of 25,373 active customers and ENR of Rs. 6.80 billion as of September 2019.



Readyline

To increase ENR and Acquisition growth, multiple promotions were designed and executed in the 3rd quarter. Promotions such as zero processing fee and no annual fee for new customers were launched. 50% mark-up waiver on the first 2 bills was extended to attract new to bank customers and increase monthly acquisitions. Various spend and ADC initiatives were taken to further improve customer experience. At the end of the 3rd quarter, the Readyline portfolio has a customer base of around 48,000 active customers with a total of Rs. 7.50 billion in ENR.



Credit Cards

Credit Card Business undertook a number of key initiatives in the 3rd quarter of 2019 to further enhance the product value proposition and also worked on numerous service initiatives to facilitate customers.

DIRECTOR'S REPORT

AS OF SEPTEMBER 30, 2019

Credit Card Sales acquired 11,917 fresh customers during the 3rd quarter of 2019, increasing Cards in Force to 164,277. With targeted spend promotions and installment plan bookings, total spending for the quarter grew to Rs. 5.94 billion. This influx of spending has had a positive impact on ENR, which increased to Rs. 5.4 billion in September 2019. Silkbanks Credit Card Alliances continue to build momentum with the addition of prominent new alliance partners. We now have the highest number of alliances onboard compared to any other bank. Silkbanks is also in the process of launching Mastercard Credit Cards in addition to the existing Visa Credit Cards, which will provide customers with more options to choose from the enhanced product menu.



Secured

M Power

Fresh acquisition is on hold given the current economic environment and the focus is on keeping delinquencies under control. At the end of the 3rd quarter, ENR was Rs. 1.94 billion with an active customer base of 301.

Emaan Islamic Banking (EMAAN)

Emaan Islamic Banking showed a decent growth during the period. Deposit book increased by 14% with total standing at Rs. 35,161 million. CASA / TD ratio stands at 82:18. Advances registered growth of Rs. 927 million and closed at Rs. 27,829 million. Focus on Service Quality was maintained throughout the period which resulted in significant improvement in service indicators.



Emaan ADC Business

Emaan Islamic Banking successfully enrolled 3,129 new Bank's customers during the period with a total customer base of 20,983, translating into 17.5% growth. Visa Debit Card usage over Point of Sale (POS) also increased YoY by Rs. 26 million with an increase in POS transaction by 6,386, while usage increased by 18.41%. During the period, total usage over POS was recorded at Rs. 140.55 million with a total of 41,078 POS transactions.



Board of Directors (Gender & Category Wise)

| Name of Male Director | Category |
|-------------------------------|--|
| Mr. Khalid Aziz Mirza | Acting Chairman / Independent Director |
| Mr. Rashid Akhtar Chughtai | Independent Director |
| Mr. Shahzad Enver Murad | Independent Director |
| Mr. Tariq Iqbal Khan | Non-Executive Director |
| Mr. Zubair Nawaz Chattha | Non-Executive Director |
| Mr. Masroor Ahmed Qureshi | Non-Executive Director |
| Mr. Talha Saeed | Executive Director |
| Mr. Azmat Shahzad Ahmed Tarin | Executive Director and President & CEO |
| Name of Female Director | Category |
| - | - |

Board Remuneration Policy

The SBP has issued Circular No. 03 dated August 17, 2019, regarding remuneration and performance evaluation of Directors, which was presented to the Board at its 169th meeting held on August 27, 2019. The Board mandated M/s. PICG to review the existing policy and make amendments as required. The said policy once formulated, will be presented to the Board for approval and implementation.

Existing Board Remuneration Policy

The existing remuneration of the Chairman and Non-Executive and Independent Directors, for attending the Board and Committee's meetings as approved by the shareholders in the 22nd Annual General Meeting of the Bank held on March 28, 2016, is as follows:

| | Remuneration for attending Board Meeting | Remuneration for attending Committee Meeting |
|---------------|--|--|
| Chairman | Rs. 635,000/- | Rs. 475,000/- |
| Board Members | Rs. 475,000/- | Rs. 475,000/- |

As required by the Code of Corporate Governance, 2019, the newly formulated Board Remuneration Policy covering details of aggregate amount of remuneration separately for Executive and Non-Executive Directors, including salary / fee, perquisites, benefits, and performance-linked incentives etc., will be published / disclosed in the Annual Report of the Bank for the year ended December 31, 2019.

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

As at September 30, 2019, the equity of the Bank was Rs. 11.7 billion excluding deficit on revaluation of assets. This includes share capital (net of losses and discount on shares) of Rs. 13.7 billion against the minimum requirement of Rs. 10 billion as prescribed by the SBP. Furthermore, the Capital Adequacy Ratio (CAR) of the Bank is 6.79%.

The Bank is pleased to report that in the declining interest rate scenario, the Bank has been building up its PIB portfolio to ride the yield curve and record capital gains. The said strategy of the Bank has reaped great results and will help the Bank to record major gains on this portfolio.

Additionally, the Board has given certain targets to the management that will ensure improvement in all key ratios of the Bank in 2020.

Key steps are enumerated below:

- Reduction in Corporate / Real Estate portfolio of the Bank.
- Reduction in non-earning assets (OREO, others).
- Improvement in profitability of the Bank in 2020.
- Reduction in advances in the Corporate / Islamic portfolio will be compensated by increase in Consumer and SME loans, the magnitude of which may not be large but will have a positive effect on profitability, due to bigger margins.
- Closure / shifting of loss-making branches.
- Fully integrated digital experience with physical distribution.

The Bank is confident of achieving CAR compliance in 2020.

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

The Bank's progress in 2019 was curtailed due to decline in real estate prices on account of the economic situation of the country.

The unexpected ban on construction of high-rise buildings in Karachi by the Supreme Court of Pakistan for a certain period of time, adversely affected the Real Estate projects financed by the Bank. As a result, the Bank had to classify lucrative Real Estate loans on prudent basis, with a concrete recovery plan in place.

Furthermore, the SBP during its last inspection, identified a security shortfall in the real estate portfolio of the Bank. However, with the support of SBP, the shortfall so identified has been more than adequately covered through additional collateral valued by SBP nominated valuers.

The Bank expects substantial payment against these loans in 2020, which would make these accounts regular and improve the bottom line of the Bank. Letters of Intent evidencing the future sale of major real estate portfolio of the Bank already stand executed, with established timelines.

As a result of the declining interest rate in 2019 / 2020, the Bank expects to report capital gain in the coming quarters on its PIB portfolio to improve the bottom line of the Bank.

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 on its human capital by strengthening "a pay for performance culture" and improved succession planning process.

In order to provide a platform to cater to the unbanked population, the Bank has piloted the launch of digital banking to increase its outreach.

By introducing the "smart branch" concept, the Bank will also increase its distribution footprint. This will enhance the Bank's ability to mobilize deposits and invest increasingly in earning assets.

With the successful implementation of the strategies outlined above, 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 also equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

Azmat Tarin
President & CEO

Karachi, June 29, 2020

For and on Behalf of the Board of
Silkbanks Limited

Khalid Aziz Mirza
Acting Chairman

ڈاہری یکٹر زر پورٹ 30 ستمبر، 2019 تک کے لیے

معزز شیئر ہولدرز،
کوئتم ہونے والی تیری سماں کے حوالے سے بینک کے مالیان گوشوار پیش کرتے ہوئے خوش
بہم، 30 ستمبر، 2019 کوئتم ہونے والی تیری سماں کے حوالے سے بینک کے مالیان گوشوار پیش کرتے ہوئے خوش
محسوس کرتے ہیں۔



معاشی جائزہ

مال سال 2018 میں 5.8% کی تیری سالہ بہترین گروہ حاصل کرنے کے بعد، سال 2019 پاکستان کی معیشت کے لیے اچھا نامہ نہیں ہوا اور 3.29% کی کی دیکھنے میں آئی، جبکہ بدف 6.2% تھا، جس کی بیانی دی وجہ کرت اکاؤنٹ میں بڑا خسارہ، مائیٹری نائیٹ (Monetary Tightening)، کم سرکاری مالیات اور فارمن اچھی کے محدود خائز ہیں۔ اس لیے اسیت بینک آف پاکستان نے 2020 کی اس سوتھاں کو مد نظر رکھتے ہوئے، مالی سال 2020 کے لیے تی ڈی پی میں محض 12.4% اضافے کی پیش گوئی کی۔

اگرچہ بیانی افریط ازر کے باعث مکمل رہے اور جزو افریط ازر کی سطح میں بندی رہی، جس سے مالی سال 2020 کے پہلے عشرے میں پالیسی کی شرح میں 100 بینیوں پوائنٹ کے اضافے سے ساتھ مالیاتی پیش 13.25% کی شرح تک مرید ہوا کشاور گوئی تھی۔ 2007-08-09-16-2015 تک کے بینیوں میں تبدیلی کے ساتھ CPI کے حساب کتاب میں ایک ذی ڈی پوائنٹ نوٹ کی گئی۔ ستمبر 2019 کے درجن افریط ازر تی ڈی پی کے 11.4% سے یہ 12.6% ریکارڈ کیا گیا۔ مالی سال 2019 میں مالی خسارہ، بدف شدہ 4.9% کے مقابلے 7.2% کا پرفشناہ مالی خسارہ تاکہ 7.1% ہے۔

حکومت نے اپنے امریکی IMF کا 061 میلین امریکی ڈالر کا میل آڈ پروگرام حاصل کیا، جو 36 ماہ کے دروانہ پر محیط ہے، اور اس میں آنے والے سالوں میں ADB اور یورپ انڈیا کے جامیں کے اضافے کے ساتھ مالیاتی پیش 13.25% کی شرح تک ہے۔ اس کے علاوہ فارمن پالیسی اور سیمینٹ (FPI)، بگرشت اسی میں آنے والے سالوں میں 129.6 میلین امریکی ڈالر کے آؤٹ ٹلوک برخلاف 182.8 فصید تک کے بڑے پیشے پاٹھ سے 107.3 میلین امریکی ڈالر ہو گی۔ اس تمام پیش رفت نے فیر ٹکی زر مبادل (FX) کے ذخیر پر مجموعی طور پر بیشتر احتہام مرتبا کے اور وہ 105 میلین امریکی ڈالر پر رہا۔ ہر چند یہ کرنٹ اکاؤنٹ خسارہ، جو کہ جو لوائی۔ اگست مالی سال 2019 میں 2.85 میلین امریکی ڈالر تک، 55% تک کی نمایاں کی کے ساتھ، جو لائی۔ اگست مالی سال 2020 میں 1.29 میلین امریکی ڈالر ہو گی۔ برادرست غیر ٹکی سرمایہ کاری (فارمن ڈائیکٹ اور سیمینٹ اور آدمات میں اضافہ، مکمل غیر ٹکی زر مبادل (FX) کے قیم کی لیے لازمی ہے۔

شعبہ بینکاری

حالیہ سالوں میں بینکاری کے شعبہ کے منافع جات محدود ہے، جس کی وجہ ریگو لیٹری ترائم، بیشول سائیٹ پیش کرنے کے لاغت، بینکنگ ٹرانزیکشن ٹیکسٹس، ڈیاٹ اشٹرنس، بیون ملک جرما نے اور پر ڈیز نیز اپریڈر میں کے کے باعث اکاؤنٹ کے اضافات یہیں۔ اگرچہ بیانی سال کے عرصے میں پالیسی کی شرح 5.75% میں سے ہر 13.25% فیصد کے بڑے پیش رفت کے ذریعے، اسی طرح کی دیگر آنکھ اور اقامتات کے ذریعے، ہم امید کرتے ہیں کہ مالی سال 2019 کے آخری عشرے (کوارٹر) میں بینکنگ مزید بہتر تجھ فراہم کرے گی۔

غیر محفوظ

پرنسل لون

سال 2019 کے تیرے عشرے (کوارٹر) میں ہم نے اسارت پان کے نام سے پرنسل اٹائم لون کی ایک اور پاؤ کٹ کی شروعات کی۔ صارف کی سطح پر استعمال کی جانے والی ایک مندرجہ پاؤ کٹ، جس کی سرکاری یا احتفاظ، تینے بے کمپلائٹ گلڈ اور پلائیٹ اقسام کے آغاز کے ذریعے توقع دی ہے۔ سلک بینک ویڈیو ایڈیٹ کارڈ ("VDC") نے سال 2019 کے تیرے عشرے (کوارٹر) کے دروان ٹھکنے موبائل اٹیم لون کی خدمت رکھا۔ سال 2019 کے تیرے عشرے (کوارٹر) کے دروان ٹھکنے موبائل اٹیم لون کی خدمت (کوارٹر) کے دروان ٹھکنے کے موکا اٹیم لون کے خرض سے، اگرٹھنے کے پیش کردہ پاؤ کٹ کی قدر میں مزید اضافہ کردیا اور اس کی بینکاری کی خدمات کی تھنچ اور ان تک رسائی کو بڑھانے کے لیے بھی کمی علی پر موہنی چالی گئیں۔ اس مدت کے دروان اس تعداد کو بڑھانے کے لیے میں پہلی ادا میں اضافہ کریں اور انعام پا کیں جسی کی پر موہنی آنکھ کیا گیا۔ اس مدت کے دروان اس تعداد کو بڑھانے کے لیے میں پہلی ادا میں اضافہ کریں اور انعام پا کیں جسی کی پر موہنی ٹلوپر 25,373 روپے فائی کسری اور 80 میلین روپے ENR موجود ہے۔



ریڈی لائن

تیرے عشرے (کوارٹر) میں ENR اور حصول میں بڑھتی کی لیے مخفی پر موہنی ڈیزائن کی گئیں اور انہیں چلایا گیا۔ سچنے کسٹر کے لیے زیریو پاسنگ فیس اور کوئی سالانہ فیس نہیں چیزی پر موہنی آنکھ کیا گی۔ پہلے بندز پر 50% ماک اپ کی معافی، بینک کے کسٹر کے لیے پیش پہنچ تھی اور اسے باندھ حاصل (Acquisitions) (A) میں اضافہ کیا گی۔ اس کسٹر کے تجربات کو مزید بہتر بنانے کے لیے مخفی خرچوں اور ADC میں اضافات کے لیے تیرے عشرے (کوارٹر) کے اختتم پر، ریڈی لائن کے پورٹ فویوں کی میں ENR میں جمیں طور پر 7.50 میلین روپے کے ساتھ تقریباً 48,000 فعال کسٹر کا حامل ہے۔



کریڈٹ کارڈ

سال 2019 کے تیرے عشرے (کوارٹر) میں کریڈٹ کارڈ بیس میں، پاؤ کٹ کی قدر کے تاب میں مزید اضافے کی خرض کی اہم اقدامات کا آغاز کیا گیا اور کسٹر کو ہبہت بہم پہنچانے اور خدمت کے لیے مخفی نویت کے اقدامات ہی

اے ڈی سی بنس

برانچ بینکنگ نے اپنے موجودہ کسٹر کے لیے اپنے ڈیبٹ کارڈ پاؤ کٹ سوٹ کو ویڈیو ایڈیٹ کارڈ کے EMV کمپلائٹ گلڈ اور پلائیٹ اقسام کے آغاز کے ذریعے توقع دی ہے۔ سلک بینک ویڈیو ایڈیٹ کارڈ ("VDC") نے سال 2019 کے تیرے عشرے (کوارٹر) کے دروان ٹھکنے کے موکا اٹیم لون کے خرض سے، اگرچہ بینکنگ کے دروان ٹھکنے (POS) پر 9,287 میلین روپے سے بڑھ کر 141,950 میلین روپے تک جا پہنچے اس مدت کے دروان، بینک کے چھوٹی ڈیاٹس میں 9,817 میلین روپے پسک کا خاتمہ ہوا ہے۔

ہر چند یہ 88.552 میلین روپے کے اضافے کے باوجود شرخ سود میں اضافہ کیے۔ 2018 میں 694.4 میلین روپے کے مقابے میں جون 2019 میں 783 میلین روپے کے باندھ تین نان پار مارک اونز (NPLs) کی ٹھنچ پہنچ چکا ہے۔

مالیاتی کارکردگی

بینک نے 30 ستمبر، 2019 کوئتم ہونے والی مدت کے حوالے سے 2,769 میلین روپے کے بعد اچھوٹ (لکس) خسارہ کا اتنا کیا ہے۔

بینک نے 30 ستمبر، 2019 کوئتم ہونے والی مدت کے حوالے سے 2,769 میلین روپے کے بعد اچھوٹ (لکس)

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Embrace

Impeccable Success



FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

When the vision is clear, ambitions are high, and dedication is unmatched, the results are impeccable. Silkbank's decade-long journey reflects its unrelenting efforts that have made the Bank triumph, closing the last two fiscal years on a high note. The Bank continues to build on its strength, reflecting a strong revenue growth momentum.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2019

| | Note | September 30, 2019 Un-audited | December 31, 2018 Audited |
|---|------|-------------------------------------|---------------------------------|
| | | Rupees in '000 | |
| ASSETS | | | |
| Cash and balances with treasury banks | 8 | 10,014,713 | 8,871,567 |
| Balances with other banks | 9 | 230,729 | 309,994 |
| Lendings to financial institutions | 10 | 19,652,112 | 12,612,156 |
| Investments | 11 | 37,562,204 | 28,924,993 |
| Advances | 12 | 107,120,539 | 98,354,002 |
| Fixed assets | 13 | 8,303,837 | 3,981,271 |
| Intangible assets | 14 | 233,078 | 226,840 |
| Deferred tax assets | 15 | 4,350,346 | 3,058,647 |
| Other assets | 16 | 18,838,494 | 20,231,529 |
| | | 206,306,052 | 176,570,999 |
| LIABILITIES | | | |
| Bills payable | 17 | 2,273,727 | 2,866,568 |
| Borrowings | 18 | 37,676,968 | 18,051,854 |
| Deposits and other accounts | 19 | 141,950,684 | 132,664,084 |
| Liabilities against assets subject to finance lease | 20 | - | 2,663 |
| Subordinated debt | 21 | 2,125,418 | 1,999,600 |
| Deferred tax liabilities | | - | - |
| Other liabilities | 22 | 10,559,081 | 6,599,483 |
| | | 194,585,878 | 162,184,252 |
| | | 11,720,174 | 14,386,747 |
| NET ASSETS | | | |
| REPRESENTED BY | | | |
| Shareholders' equity | | | |
| Share capital - net | 23 | 23,431,374 | 23,431,374 |
| Reserves | | 820,890 | 820,890 |
| Surplus / (deficit) on revaluation of assets - net of tax | 24 | 20,307 | (68,207) |
| Accumulated loss | | (12,552,397) | (9,797,310) |
| | | 11,720,174 | 14,386,747 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 25 | | |

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

Khurram Khan
Chief Financial Officer

Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Tariq Iqbal Khan
Director

Shahzad Enver Murad
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - UN-AUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | Note | Quarter ended September 30, 2019 | September 30, 2018 | Nine months ended September 30, 2019 | September 30, 2018 |
|---|------|--|-----------------------|--|-----------------------|
| | | Rupees in '000 | | Rupees in '000 | |
| Mark-up / return / profit / interest earned | | | | | |
| | 27 | 2,365,593 | 4,129,982 | 11,915,429 | 11,215,835 |
| Mark-up / return / profit / interest expensed | | | | | |
| | 28 | (4,320,362) | (2,479,948) | (10,396,639) | (6,252,694) |
| Net Mark-up / return / profit / interest (loss) / income | | | | | |
| | | (1,954,769) | 1,650,034 | 1,518,790 | 4,963,141 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| Fee and commission income | 29 | 647,175 | 375,558 | 1,704,591 | 1,275,488 |
| Dividend income | | - | - | 3,425 | - |
| Foreign exchange income | | 934,990 | 3,556 | 193,648 | 148,189 |
| (Loss) / income from derivatives | | (887,623) | 113,187 | 138,960 | 102,416 |
| Gain / (loss) on securities | 30 | 59,507 | (45,553) | 19,599 | (62,920) |
| Other (loss) / income | 31 | (126,238) | 524,140 | (78,984) | 1,245,038 |
| Total non-markup / interest Income | | 627,811 | 970,888 | 1,981,239 | 2,708,211 |
| Total (loss) / income | | (1,326,958) | 2,620,922 | 3,500,029 | 7,671,352 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| Operating expenses | 32 | (2,013,736) | (1,610,149) | (5,852,637) | (4,904,935) |
| Workers Welfare Fund | | 5,186 | (15,000) | - | (36,921) |
| Other charges | 33 | (59,974) | (5,635) | (185,066) | (10,188) |
| Total non-markup / interest expenses | | (2,068,524) | (1,630,784) | (6,037,703) | (4,952,044) |
| Profit before provisions, extra ordinary / unusual item and taxation | | | | | |
| | | (3,395,482) | 990,138 | (2,537,674) | 2,719,308 |
| Provisions and write offs - net | 34 | (863,410) | (306,109) | (1,467,090) | (962,060) |
| Extra ordinary / unusual items | | - | - | - | - |
| (LOSS) / PROFIT BEFORE TAXATION | | (4,258,892) | 684,029 | (4,004,764) | 1,757,248 |
| Taxation | 35 | 1,372,966 | (194,671) | 1,235,669 | (521,980) |
| (LOSS) / PROFIT AFTER TAXATION | | (2,885,926) | 489,358 | (2,769,095) | 1,235,268 |
| Rupee | | | | | |
| Basic and Diluted (Loss) / Earnings Per Share | 36 | (0.32) | 0.05 | (0.30) | 0.14 |

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

Khurram Khan
Chief Financial Officer

Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Tariq Iqbal Khan
Director

Shahzad Enver Murad
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - UN-AUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | Quarter ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2019 | September 30, 2018 | September 30, 2019 | September 30, 2018 |
| | Rupees in '000 | | | |
| (Loss) / profit after tax for the period | (2,885,926) | 489,358 | (2,769,095) | 1,235,268 |
| Other comprehensive income / (loss) | | | | |
| Items that may be reclassified to profit and loss account in subsequent periods: | | | | |
| Movement in deficit on revaluation of investments - net of tax | 48,115 | (55,627) | 90,852 | (94,311) |
| Items that will not be reclassified to profit and loss account in subsequent periods: | | | | |
| Remeasurement gain / (loss) on defined benefit obligations - net of tax | - | - | 10,413 | (633) |
| Movement in surplus on revaluation of fixed assets - net of tax | (582) | (581) | (1,745) | (1,744) |
| Movement in surplus on revaluation of non-banking assets - net of tax | (593) | (1,094) | (593) | (8,156) |
| | (1,175) | (1,675) | 8,075 | (10,533) |
| Total comprehensive (loss) / income | (2,838,986) | 432,056 | (2,670,168) | 1,130,424 |

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

Khurram Khan
Chief Financial Officer

Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Tariq Iqbal Khan
Director

Shahzad Enver Murad
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - UN-AUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | Share Capital | Rupees in '000 | | | | |
|---|-------------------|---|----------------------------|-----------------|---------------------|-------------------|
| | | Surplus / (deficit) on revaluation of Investments | Fixed / Non Banking Assets | Capital Reserve | Revenue Reserve | Total Equity |
| Balance as at January 01, 2018 - Audited | | | | | | |
| Profit after taxation for the nine months ended September 30, 2018 - Un-audited | 23,431,374 | (35,685) | 88,408 | 554,903 | (10,857,654) | 13,181,346 |
| Other comprehensive loss - net of tax - Un-audited | - | - | - | - | 1,235,268 | 1,235,268 |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax | - | (94,311) | (9,900) | - | (633) | (104,844) |
| Transfer from surplus on revaluation of non-banking assets on account of disposal of assets- net of tax | - | - | - | - | 2,685 | 2,685 |
| Transfer from surplus on revaluation of non-banking assets on account of transferred to fixed assets - net of tax | - | - | - | - | 11,184 | 11,184 |
| Balance as at September 30, 2018 - Un-audited | 23,431,374 | (129,996) | 78,508 | 554,903 | (9,608,787) | 14,326,002 |
| Profit after taxation for the quarter ended December 31, 2018 - Un-audited | - | - | - | - | 94,665 | 94,665 |
| Other comprehensive loss - net of tax - Un-audited | - | (14,914) | (1,805) | - | (19,976) | (36,695) |
| Transfer to statutory reserves | - | - | - | 265,987 | (265,987) | - |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax | - | - | - | - | 894 | 894 |
| Transfer from surplus on revaluation of non-banking assets on account of disposal of assets- net of tax | - | - | - | - | 1,881 | 1,881 |
| Balance as at December 31, 2018 - Audited | 23,431,374 | (144,910) | 76,703 | 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 | - | 90,852 | (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 |

* 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 financial statements.

Khurram Khan
Chief Financial Officer

Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Tariq Iqbal Khan
Director

Shahzad Enver Murad
Director

CONDENSED INTERIM CASH FLOW STATEMENT - UN-AUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | Note | September 30, 2019 Rupees in '000 | September 30, 2018 Rupees in '000 |
|--|------|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | (4,004,764) | 1,757,248 |
| Less: Dividend income | | (3,425) | - |
| | | (4,008,189) | 1,757,248 |
| Adjustments: | | | |
| Depreciation on fixed assets | 32 | 323,441 | 296,845 |
| Depreciation on right-of-use assets | 32 | 505,034 | - |
| Depreciation on non-banking assets | 32 | 50,960 | 59,771 |
| Amortization of intangible assets | 32 | 47,897 | 46,451 |
| Amortization of premium on investments - net | | (12,284) | 153,550 |
| Mark-up / return / profit / interest expensed on lease liability against right-of-use assets | 28 | 361,537 | - |
| Provisions against loans & advances | 34 | 1,598,374 | 1,103,225 |
| Gain on sale of fixed assets | 31 | (596) | (9,339) |
| Unrealized loss on revaluation of investments - held-for-trading | 30 | 1,678 | 2,853 |
| Share of profit from associate | 31 | (406) | (5,340) |
| Loss / (gain) on sale of non-banking assets | 31 | 189,947 | (858,416) |
| Write offs against fixed assets | 34 | 2,080 | 1,705 |
| | | 3,067,662 | 791,305 |
| | | (940,527) | 2,548,553 |
| Decrease in operating assets | | | |
| Lendings to financial institutions | | (7,039,956) | 6,598,642 |
| Net investments in held-for-trading securities | | (811,285) | (9,311,919) |
| Advances | | (10,364,911) | (14,688,312) |
| Other assets (excluding advance taxation) | | 1,248,446 | 405,940 |
| | | (16,967,706) | (16,995,649) |
| Increase / (decrease) / in operating liabilities | | | |
| Bills payable | | (592,841) | (1,147,223) |
| Borrowings | | 19,625,114 | (18,087,587) |
| Deposits | | 9,286,600 | 12,052,821 |
| Other liabilities (excluding current taxation) | | (499,970) | 496,801 |
| | | 27,818,903 | (6,685,188) |
| | | 9,910,670 | (21,132,284) |
| | | (479,115) | (187,041) |
| | | 9,431,555 | (21,319,325) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investment in available-for-sale securities | | (7,417,487) | 21,062,464 |
| Net investment in held-to-maturity securities | | (257,658) | - |
| Dividend received | | 3,425 | 1,025 |
| Net investment in fixed assets and intangible assets | | (393,437) | (456,100) |
| Proceeds on disposal of non-banking assets | | 273,500 | 1,492,187 |
| Proceeds on disposal of fixed assets | | 47,204 | 93,011 |
| | | (7,744,453) | 22,192,587 |
| Net cash flow generated (used in) / from investing activities | | | |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from / (repayment) of subordinated debts | | 125,818 | (400) |
| Payment of finance lease obligation | | (2,663) | (3,122) |
| Payment of lease liability against right-of-use assets | | (746,376) | - |
| | | (623,221) | (3,522) |
| Net cash flow used in financing activities | | | |
| Increase in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the period | | 1,063,881 | 869,740 |
| Cash and cash equivalents at the end of the period | 37 | 9,181,561 | 8,631,596 |
| | | 10,245,442 | 9,501,336 |

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

Khurram Khan
Chief Financial Officer

Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Tariq Iqbal Khan
Director

Shahzad Enver Murad
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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 7, 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, 2018: 123 branches) including 30 (December 31, 2018: 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 June 2019 are 'A-2' and 'A-' respectively.

Major shareholders of the Bank as on September 30, 2019 are Sintos Capital (comprising of Mr. Shaukat 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, 2019, the equity of the Bank is Rs. 11.7 billion excluding deficit on revaluation of assets. This includes share capital (net of losses and discount on shares) of Rs. 13.7 billion against the minimum requirement of Rs. 10 billion as prescribed by SBP. Further, the Capital Adequacy Ratio (CAR) of the Bank is, 6.79% against the minimum CAR requirement of State Bank of Pakistan (SBP) of 11.90%. The CAR requirement of 11.90% is made up of minimum CAR of 10% plus 1.90% of Capital Conservation Buffer (CCB).

At the time of approval of these financial statements by the Board of Directors, the Bank subsequent to the dates of these financial statement, has already realized capital gains amounting to approximately Rs. 5.5 billion from the sale of government securities and additional Rs. 1.4 billion approximately (based on the PKRV issued on June 26, 2020, applicable for June 29,2020) is also available as revaluation surplus. With these gains and reduction of NPLs as mentioned in Note 12.3.1, bank is confident that they will be able to meet CAR in near future.

The Bank has prepared five years financial projections which have been approved by the Board of Directors for the purpose of setting future course of action. The projections reflects the reduction in corporate exposure, improvement in profits and curing of NPLs, disposal of non-banking assets acquired in satisfaction of claims (NBA). Further the growth in low cost deposits and increase in high yielding consumer advances will also support to increase the profitability of the Bank.

Further SBP has allowed staggering of provision against non-performing loans (refer note 12.3.2) amounting to Rs 2.442 billion and 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. Had this benefit not been taken by the Bank, loss before tax would have been higher by Rs. 2,442 billion and CAR would have been lower by 2.72%.

2 BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, 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 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 3.3.

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 accounting and reporting standards as applicable in Pakistan. The 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

- 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(1) / 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** 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 (IIFS). The standard will result in certain new disclosures in the condensed interim financial statements of the Bank.
- 3.4** 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, 2018. The amended format introduced certain new disclosures and has resulted in the following significant change:

Acceptances amounting to Rs. 1,469.26 million (December 31, 2018: Rs. 2,894.21 million) which were previously shown as a part of contingencies and commitments are not recognised on balance sheet both as assets and liabilities. They are included in other assets (note 16) and other liabilities (note 22).

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 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 accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are same as those followed in the preparation of the annual financial statements of the Bank for the year ended December 31, 2018.

5.1 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 3 - Definition of a Business (Amendments) | January 01, 2020 |
| IAS 1 - Presentation of Financial Statements (Amendments) | January 01, 2020 |
| IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments) | January 01, 2020 |
| IFRS 9 - Financial Instruments: Classification and Measurement | January 01, 2021 |

The SECP, through SRO 229 (I) / 2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, the SBP through BPRD circular no . 04 of 2019, has decided that the effective date of IFRS 9 implementation will be January 01, 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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, 2018, that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim financial statements.

5.2 Standards, interpretations of and amendments to accounting and reporting standards that are effective in the year 2019

During the period, IFRS 16 - Leases became, effective from annual reporting period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 6.1.

As referred to in note 4.3 to the Bank's financial statements for the year ended December 31, 2018, there are certain standards, amendments and interpretations that are effective for the annual period beginning on or after January 1, 2019 other than those disclosed in note 5.1. These are considered either not to be relevant or not to have any significant impact on the Bank's 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, 2018, except for the following:

6.1 Impact of IFRS 16 - Leases

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

The bank has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standards.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

September 30, January 01,
2019 2019
Rupees in '000

| | |
|----------------------------------|------------------|
| Total lease liability recognised | <u>4,475,588</u> |
| | <u>4,539,401</u> |

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the condensed statement of financial position immediately before the date of initial application. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | September 30, 2019 | January 01, 2019 |
|-------------------|-----------------------|---------------------|
| | Rupees in '000 | |
| Land and building | <u>4,355,393</u> | <u>4,860,427</u> |

Impact on Condensed Interim Statement of Financial Position

| | | |
|---|------------------|-------------|
| Increase in fixed assets - right-of-use assets | 4,355,393 | 4,860,427 |
| (Decrease) in other assets - advances, deposits, advance rent and other prepayments | (186,661) | (321,026) |
| Increase in other assets - advance taxation | 107,400 | - |
| Increase in total assets | 4,276,132 | 4,539,401 |
| Increase in other liabilities - lease liability against right-of-use assets | (4,475,588) | (4,539,401) |
| (Decrease) / increase in net assets | <u>(199,456)</u> | <u>-</u> |

Impact on Condensed Interim Profit and Loss account

| | |
|---|------------------|
| Increase in mark-up expense - lease liability against right-of-use assets | (361,537) |
| (Increase) / decrease in administrative expenses: | |
| - Depreciation on right-of-use assets | (505,034) |
| - Rent expense | 559,715 |
| Decrease in profit before tax | (306,856) |
| Decrease in tax | 107,400 |
| Decrease in profit after tax | <u>(199,456)</u> |

While implementing IFRS 16, the Bank has used a single discount rate methodology. The Bank has opted not to recognise right-of-use assets for leases of low value.

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, 2018.

| | September 30, 2019 | December 31, 2018 |
|--|-----------------------|----------------------|
| | Un-audited | Audited |
| Note | Rupees in '000 | |
| 8 CASH AND BALANCES WITH TREASURY BANKS | | |
| In hand | | |
| Local currency | 1,751,152 | 1,829,723 |
| Foreign currencies | 692,231 | 581,068 |
| | <u>2,443,383</u> | <u>2,410,791</u> |
| With State Bank of Pakistan in | | |
| Local currency current account | 5,224,855 | 4,496,567 |
| Foreign currency current account | 801,940 | 630,335 |
| Foreign currency deposit account | 1,386,651 | 1,210,071 |
| | <u>7,413,446</u> | <u>6,336,973</u> |
| With National Bank of Pakistan in | | |
| Local currency current account | 119,476 | 121,213 |
| National Prize Bonds | 38,408 | 2,590 |
| | <u>10,014,713</u> | <u>8,871,567</u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

- 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 prescribed by SBP). It carries interest rates ranging from 1.02% to 1.09% (December 31, 2018: 0.56% to 1.35%).

| | September 30, 2019 | December 31, 2018 | | | | | | | |
|--|-----------------------------------|-----------------------------|---------------------|-------------------|-----------------------|--------------------------|---------------------|-------------------|--|
| | Un-audited | Audited | | | | | | | |
| | Rupees in '000 | | | | | | | | |
| 9 BALANCES WITH OTHER BANKS | | | | | | | | | |
| In Pakistan | | | | | | | | | |
| In current account | 96,338 | 88,815 | | | | | | | |
| In deposit account | 68 | 64 | | | | | | | |
| | <u>96,406</u> | <u>88,879</u> | | | | | | | |
| Outside Pakistan | | | | | | | | | |
| In current account | 134,323 | 221,115 | | | | | | | |
| | <u>230,729</u> | <u>309,994</u> | | | | | | | |
| 10 LENDINGS TO FINANCIAL INSTITUTIONS | | | | | | | | | |
| Repurchase agreement lendings (Reverse repo) | 15,283,334 | 11,665,534 | | | | | | | |
| Foreign placement | 918,803 | 946,622 | | | | | | | |
| Bai Muajjal receivable from State Bank of Pakistan | 3,449,975 | - | | | | | | | |
| | <u>19,652,112</u> | <u>12,612,156</u> | | | | | | | |
| 11 INVESTMENTS | | | | | | | | | |
| 11.1 Investments by types: | | | | | | | | | |
| | September 30, 2019 - (Un-audited) | December 31, 2018 - Audited | | | | | | | |
| | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | |
| Held-for-trading securities | | | | | | | | | |
| Market Treasury Bill | 10,511,597 | - | (2,410) | 10,509,187 | 10,053,860 | - | (2,423) | 10,051,437 | |
| Pakistan Investment Bond | 51,415 | - | 20 | 51,435 | - | - | - | - | |
| Shares - Listed | 299,710 | - | 712 | 300,422 | - | - | - | - | |
| | <u>10,862,722</u> | <u>-</u> | <u>(1,678)</u> | <u>10,861,044</u> | <u>10,053,860</u> | <u>-</u> | <u>(2,423)</u> | <u>10,051,437</u> | |
| Available-for-sale securities | | | | | | | | | |
| Market Treasury Bills | - | - | - | - | - | - | - | - | |
| Pakistan Investment Bonds | 24,138,786 | - | (54,761) | 24,084,025 | 4,354,202 | - | (2,697) | 4,351,505 | |
| GOP Ijarah Sukus | 1,730,165 | - | 17,275 | 1,747,440 | 10,253,483 | - | (207,218) | 10,046,265 | |
| Shares - Listed | 224,322 | - | (42,750) | 181,572 | 3,862,276 | - | (10,629) | 3,851,647 | |
| Shares - Unlisted | 5,680 | (5,680) | - | - | 5,680 | (5,680) | - | - | |
| Sukus - Listed | 256,336 | - | (2,931) | 253,405 | 299,527 | - | 714 | 300,241 | |
| Term Finance Certificates - Listed | 50,000 | - | - | 50,000 | 62,500 | - | (625) | 61,875 | |
| Term Finance Certificates - Unlisted | 8,780 | (8,780) | - | - | 8,780 | (8,780) | - | - | |
| | <u>26,414,069</u> | <u>(14,460)</u> | <u>(83,167)</u> | <u>26,316,442</u> | <u>18,984,299</u> | <u>(14,460)</u> | <u>(222,937)</u> | <u>18,746,902</u> | |
| Held-to-maturity securities | | | | | | | | | |
| Shares repurchase (fully provided) | 74,910 | (74,910) | - | - | 74,910 | (74,910) | - | - | |
| Other Federal Government Securities | 257,658 | - | - | 257,658 | - | - | - | - | |
| | <u>332,568</u> | <u>(74,910)</u> | <u>-</u> | <u>257,658</u> | <u>74,910</u> | <u>(74,910)</u> | <u>-</u> | <u>-</u> | |
| Associates | | | | | | | | | |
| SPI Insurance Company Limited | 127,060 | - | - | 127,060 | 126,654 | - | - | 126,654 | |
| Total investments | <u>37,736,419</u> | <u>(89,370)</u> | <u>(84,845)</u> | <u>37,562,204</u> | <u>29,239,723</u> | <u>(89,370)</u> | <u>(225,360)</u> | <u>28,924,993</u> | |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| 11.2 | Investments by segments: | September 30, 2019 - (Un-audited) | | | | December 31, 2018 - Audited | | | | |
|---------------------------------------|--------------------------|-----------------------------------|--------------------------|---------------------|-------------------|-----------------------------|--------------------------|---------------------|----------------|--|
| | | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | |
| Rupees in '000 | | | | | | | | | | |
| Federal Government Securities | | | | | | | | | | |
| Market Treasury Bills | 10,511,597 | - | (2,410) | 10,509,187 | 14,408,062 | - | (5,120) | 14,402,942 | | |
| Pakistan Investment Bonds | 24,190,201 | - | (54,741) | 24,135,460 | 10,253,483 | - | (207,218) | 10,046,265 | | |
| GOP Ijara Sukuks | 1,730,165 | - | 17,275 | 1,747,440 | 3,862,276 | - | (10,629) | 3,851,647 | | |
| Bai Muajjal | 257,658 | - | - | 257,658 | - | - | - | - | | |
| | 36,689,621 | - | (39,876) | 36,649,745 | 28,523,821 | - | (222,967) | 28,300,854 | | |
| Shares | | | | | | | | | | |
| Listed companies | 524,032 | - | (42,038) | 481,994 | 137,851 | - | (2,482) | 135,369 | | |
| Unlisted companies | 5,680 | (5,680) | - | - | 5,680 | (5,680) | - | - | | |
| | 529,712 | (5,680) | (42,038) | 481,994 | 143,531 | (5,680) | (2,482) | 135,369 | | |
| Non Government Debt Securities | | | | | | | | | | |
| Sukuks - Listed | 256,336 | - | (2,931) | 253,405 | 299,527 | - | 714 | 300,241 | | |
| Term Finance Certificates - Listed | 50,000 | - | - | 50,000 | 62,500 | - | (625) | 61,875 | | |
| Term Finance Certificates - Unlisted | 8,780 | (8,780) | - | - | 8,780 | (8,780) | - | - | | |
| | 315,116 | (8,780) | (2,931) | 303,405 | 370,807 | (8,780) | 89 | 362,116 | | |
| Shares repurchase (fully provided) | 74,910 | (74,910) | - | - | 74,910 | (74,910) | - | - | | |
| Associates | | | | | | | | | | |
| SPI Insurance Company Limited | 127,060 | - | - | 127,060 | 126,654 | - | - | 126,654 | | |
| Total investments | 37,736,419 | (89,370) | (84,845) | 37,562,204 | 29,239,723 | (89,370) | (225,360) | 28,924,993 | | |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | September 30, 2019 Un-audited | December 31, 2018 Audited |
|--|-------------------------------------|---------------------------------|
| | Rupees in '000 | |
| 11.2.1 Investments given as collateral | | |
| Market Treasury Bills | 3,823,160 | - |
| Pakistan Investment Bonds | 23,145,653 | 6,468,112 |
| | <u>26,968,813</u> | <u>6,468,112</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> |

11.3.2 Particulars of provision against debt securities

| September 30, 2019 - (Un-audited) | | December 31, 2018 - Audited | |
|-----------------------------------|-----------|----------------------------------|-----------|
| Non Performing Investments | Provision | Non Performing Investments | Provision |
| Rupees in '000 | | | |
| - | - | - | - |
| - | - | - | - |
| 83,690 | 83,690 | 83,690 | 83,690 |
| 83,690 | 83,690 | 83,690 | 83,690 |

11.4 The market value of securities classified as held-to-maturity is Rs. 258 million (December 31, 2018: Rs. Nil).

12 ADVANCES

| Performing | | Non Performing | | Total | |
|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| September 30, 2019 Un-audited | December 31, 2018 Audited | September 30, 2019 Un-audited | December 31, 2018 Audited | September 30, 2019 Un-audited | December 31, 2018 Audited |
| Rupees in '000 | | | | | |
| 73,248,197 | 69,879,752 | 11,353,103 | 6,366,874 | 84,601,300 | 76,246,626 |
| 5,132,661 | 26,600,182 | 22,706,787 | 301,516 | 27,839,448 | 26,901,698 |
| 939,257 | 411,194 | 3,113 | 6,650 | 942,370 | 417,844 |
| 79,320,115 | 96,891,128 | 34,063,003 | 6,675,040 | 113,383,118 | 103,566,168 |
| - | - | 5,500,931 | 4,524,443 | 5,500,931 | 4,524,443 |
| 761,648 | 687,723 | - | - | 761,648 | 687,723 |
| 761,648 | 687,723 | 5,500,931 | 4,524,443 | 6,262,579 | 5,212,166 |
| 78,558,467 | 96,203,405 | 28,562,072 | 2,150,597 | 107,120,539 | 98,354,002 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | September 30, December 31, 2019 2018 | | Un-audited Audited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------|-----------------------------|-----------------------------|----------------|----------------------------|-----------------------------------|--|-----------------------------|-----------------------------|--|----------------------------|-----------|----------------------------|-----------|-----------------|----------|---------|-------|-----------------------|--|-------------|-----------|---------|---------|---------|--|------------------------|------------------|----------------|------------------|------------------|----------------|------------------|------------|------------------------------|-----------|-----------|-----------|--------------|-------------------|------------------|------------------|---------------------------------|-----------|---|-----------|----------|---|----------|--|----------------------------|------------------|---------------|------------------|------------------|----------------|------------------|--|------------------------|------------------|----------------|------------------|------------------|----------------|------------------|--|--|
| | Rupees in '000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12.1 Particulars of advances (gross) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| In local currency | 113,383,118 | | 103,562,141 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| In foreign currencies | - | | 4,027 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 113,383,118 | | 103,566,168 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12.2 Advances include Rs. 34,063 million (December 31, 2018: Rs. 6,675 million) which have been placed under non-performing status as detailed below: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th rowspan="2">Category of classification</th> <th colspan="2">September 30, 2019 - (Un-audited)</th> <th colspan="2">December 31, 2018 - Audited</th> <th rowspan="2"></th> </tr> <tr> <th>Non Performing Loans</th> <th>Provision</th> <th>Non Performing Loans</th> <th>Provision</th> </tr> </thead> <tbody> <tr> <td colspan="6">Domestic</td></tr> <tr> <td>Substandard</td><td>5,265,044</td><td>368,062</td><td>983,161</td><td>127,978</td><td></td></tr> <tr> <td>Doubtful</td><td>642,288</td><td>47,396</td><td>521,267</td><td>49,873</td><td></td></tr> <tr> <td>Loss</td><td>28,155,671</td><td>5,085,473</td><td>5,170,612</td><td>4,346,592</td><td></td></tr> <tr> <td>Total</td><td>34,063,003</td><td>5,500,931</td><td>6,675,040</td><td>4,524,443</td><td></td></tr> </tbody> </table> | | | | | | Category of classification | September 30, 2019 - (Un-audited) | | December 31, 2018 - Audited | | | Non Performing Loans | Provision | Non Performing Loans | Provision | Domestic | | | | | | Substandard | 5,265,044 | 368,062 | 983,161 | 127,978 | | Doubtful | 642,288 | 47,396 | 521,267 | 49,873 | | Loss | 28,155,671 | 5,085,473 | 5,170,612 | 4,346,592 | | Total | 34,063,003 | 5,500,931 | 6,675,040 | 4,524,443 | | | | | | | | | | | | | | | | | | | | | | | | |
| Category of classification | September 30, 2019 - (Un-audited) | | December 31, 2018 - Audited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Non Performing Loans | Provision | Non Performing Loans | Provision | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Domestic | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Substandard | 5,265,044 | 368,062 | 983,161 | 127,978 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Doubtful | 642,288 | 47,396 | 521,267 | 49,873 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss | 28,155,671 | 5,085,473 | 5,170,612 | 4,346,592 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 34,063,003 | 5,500,931 | 6,675,040 | 4,524,443 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 12.3 Particulars of provision against non-performing advances: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th rowspan="2">Note</th> <th colspan="3">September 30, 2019 - (Un-audited)</th> <th colspan="3">December 31, 2018 - Audited</th> <th rowspan="2"></th> </tr> <tr> <th>Specific</th> <th>General</th> <th>Total</th> <th>Specific</th> <th>General</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td colspan="6">Rupees in '000</td><td></td><td></td></tr> <tr> <td>Opening balance</td><td>4,524,443</td><td>687,723</td><td>5,212,166</td><td>3,730,789</td><td>556,280</td><td>4,287,069</td><td></td></tr> <tr> <td>Charge for the period / year</td><td>1,699,388</td><td>73,925</td><td>1,773,313</td><td>1,417,628</td><td>131,443</td><td>1,549,071</td><td></td></tr> <tr> <td>Reversals for the period / year</td><td>(174,939)</td><td>-</td><td>(174,939)</td><td>(93,862)</td><td>-</td><td>(93,862)</td><td></td></tr> <tr> <td>Amounts written off</td><td>1,524,449</td><td>73,925</td><td>1,598,374</td><td>1,323,766</td><td>131,443</td><td>1,455,209</td><td></td></tr> <tr> <td>Closing balance</td><td>5,500,931</td><td>761,648</td><td>6,262,579</td><td>4,524,443</td><td>687,723</td><td>5,212,166</td><td></td></tr> </tbody> </table> | | | | | | Note | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | | | Specific | General | Total | Specific | General | Total | Rupees in '000 | | | | | | | | Opening balance | 4,524,443 | 687,723 | 5,212,166 | 3,730,789 | 556,280 | 4,287,069 | | Charge for the period / year | 1,699,388 | 73,925 | 1,773,313 | 1,417,628 | 131,443 | 1,549,071 | | Reversals for the period / year | (174,939) | - | (174,939) | (93,862) | - | (93,862) | | Amounts written off | 1,524,449 | 73,925 | 1,598,374 | 1,323,766 | 131,443 | 1,455,209 | | Closing balance | 5,500,931 | 761,648 | 6,262,579 | 4,524,443 | 687,723 | 5,212,166 | | |
| Note | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Specific | General | Total | Specific | General | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rupees in '000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | 4,524,443 | 687,723 | 5,212,166 | 3,730,789 | 556,280 | 4,287,069 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Charge for the period / year | 1,699,388 | 73,925 | 1,773,313 | 1,417,628 | 131,443 | 1,549,071 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reversals for the period / year | (174,939) | - | (174,939) | (93,862) | - | (93,862) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amounts written off | 1,524,449 | 73,925 | 1,598,374 | 1,323,766 | 131,443 | 1,455,209 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing balance | 5,500,931 | 761,648 | 6,262,579 | 4,524,443 | 687,723 | 5,212,166 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

- 12.3.1** During the period the bank recorded additional NPL's, by and large, arising out of the accounts of the borrowers engaged in the businesses of real estate/construction sector. This is mainly due to slow down in the businesses activities of these sectors, tax issues relating to these businesses and the ban on construction of high rise buildings in Karachi. However, a Letter of Interest (LOI) has been signed between the borrower and Federal Government Employee Housing Scheme Authority (FGHEHA) for the sale of these underlying properties where substantial payment is expected shortly. Additionally, the government had announced a stimulus package to uplift and provide the necessary support to the real estate/construction sector. Based on these positive developments, bank is confident that the NPL's would be cured shortly.
- 12.3.2** As at September 30, 2019, the Bank has availed benefit of relaxation provided by SBP vide its letter dated June 24, 2020 from the requirements of Regulation R-8 of Prudential Regulation for Corporate / Commercial Banking amounting to Rs. 2.442 billion till June 30, 2020.
- 12.3.3** 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) held as collateral against non-performing advances upto five years from the date of classification.
- 12.3.4** As of September 30, 2019, 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 higher by Rs. 3,909 million, whereas profit in December 31, 2018 would have been lower by Rs. 731 million, which shall not be available for payment of cash or stock dividend / bonus to employees.
- 12.3.5** 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, 2018: 4%) of unsecured portfolio of the Bank.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | September 30, December 31, 2019 2018 | | Un-audited Audited | | | | |
|--|---|------------------|--------------------|------------------|--|--|--|
| | Rupees in '000 | | | | | | |
| 13 FIXED ASSETS | | | | | | | |
| Capital work-in-progress | 13.1 | 76,695 | | 63,641 | | | |
| Property and equipment | | 3,871,749 | | 3,917,630 | | | |
| Right-of-use assets | 6.1 | 4,355,393 | | - | | | |
| | | 8,303,837 | | 3,981,271 | | | |
| 13.1 Capital work-in-progress | | | | | | | |
| Civil works | | 7,764 | | 22,427 | | | |
| Advances to suppliers and contractors | | 68,931 | | 41,214 | | | |
| | | 76,695 | | 63,641 | | | |
| 13.2 Additions to fixed assets | | | | | | | |
| The following additions have been made to operating fixed assets during the period: | | | | | | | |
| Capital work-in-progress | | 70,153 | | 123,770 | | | |
| Property and equipment | | | | | | | |
| Building on leasehold land | | - | | 49,993 | | | |
| Furniture and fixture | | 11,576 | | 60,858 | | | |
| Electrical, office and computer equipment | | 77,553 | | 165,539 | | | |
| Vehicles | | 199,296 | | 161,036 | | | |
| Leasehold Improvements | | 37,823 | | 147,360 | | | |
| | | 326,248 | | 584,786 | | | |
| Total | | 396,401 | | 708,556 | | | |
| 13.3 Disposal of fixed assets | | | | | | | |
| The net book value of operating fixed assets disposed off during the period is as follows: | | | | | | | |
| Freehold land | | - | | 76,682 | | | |
| Furniture and fixture | | 219 | | 9 | | | |
| Electrical, office and computer equipment | | 80 | | 53 | | | |
| Vehicles | | 46,309 | | 41,929 | | | |
| Total | | 46,608 | | 118,673 | | | |
| 13.4 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. As per the terms of the Agreement, the buyer agreed to pay annual rent based on the outstanding amount of consideration from the date of receipt of approvals from relevant authorities, however, on June 28, 2016, the buyer has provided the consent to pay annual rent with effect from July 1, 2016. During the period, the Bank has recorded rental income amounting to Rs. 118.2 million (September 30, 2018: Rs. 118.2 million) as disclosed in note 31. As per the terms of the Agreement, in case the buyer fails to pay the amount of rent or balance sale consideration, the advance received of 5% shall stand forfeited. Since the conditions to recognise disposal are not met, the previous Head Office Building has not been derecognised. | | | | | | | |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | September 30, December 31, 2019 | | 2018 | |
|--|--|-------------------|-------------|--|
| | Un-audited | Audited | | |
| | Rupees in '000 | | | |
| 14 INTANGIBLE ASSETS | | | | |
| Capital work-in-progress | 83,822 | 65,167 | | |
| Software | 149,256 | 161,673 | | |
| | 233,078 | 226,840 | | |
| 14.1 Additions to intangible assets | | | | |
| The following additions have been made to intangible assets during the period: | | | | |
| Capital work-in-progress | 27,429 | 20,683 | | |
| Software (directly purchased) | 35,480 | 6,336 | | |
| Total | 62,909 | 27,019 | | |
| 15 DEFERRED TAX ASSETS | | | | |
| Deductible Temporary Differences on | | | | |
| - Post retirement employee benefits | 1,918 | 7,525 | | |
| - Deficit on revaluation of investments | 29,109 | 78,027 | | |
| - Unabsorbed tax losses | 1,069,286 | - | | |
| - Provision for diminution in value of investments | 3,073 | 3,073 | | |
| - Provision against non-performing advances | 2,481,993 | 2,327,362 | | |
| - Provision against Workers' Welfare Fund (WWF) | 47,094 | 47,094 | | |
| - Provision against other assets | 223,368 | 223,368 | | |
| - Depreciation on non-banking assets | 80,446 | 65,855 | | |
| - Unabsorbed tax depreciation | 522,433 | 439,636 | | |
| | 4,458,720 | 3,191,940 | | |
| Taxable Temporary Differences on | | | | |
| - Surplus on revaluation of non-banking assets | (2,216) | (2,534) | | |
| - Surplus on revaluation of fixed assets | (11,588) | (12,527) | | |
| - Accelerated tax depreciation | (94,570) | (118,232) | | |
| | (108,374) | (133,293) | | |
| | 4,350,346 | 3,058,647 | | |
| Note | | Rupees in '000 | | |
| 24 | | | | |
| 24 | | | | |
| 24 | | | | |
| 24 | | | | |
| 16.1 | The Bank has an aggregate amount of deferred tax assets of Rs.4,350 million (December 31, 2018: Rs. 3,059 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, December 31, 2019 | 2018 | | |
| | Un-audited | Audited | | |
| | Rupees in '000 | | | |
| 16 OTHER ASSETS | | | | |
| Income / mark-up accrued in local currency - net of provision | 4,642,948 | 4,738,974 | | |
| Income / mark-up accrued in foreign currency - net of provision | 1,157 | 412 | | |
| Rent receivable | 315,217 | 531,254 | 13.4 & 16.1 | |
| Advances, deposits, advance rent and other prepayments | 413,553 | 640,333 | | |
| Advance taxation (payments less provisions) | 1,337,124 | 967,307 | | |
| Non-banking assets | 10,022,701 | 9,795,307 | 16.2 | |
| Branch adjustment account | 36,497 | 110,813 | | |
| Mark to market gain on forward contracts | 374,591 | 180,579 | | |
| Acceptances | 1,469,260 | 2,894,213 | | |
| Receivable from sale of operating fixed assets | - | 35,000 | | |
| Receivable from sale of non-banking assets | 297,350 | 518,250 | | |
| Receivable from NCCPL | 8,681 | - | | |
| Others | 510,900 | 409,661 | | |
| Less: Provision held against other assets | 19,429,979 | 20,822,103 | 16.3 | |
| Other assets - net of provisions | (623,274) | (623,274) | | |
| Surplus on revaluation of non-banking assets | 18,806,705 | 20,198,829 | 24 | |
| Other assets - total | 31,789 | 32,700 | | |
| | 18,838,494 | 20,231,529 | | |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

| | September 30, December 31, 2019 2018 | |
|---|---|------------------|
| | Un-audited | Audited |
| | Rupees in '000 | |
| 16.2 Non-banking assets | | |
| - acquired in satisfaction of claims | 6,209,920 | 5,585,886 |
| - under agreement to sale third parties | 3,762,604 | 4,018,263 |
| - with buy back option with customers | 50,177 | 191,158 |
| | 10,022,701 | 9,795,307 |
| 16.3 Provision held against other assets | | |
| Non-banking assets | 594,274 | 594,274 |
| Advances, deposits, advance rent and other prepayments | 21,000 | 21,000 |
| Others | 8,000 | 8,000 |
| | 623,274 | 623,274 |
| 16.3.1 Movement in provision held against other assets | | |
| Opening balance | 623,274 | 630,361 |
| Charge for the period / year | - | - |
| Reversals for the period / year | - | - |
| Net charge for the period / year | - | - |
| Reversal on disposal / write off | - | (7,087) |
| Closing balance | 623,274 | 623,274 |

16.3.2 This includes Rs. 594.274 million (December 31, 2018 : Rs. 594.274 million) pertains to non-banking assets resulting net book value of Rs. 9,460 million (December 31, 2018 : Rs. 9,234 million)

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

| | September 30, December 31, 2019 2018 | | | | | |
|--|---|--------------------------|-----------------------------|----------------------|--------------------------|--------------------|
| | Un-audited | Audited | | | | |
| | Rupees in '000 | | | | | |
| 17 BILLS PAYABLE | | | | | | |
| In Pakistan | 2,273,727 | 2,866,568 | | | | |
| Outside Pakistan | - | - | | | | |
| | 2,273,727 | 2,866,568 | | | | |
| 18 BORROWINGS | | | | | | |
| Secured | | | | | | |
| Borrowings from State Bank of Pakistan under export refinance scheme | 1,612,331 | 1,647,067 | | | | |
| Repurchase agreement borrowings | 26,941,608 | 6,500,646 | | | | |
| Total secured | 28,553,939 | 8,147,713 | | | | |
| Unsecured | | | | | | |
| Call borrowings | 3,794,417 | 3,000,000 | | | | |
| Trading liability | 4,160,370 | 6,843,117 | | | | |
| Overdrawn nostro accounts | 1,168,242 | 61,024 | | | | |
| Total unsecured | 9,123,029 | 9,904,141 | | | | |
| | 37,676,968 | 18,051,854 | | | | |
| 19 DEPOSITS AND OTHER ACCOUNTS | | | | | | |
| | September 30, 2019 - (Un-audited) | | December 31, 2018 - Audited | | | |
| | In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |
| | Rupees in '000 | | | | | |
| Customers | | | | | | |
| Current deposits | 22,454,701 | 5,529,285 | 27,983,986 | 21,844,736 | 3,838,921 | 25,683,657 |
| Saving deposits | 49,719,353 | 3,342,586 | 53,061,939 | 43,582,478 | 2,844,764 | 46,427,242 |
| Term deposits | 35,367,547 | 2,878,420 | 38,245,967 | 39,069,219 | 2,979,435 | 42,048,654 |
| Margin deposits | 1,575,369 | - | 1,575,369 | 2,477,667 | - | 2,477,667 |
| Others | 1,328,928 | - | 1,328,928 | 1,475,238 | - | 1,475,238 |
| | 110,445,898 | 11,750,291 | 122,196,189 | 108,449,338 | 9,663,120 | 118,112,458 |
| Financial Institutions | | | | | | |
| Current deposits | 39,890 | 2,146 | 42,036 | 134,345 | 5,917 | 140,262 |
| Saving deposits | 14,453,836 | 20,427 | 14,474,263 | 13,019,874 | 18,120 | 13,037,994 |
| Term deposits | 5,148,130 | 90,066 | 5,238,196 | 1,373,370 | - | 1,373,370 |
| | 19,641,856 | 112,639 | 19,754,495 | 14,527,589 | 24,037 | 14,551,626 |
| | 130,087,754 | 11,862,930 | 141,950,684 | 122,976,927 | 9,687,157 | 132,664,084 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | |
|---|-----------------------------------|--------------------------------------|-----------------------|-----------------------------|--------------------------------------|-----------------------|
| | Minimum lease payments | Financial charges for future periods | Principal outstanding | Minimum lease payments | Financial charges for future periods | Principal outstanding |
| | Rupees in '000 | | | | | |
| Not later than one year | - | - | - | 2,755 | 92 | 2,663 |
| Later than one year and upto five years | - | - | - | - | - | - |
| | - | - | - | 2,755 | 92 | 2,663 |

21 SUBORDINATED DEBT

| | Note | September 30, December 31, 2019 2018 | | |
|--|------|---|-----------|----------------|
| | | Un-audited | Audited | Rupees in '000 |
| | | | | |
| Subordinated Term Finance Certificates | 21.1 | 1,999,200 | 1,999,600 | |
| Subordinated loan from Sponsors | 21.2 | 126,218 | - | |
| | | 2,125,418 | 1,999,600 | |

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 instalment including profit thereon in respect of the above mentioned TFC's. Upon compliance with minimum capital requirement (CAR), this subordinated loan will be repaid to the Sponsor.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

22 OTHER LIABILITIES

| | September 30, 2019 Un-audited | December 31, 2018 Audited | Note | September 30, December 31, 2019 2018 | Rupees in '000 |
|--|----------------------------------|------------------------------|---------|---|----------------|
| | | | | Un-audited | |
| Mark-up / return / interest payable in local currency | 1,211,981 | 790,382 | | | |
| Mark-up / return / interest payable in foreign currencies | 30,045 | 22,884 | | | |
| Unearned commission and income on bills discounted | 57,341 | 46,079 | | | |
| Accrued expenses | 356,845 | 123,679 | | | |
| Acceptances | 1,469,260 | 2,894,213 | | | |
| Mark to market loss on forward contracts | 371,491 | 30,094 | | | |
| Payable to defined benefit plan - permanent staff | 5,479 | 21,499 | | | |
| Payable to defined benefit plan - contractual staff | 44,895 | 27,992 | | | |
| Provision against off-balance sheet obligations | 22.1 | 116,012 | 116,012 | | |
| Workers' Welfare Fund (WWF) | 134,504 | 134,504 | | | |
| Advance received against future sale of non-banking assets | 117,098 | 412,644 | | | |
| Advance received against future sale of fixed assets | 118,500 | 118,500 | | | |
| Deferred income against non-banking assets | 153,657 | 111,283 | | | |
| Islamic pool management reserve | 4,920 | 4,676 | | | |
| Lease liability against right-of-use assets | 6.1 | 4,475,588 | | | |
| Non checking account | 500,005 | 399,364 | | | |
| PRI remitting account | 89,266 | 654,498 | | | |
| Fund received against application of Housing Scheme | 553,501 | - | | | |
| Others | 748,693 | 691,180 | | | |
| | 10,559,081 | 6,599,483 | | | |

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 | 116,012 | 116,012 |

22.2 Advance received Rs. 170.83 million against future disposal of non-banking assets (land) measuring 122,311 square yards, as disclosed in note 16.1 adjusted as per term of the Agreement.

23 SHARE CAPITAL- NET

23.1 Authorised capital

| | September 30, December 31, | | Rupees in '000 |
|--------------------------|----------------------------|------------|-------------------------------|
| | 2019 | 2018 | |
| | Un-audited | Audited | |
| Number of shares in '000 | 10,500,000 | 10,500,000 | Ordinary shares of Rs.10 each |

23.2 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 instalment including profit thereon in respect of the above mentioned TFC's. Upon compliance with minimum capital requirement (CAR), this subordinated loan will be repaid to the Sponsor.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

23.2 Issued, subscribed and paid up capital

| September 30, December 31, 2019 2018 | | Note | September 30, December 31, 2019 2018 | |
|---|------------------|------|---|-------------------|
| Un-audited | Audited | | Un-audited | Audited |
| Number of shares in '000 | | | | |
| 9,081,861 | 9,081,861 | | 90,818,612 | 90,818,612 |
| - | - | | (67,387,238) | (67,387,238) |
| 9,081,861 | 9,081,861 | | 23,431,374 | 23,431,374 |
| Ordinary shares of Rs. 10 each | | | | |
| Fully paid in cash | | | | |
| Less: Discount on issue of shares | | | | |

24 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

(Deficit) / surplus on revaluation of

- Available for sale securities
- Fixed assets
- Non-banking assets

Deferred tax on deficit / (surplus) on revaluation of

- Available for sale securities
- Fixed assets
- Non-banking assets

25 CONTINGENCIES AND COMMITMENTS

Guarantees
Commitments
Contingent liabilities

25.1 Guarantees:

Financial guarantees
Performance guarantees
Other guarantees

25.2 Commitments:

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

Commitments in respect of:
- forward foreign exchange contracts
- forward government securities transactions

Commitments for acquisition of:
- fixed assets
- intangible assets

25.2.1 Commitments in respect of forward foreign exchange contracts

Purchase
Sale

25.2.2 Commitments in respect of forward government securities transactions

Purchase
Sale

| | September 30, 2019 Rupees in '000 | December 31, 2018 Rupees in '000 |
|------------------------|--------------------------------------|-------------------------------------|
| Guarantees | 14,008,719 | 13,284,395 |
| Commitments | 51,564,268 | 30,031,232 |
| Contingent liabilities | 1,256,952 | 1,143,864 |
| Total | 66,829,939 | 44,459,491 |
| | | |
| 25.1 | 59,940 | 547,993 |
| 25.2 | 9,629,615 | 9,081,896 |
| 25.3 | 4,319,164 | 3,654,506 |
| Total | 14,008,719 | 13,284,395 |
| | | |
| 25.1 | 2,835,381 | 3,152,159 |
| 25.2 | 35,312,307 | 15,409,082 |
| 25.3 | 13,366,198 | 11,416,204 |
| Total | 51,564,268 | 30,031,232 |
| | | |
| 25.2.1 | 841 | 14,668 |
| 25.2.2 | 49,541 | 39,119 |
| Total | 51,564,268 | 30,031,232 |
| | | |
| 25.2.1 | 22,329,240 | 10,847,908 |
| 25.2.2 | 12,983,067 | 4,561,174 |
| Total | 35,312,307 | 15,409,082 |
| | | |
| 25.2.1 | 498,350 | - |
| 25.2.2 | 12,867,848 | 11,416,204 |
| Total | 13,366,198 | 11,416,204 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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.

25.3 Contingent liabilities:

Claims against the Bank not acknowledged as debt
Claims against the Bank by Competition Commission of Pakistan & others

| September 30, December 31, 2019 2018 | Un-audited | Audited | Rupees in '000 |
|---|------------------|-----------|----------------|
| 1,221,312 | 35,640 | 1,108,224 | 35,640 |
| 1,256,952 | 1,143,864 | | |

25.3.1 Suits for damages of Rs. 24.44 billion (December 31, 2018: Rs. 24.45 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, 2019 - (Un-audited) | Forward Contracts | |
|-----------------------------------|--------------------|------------------------------|
| | Notional Principal | Mark to Market gain / (loss) |
| Rupees in '000 | | |
| 47,713,394 | (6,261) | |
| 965,111 | 9,361 | |
| 48,678,505 | 3,100 | |

Counterparties

Hedging

- Banks
- Other entities

Total

| December 31, 2018 - Audited | Forward Contracts | |
|-----------------------------|--------------------|------------------------------|
| | Notional Principal | Mark to Market gain / (loss) |
| Rupees in '000 | | |
| 26,125,605 | 125,602 | |
| 561,370 | 24,883 | |
| 26,686,975 | 150,485 | |

Counterparties

Hedging

- Banks
- Other entities

Total

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

| | Note | September 30, 2019 Un-audited | September 30, 2018 Un-audited |
|--|------|-------------------------------------|-------------------------------------|
| | | Rupees in '000 | |
| 27 MARK-UP / RETURN / PROFIT / INTEREST EARNED | | | |
| On: | | | |
| a) Loans and advances | | 8,933,304 | 8,737,884 |
| b) Investments | | 1,461,547 | 2,061,358 |
| c) Lendings to financial institutions | | 1,515,218 | 414,868 |
| d) Balances with banks | | 5,360 | 1,725 |
| | | 11,915,429 | 11,215,835 |
| 28 MARK-UP / RETURN / PROFIT / INTEREST EXPENDED | | | |
| a) Deposits | | 8,494,225 | 4,204,753 |
| b) Borrowings | | 1,096,258 | 1,793,775 |
| c) Subordinated debt | | 192,926 | 127,306 |
| d) Cost of foreign currency swaps against foreign currency deposits / borrowings | | 243,006 | 122,434 |
| e) Lease liability against right-of-use assets | | 361,537 | - |
| f) Others | | 8,687 | 4,426 |
| | | 10,396,639 | 6,252,694 |
| 29 FEE & COMMISSION INCOME | | | |
| Branch banking customer fees | | 141,405 | 132,624 |
| Card related fees (debit and credit cards) | | 1,022,852 | 670,802 |
| Credit related fees | | 259,154 | 179,931 |
| Investment banking fees | | - | 396 |
| Commission on trade | | 131,286 | 116,089 |
| Commission on guarantees | | 54,290 | 85,527 |
| Commission on remittances including home remittances | | 14,557 | 12,178 |
| Commission on bancassurance | | 66,583 | 55,227 |
| Others | | 14,464 | 22,714 |
| | | 1,704,591 | 1,275,488 |
| 30 GAIN / (LOSS) ON SECURITIES | | | |
| Realised | | 21,277 | (60,067) |
| Unrealised - held for trading | | (1,678) | (2,853) |
| | | 19,599 | (62,920) |
| 30.1 Realised (loss) / gain on: | | | |
| Federal Government Securities | | 44,876 | (60,051) |
| Shares | | (23,599) | (16) |
| | | 21,277 | (60,067) |
| 31 OTHER (LOSS) / INCOME | | | |
| Rent on property and non-banking assets | | 13,113 | 279,977 |
| Gain on sale of fixed assets - net | | 596 | 9,339 |
| (Loss) / gain on sale of non-banking assets - net | | (189,947) | 858,416 |
| Rent on lockers | | 14,699 | 12,032 |
| Postage, telex and other service charges recovered | | 23,609 | 35,420 |
| Share of profit from associate | | 406 | 5,340 |
| Early loan termination charges | | 58,540 | 44,514 |
| | | (78,984) | 1,245,038 |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

| | Note | September 30, 2019 Un-audited | September 30, 2018 Un-audited |
|---|------|-------------------------------------|-------------------------------------|
| | | Rupees in '000 | |
| 32 OPERATING EXPENSES | | | |
| Total compensation expense | | | 2,809,779 |
| Property expense | | | |
| Rent & taxes | | | 27,189 |
| Insurance on non-banking assets | | | 752 |
| Utilities cost | | | 165,364 |
| Security (including guards) | | | 129,825 |
| Repair & maintenance (including janitorial charges) | | | 58,874 |
| Depreciation on buildings | | | 101,420 |
| Depreciation on right-of-use assets | 6.1 | | 505,034 |
| Depreciation on non-banking assets | | | 50,960 |
| Professional charges | | | 424 |
| | | | 1,039,842 |
| Information technology expenses | | | |
| Software maintenance | | | 146,197 |
| Hardware maintenance | | | 79,202 |
| Depreciation | | | 40,469 |
| Amortisation | | | 47,897 |
| Website development charges | | | 248 |
| | | | 314,013 |
| Other operating expenses | | | |
| Directors' fees and allowances | | | 17,100 |
| Fees and allowances to Shariah Board | | | 11,419 |
| Legal & professional charges | | | 280,696 |
| Outsourced services costs | | | 43,059 |
| Travelling & conveyance | | | 96,363 |
| NIFT clearing charges | | | 12,084 |
| Depreciation | | | 181,552 |
| Training & development | | | 19,765 |
| Postage & courier charges | | | 31,138 |
| Communication | | | 252,968 |
| Stationery & printing | | | 53,156 |
| Marketing, advertisement & publicity | | | 267,691 |
| Auditors' remuneration | | | 16,728 |
| Insurance (including deposit protection) | | | 107,816 |
| Repairs & maintenance | | | 66,649 |
| Financial charges on leased assets | | | 159 |
| Brokerage and commission | | | 7,138 |
| Subscriptions and news papers | | | 17,387 |
| Entertainment | | | 40,505 |
| Vehicle running & maintenance | | | 21,948 |
| Card related expenses (debit and credit cards) | | | 108,530 |
| Security | | | 26,732 |
| Others | | | 8,420 |
| | | | 1,689,003 |
| | | | 5,852,637 |
| 33 OTHER CHARGES | | | |
| Penalties imposed by State Bank of Pakistan | | | 162,005 |
| Operational loss | | | 23,061 |
| | | | 185,066 |
| | | | 103 |
| | | | 10,085 |
| | | | 10,188 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | Note | September 30, 2019 Un-audited | September 30, 2018 Un-audited |
|---|------|-------------------------------------|-------------------------------------|
| | | Rupees in '000 | |
| 34 PROVISIONS & WRITE OFFS - NET | | | |
| Provisions against loans & advances | 12.3 | 1,598,374 | 1,103,225 |
| Write offs against fixed assets | | 2,080 | 1,705 |
| Recovery of written off / charged off bad debts | | (133,364) | (142,870) |
| | | 1,467,090 | 962,060 |
| 35 TAXATION | | | |
| Current | | | 66,996 |
| Prior years | | 109,298 | - |
| Deferred | | (1,344,967) | 454,984 |
| | | (1,235,669) | 521,980 |

- 35.1** The income tax returns of the Bank have been submitted up to Tax Year 2018. The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs.1,996 million (December 31, 2018: 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. 798 million (December 31, 2018: Rs.682 million) in respect of Tax Years 2003, 2006 and 2015 to 2018 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 2011 to 2018 were completed. Orders were issued by the Assessing Officer creating total tax demand of Rs. 139 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 2018. 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, 2019 Un-audited | September 30, 2018 Un-audited |
|---|--|-------------------------------------|-------------------------------------|
| | | Rupees in '000 | |
| 36 BASIC AND DILUTED EARNINGS PER SHARE | | | |
| (Loss) / profit after tax for the period | | (2,769,095) | 1,235,268 |
| Weighted average number of ordinary shares | | 9,081,861 | 9,081,861 |
| Basic and Diluted (Loss) / Earnings Per Share (Rupee) | | (0.30) | 0.14 |
| 37 CASH AND CASH EQUIVALENTS | | | |
| Cash and balance with treasury banks | | 10,014,713 | 9,195,407 |
| Balance with other banks | | 230,729 | 305,929 |
| | | 10,245,442 | 9,501,336 |
| 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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, 2019 - (Un-audited) | | | | |
|---|-----------------------------------|----------------|-------------------|----------|-------------------|
| | 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 | 10,509,187 | - | 10,509,187 | - | 10,509,187 |
| Pakistan Investment Bonds | 24,135,460 | - | 24,135,460 | - | 24,135,460 |
| GOP Ijara Sukus | 1,747,440 | - | 1,747,440 | - | 1,747,440 |
| Bai Muajjal | 257,658 | - | 257,658 | - | 257,658 |
| Shares | | | | | |
| Listed companies | 481,994 | 481,994 | - | - | 481,994 |
| Non-Government Debt Securities | | | | | |
| Sukus - Listed | 253,405 | - | 253,405 | - | 253,405 |
| Term Finance Certificates - Listed | 50,000 | - | 50,000 | - | 50,000 |
| | 37,435,144 | 481,994 | 36,953,150 | - | 37,435,144 |
| Financial assets - disclosed but not measured at fair value | | | | | |
| Cash and balances with treasury banks | 10,014,713 | - | - | - | - |
| Balances with other banks | 230,729 | - | - | - | - |
| Lendings to financial institutions | 19,652,112 | - | - | - | - |
| Advances | 107,120,539 | - | - | - | - |
| Other assets | 5,639,944 | - | - | - | - |
| | 142,658,037 | - | - | - | - |
| | 180,093,181 | 481,994 | 36,953,150 | - | 37,435,144 |
| Off-balance sheet financial instruments - measured at fair value | | | | | |
| Forward purchase of foreign exchange | 22,329,240 | - | 22,329,240 | - | 22,329,240 |
| Forward sale of foreign exchange | 12,983,067 | - | 12,983,067 | - | 12,983,067 |
| Forward purchase of government securities transactions | 498,350 | - | 498,350 | - | 498,350 |
| Forward sale of government securities transactions | 12,867,848 | - | 12,867,848 | - | 12,867,848 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | December 31, 2018 - Audited | | | | |
|---|-----------------------------|---------|------------|---------|------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| On balance sheet financial instruments | | | | | |
| Financial assets - measured at fair value | | | | | |
| Investments: | | | | | |
| Federal Government Securities | | | | | |
| Market Treasury Bills | 14,402,942 | - | 14,402,942 | - | 14,402,942 |
| Pakistan Investment Bonds | 10,046,265 | - | 10,046,265 | - | 10,046,265 |
| GOP Ijara Sukus | 3,851,647 | - | 3,851,647 | - | 3,851,647 |
| Bai Muajjal | - | - | - | - | - |
| Shares | | | | | |
| Listed companies | 135,369 | 135,369 | - | - | 135,369 |
| Non-Government Debt Securities | | | | | |
| Sukus - Listed | 300,241 | - | 300,241 | - | 300,241 |
| Term Finance Certificates - Listed | 61,875 | - | 61,875 | - | 61,875 |
| | 28,798,339 | 135,369 | 28,662,970 | - | 28,798,339 |
| Financial assets - disclosed but not measured at fair value | | | | | |
| Cash and balances with treasury banks | 8,871,567 | - | - | - | - |
| Balances with other banks | 309,994 | - | - | - | - |
| Lendings to financial institutions | 12,612,156 | - | - | - | - |
| Advances | 98,354,002 | - | - | - | - |
| Other assets | 6,004,469 | - | - | - | - |
| | 126,152,188 | - | - | - | - |
| | 154,950,527 | 135,369 | 28,662,970 | - | 28,798,339 |
| Off-balance sheet financial instruments - measured at fair value | | | | | |
| Forward purchase of foreign exchange | 10,847,908 | - | 10,847,908 | - | 10,847,908 |
| Forward sale of foreign exchange | 4,561,174 | - | 4,561,174 | - | 4,561,174 |
| Forward purchase of government securities transactions | - | - | - | - | - |
| Forward sale of government securities transactions | 11,416,204 | - | 11,416,204 | - | 11,416,204 |

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

| Item | Valuation approach and input used |
|--|--|
| Market Treasury Bills and Pakistan Investment Bonds | Fair values are derived using the PKRV rates. |
| GOP Ijarah Sukus | Fair values of GOP Ijarah Sukus 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. |
| Sukus - Listed and Term Finance Certificates - Listed | Investments in debt securities i.e. term finance certificates and sukuk certificates issued by a company or a corporate body 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 (MUFAAP) 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. |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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, 2019 - (Un-audited) | | | | |
|--|-----------------------------------|---------|---------|------------|------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Rupees in '000 | | | | | |
| Fixed assets - land and buildings | | | | | |
| Non-banking assets | 2,426,578 | - | - | 2,426,578 | 2,426,578 |
| | 9,460,216 | - | - | 9,460,216 | 9,460,216 |
| | 11,886,794 | - | - | 11,886,794 | 11,886,794 |

| | December 31, 2018 - Audited | | | | |
|--|-----------------------------|---------|---------|------------|------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Rupees in '000 | | | | | |
| Fixed assets - land and buildings | | | | | |
| Non-banking assets | 2,458,687 | - | - | 2,458,687 | 2,458,687 |
| | 9,233,733 | - | - | 9,233,733 | 9,233,733 |
| | 11,692,420 | - | - | 11,692,420 | 11,692,420 |

38.2.1 Certain categories of fixed assets (land and buildings) and non-banking assets 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, 2018.

39 SEGMENT INFORMATION

Segment Details with respect to Business Activities

| | 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 |
| Inter segment revenue - net | 1,639,770 | 93,774 | 247,695 | 1,981,239 |
| Non Mark-up / Interest Income | 7,084,034 | (3,857,480) | 273,475 | 3,500,029 |
| Total Income / (loss) | | | | |
| Segment direct expenses | (2,783,018) | (3,196,257) | (58,428) | (6,037,703) |
| Inter segment expense allocation | (1,017,337) | 1,091,291 | (73,954) | - |
| Total expenses | | | | |
| Provisions | (3,800,355) | (2,104,966) | (132,382) | (6,037,703) |
| (Loss) / Profit before tax | (658,315) | (808,775) | - | (1,467,090) |
| | 2,625,364 | (6,771,221) | 141,093 | (4,004,764) |
| Statement of Financial Position | | | | |
| Cash & Bank balances | - | 2,519,548 | 7,725,894 | 10,245,442 |
| Investments | - | 351,282 | 37,210,922 | 37,562,204 |
| Net inter segment lending | 85,585,881 | 14,581,384 | 77,210,734 | 177,377,999 |
| Lendings to financial institutions | 780,983 | 137,820 | 18,733,309 | 19,652,112 |
| Advances - performing | 31,642,757 | 46,915,710 | - | 78,558,467 |
| Advances - non-performing - net of provision | 1,404,708 | 27,157,364 | - | 28,562,072 |
| Others | 912,203 | 30,808,123 | 5,429 | 31,725,755 |
| Total Assets | | | | |
| Borrowings | 475,631 | 1,694,954 | 35,506,383 | 37,676,968 |
| Subordinated debt | - | 2,125,418 | - | 2,125,418 |
| Deposits & other accounts | 92,799,610 | 49,151,074 | - | 141,950,684 |
| Net inter segment borrowing | 25,013,349 | 47,056,556 | 105,308,094 | 177,377,999 |
| Others | 2,037,942 | 10,675,421 | 119,445 | 12,832,808 |
| Total Liabilities | | | | |
| Equity & Surplus | 120,326,532 | 110,703,423 | 140,933,922 | 371,963,877 |
| Total Equity & Liabilities | | | | |
| Contingencies & Commitments | 1,221,312 | 16,930,122 | 48,678,505 | 66,829,939 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| | September 30, 2018 - (Un-audited) | | | |
|--|-----------------------------------|-----------------------|--------------------|--------------------|
| | Consumer / SME | Whole Sale Banking | Treasury | Total |
| Rupees in '000 | | | | |
| Profit and Loss Account | | | | |
| Net mark-up / return / profit / (loss) | 4,216,273 | 759,952 | (13,084) | 4,963,141 |
| Inter segment revenue - net | - | - | - | - |
| Non Mark-up / Interest Income | 1,181,042 | 1,381,090 | 146,079 | 2,708,211 |
| Total Income | 5,397,315 | 2,141,042 | 132,995 | 7,671,352 |
| Segment direct expenses | (2,319,504) | (2,580,648) | (51,892) | (4,952,044) |
| Inter segment expense allocation | (892,127) | 961,319 | (69,192) | - |
| Total expenses | (3,211,631) | (1,619,329) | (121,084) | (4,952,044) |
| Provisions | (412,012) | (550,048) | - | (962,060) |
| Profit / (Loss) before tax | 1,773,672 | (28,335) | 11,911 | 1,757,248 |
| December 31, 2018 - Audited | | | | |
| | Consumer / SME | Whole Sale Banking | Treasury | Total |
| Rupees in '000 | | | | |
| Statement of Financial Position | | | | |
| Cash & Bank balances | - | 2,449,889 | 6,731,672 | 9,181,561 |
| Investments | - | 83,690 | 28,841,303 | 28,924,993 |
| Net inter segment lending | 76,786,304 | 17,291,166 | 93,706,490 | 187,783,960 |
| Lendings to financial institutions | 922,956 | 23,666 | 11,665,534 | 12,612,156 |
| Advances - performing | 30,306,109 | 65,894,738 | 2,558 | 96,203,405 |
| Advances - non-performing - net of provision | 1,351,128 | 799,469 | - | 2,150,597 |
| Others | 929,765 | 26,563,700 | 4,822 | 27,498,287 |
| Total Assets | 110,296,262 | 113,106,318 | 140,952,379 | 364,354,959 |
| Borrowings | 510,367 | 1,136,700 | 16,404,787 | 18,051,854 |
| Subordinated debt | - | 1,999,600 | - | 1,999,600 |
| Deposits & other accounts | 84,478,185 | 48,185,899 | - | 132,664,084 |
| Net inter segment borrowing | 22,764,494 | 40,308,259 | 124,711,207 | 187,783,960 |
| Others | 2,543,219 | 6,876,900 | 48,595 | 9,468,714 |
| Total liabilities | 110,296,265 | 98,507,358 | 141,164,589 | 349,968,212 |
| Equity & surplus | - | 14,598,957 | (212,210) | 14,386,747 |
| Total Equity & liabilities | 110,296,265 | 113,106,315 | 140,952,379 | 364,354,959 |
| Contingencies & Commitments | 1,108,224 | 16,525,981 | 26,825,286 | 44,459,491 |

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 financial statements are as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

| Directors | Key management personnel | Associates | Other related parties | September 30, 2019 - (Un-audited) | | December 31, 2018 - Audited | |
|-----------|--------------------------|------------|-----------------------|-----------------------------------|--------------------------|-----------------------------|-----------------------|
| | | | | Directors | Key management personnel | Associates | Other related parties |

| | | | | | | | |
|---|--|--|--|--|--|--|--|
| Balances | | | | | | | |
| Investments | | | | | | | |
| Opening balance | | | | | | | |
| - - - - - | | | | | | | |
| Investment made / share profit during the period / year | | | | | | | |
| - - - - - | | | | | | | |
| Investment redeemed / disposed off during the period / year | | | | | | | |
| - - - - - | | | | | | | |
| Closing balance | | | | | | | |
| - - - - - | | | | | | | |
| Advances | | | | | | | |
| Opening balance | | | | | | | |
| 9,085 7,456 - 1,122,873 | | | | | | | |
| Addition during the period / year | | | | | | | |
| 61,951 280,604 - 3,455,214 | | | | | | | |
| Repaid during the period / year | | | | | | | |
| (51,090) (275,855) - (2,903,074) | | | | | | | |
| Closing balance | | | | | | | |
| 19,946 12,205 - 1,675,013 | | | | | | | |
| Provision held against advances | | | | | | | |
| - - - - - | | | | | | | |
| 130,608 | | | | | | | |
| Other Assets | | | | | | | |
| Interest / mark-up accrued | | | | | | | |
| 248 163 - 38,041 | | | | | | | |
| Insurance claim receivable | | | | | | | |
| - - - - - | | | | | | | |
| Prepaid insurance | | | | | | | |
| - - - - - | | | | | | | |
| Other receivables | | | | | | | |
| - - - - - | | | | | | | |
| Subordinated debt | | | | | | | |
| Opening balance | | | | | | | |
| - - - - - | | | | | | | |
| Issued / purchased during the period / year | | | | | | | |
| - - - - - | | | | | | | |
| Redemption during the period / year | | | | | | | |
| - - - - - | | | | | | | |
| Closing balance | | | | | | | |
| - - - - - | | | | | | | |
| Deposits and other accounts | | | | | | | |
| Opening balance | | | | | | | |
| 5,620 64,292 18,256 2,023,685 | | | | | | | |
| Received during the period / year | | | | | | | |
| 209,518 873 | | | | | | | |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

| | September 30, 2019 Un-audited | December 31, 2018 Audited | | |
|---|-------------------------------------|---------------------------------|--|--|
| | Rupees in '000 | | | |
| 41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS | | | | |
| Minimum Capital Requirement (MCR) | | | | |
| Paid-up capital (net of losses) | 10,878,977 | <u>13,634,064</u> | | |
| Capital Adequacy Ratio | | | | |
| Eligible Common Equity Tier 1 Capital | 8,105,620 | 11,626,548 | | |
| Eligible Additional Tier 1 Capital | - | - | | |
| Total Eligible Tier 1 Capital | 8,105,620 | <u>11,626,548</u> | | |
| Eligible Tier 2 Capital | 2,867,871 | 3,401,387 | | |
| Total Eligible Capital (Tier 1 + Tier 2) | 10,973,491 | <u>15,027,935</u> | | |
| Risk Weighted Assets (RWA) | | | | |
| Credit Risk | 143,842,586 | 121,482,278 | | |
| Market Risk | 2,150,884 | 540,950 | | |
| Operational Risk | 15,554,280 | 15,554,275 | | |
| Total | 161,547,750 | <u>137,577,503</u> | | |
| Common Equity Tier 1 Capital Adequacy ratio | 5.02% | 8.45% | | |
| Tier 1 Capital Adequacy Ratio | 5.02% | 8.45% | | |
| Total Capital Adequacy Ratio | 6.79% | <u>10.92%</u> | | |
| Leverage Ratio (LR) | | | | |
| Eligible Tier-1 Capital | 7,267,807 | 11,626,548 | | |
| Total Exposures | 223,470,218 | 193,845,360 | | |
| Leverage Ratio | 3.25% | <u>6.00%</u> | | |
| Liquidity Coverage Ratio (LCR) | | | | |
| Total High Quality Liquid Assets | 36,665,276 | 28,934,249 | | |
| Total Net Cash Outflow | 40,928,506 | 33,405,053 | | |
| Liquidity Coverage Ratio | 89.58% | <u>86.41%</u> | | |
| Net Stable Funding Ratio (NSFR) | | | | |
| Total Available Stable Funding | 116,974,856 | 116,179,685 | | |
| Total Required Stable Funding | 128,829,601 | 111,666,311 | | |
| Net Stable Funding Ratio | 90.80% | <u>104.04%</u> | | |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

42 ISLAMIC BANKING BUSINESS

The Bank is operating with 30 Islamic Banking branches at the end of September 30, 2019 (December 31, 2018: 30).

The statement of financial position of these branches as at September 30, 2019 are as follows:

| | September 30, 2019 Un-audited | December 31, 2018 Audited | | Note | Rupees in '000 |
|--|-------------------------------------|---------------------------------|--|------|----------------|
| ASSETS | | | | | |
| Cash and balances with treasury banks | | | | | |
| Balances with other banks | 2,118,390 | 1,894,122 | | | |
| Due from financial institutions | 37,757 | 36,507 | | | |
| Investments | 6,531,778 | - | | | |
| Islamic financing and related assets - net | 524,627 | 3,851,647 | | | |
| Fixed assets | 27,557,692 | 26,901,698 | | | |
| Intangible assets | 1,447,379 | 294,044 | | | |
| Due from Head Office | 2,031 | 1,125 | | | |
| Other assets | - | - | | | |
| Total assets | 39,041,113 | <u>35,212,472</u> | | | |
| LIABILITIES | | | | | |
| Bills payable | 132,794 | 480,421 | | | |
| Due to financial institutions | 500,000 | - | | | |
| Deposits and other accounts | 35,161,007 | 30,960,225 | | | |
| Due to Head Office | 703,002 | 76,690 | | | |
| Other liabilities | 1,678,392 | 282,486 | | | |
| Total liabilities | 38,175,195 | <u>31,799,822</u> | | | |
| NET ASSETS | | | | | |
| REPRESENTED BY | 865,918 | <u>3,412,650</u> | | | |
| Islamic banking fund | 3,325,000 | 2,325,000 | | | |
| Reserves | - | - | | | |
| Surplus / (deficit) on revaluation of assets | 2,586 | (10,629) | | | |
| Accumulated (loss) / Un-appropriated profit | (2,461,668) | 1,098,279 | | | |
| CONTINGENCIES AND COMMITMENTS | 865,918 | <u>3,412,650</u> | | | |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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

| | Note | September 30, 2019 Un-audited | September 30, 2018 Un-audited |
|--|------|----------------------------------|----------------------------------|
| | | Rupees in '000 | |
| Profit / return earned | 42.7 | (81,644) | 1,756,117 |
| Profit / return expensed | 42.8 | (2,624,635) | (648,353) |
| Net (loss) / profit / return | | (2,706,279) | 1,107,764 |
| Other Income | | | |
| Fee and commission income | | 11,550 | 23,810 |
| Foreign exchange (loss) / gain | | (38,898) | 21,519 |
| Income / (loss) from derivatives | | 59,879 | (19,452) |
| (Loss) / gain on securities | | (900) | 12 |
| Other income | | 10,031 | 8,510 |
| Total other income | | 41,662 | 34,399 |
| Total (loss) / income | | (2,664,617) | 1,142,163 |
| Other expenses | | | |
| Operating expenses | | (612,866) | (476,365) |
| Workers Welfare Fund | | - | (13,298) |
| Other charges | | (708) | (86) |
| Total other expenses | | (613,574) | (489,749) |
| (Loss) / profit before provisions | | (3,278,191) | 652,414 |
| Provisions and write offs - net | | (281,756) | (821) |
| (Loss) / profit for the period | | (3,559,947) | 651,593 |

| | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | |
|---|-----------------------------------|-----------------------|------------------|-----------------------------|-----------------------|-------|
| | In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| Rupees in '000 | | | | | | |
| Bai Muajjal receivable from State Bank of Pakistan | 3,449,975 | - | 3,449,975 | - | - | - |
| Bai Muajjal receivable from other financial institution | 3,081,803 | - | 3,081,803 | - | - | - |
| Total | 6,531,778 | - | 6,531,778 | - | - | - |

42.1 Due from Financial Institutions

| | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | |
|---|-----------------------------------|-----------------------|------------------|-----------------------------|-----------------------|-------|
| | In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| Rupees in '000 | | | | | | |
| Bai Muajjal receivable from State Bank of Pakistan | 3,449,975 | - | 3,449,975 | - | - | - |
| Bai Muajjal receivable from other financial institution | 3,081,803 | - | 3,081,803 | - | - | - |
| Total | 6,531,778 | - | 6,531,778 | - | - | - |

42.2 Investments by segments:

| Federal Government Securities: | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | | | |
|--------------------------------|-----------------------------------|--------------------------|---------------------|-----------------------------|-----------------------|--------------------------|---------------------|------------------|
| | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| Rupees in '000 | | | | | | | | |
| Ijara Sukus | 264,383 | - | 2,586 | 266,969 | 3,862,276 | - | (10,629) | 3,851,647 |
| Bai Muajjal | 257,658 | - | - | 257,658 | - | - | - | - |
| Total Investments | 522,041 | - | 2,586 | 524,627 | 3,862,276 | - | (10,629) | 3,851,647 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UN-AUDITED FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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

42.3 Islamic financing and related assets - net

| | | |
|--|-------------------|-------------------|
| Murabaha | 2,871,403 | 2,165,705 |
| Musawamah | 127,343 | 127,343 |
| Diminishing Musharaka | 24,840,702 | 24,608,650 |
| Gross Islamic financing and related assets | 27,839,448 | 26,901,698 |
| Less: provision against Islamic financings | | |
| - Specific | (281,756) | - |
| - General | (281,756) | - |
| Islamic financing and related assets - net of provision | 27,557,692 | 26,901,698 |

42.3.1 Advances include Rs. 22,707 million (December 31, 2018: Rs. 301.52 million) which have been placed under non-performing status as detailed below:

| Category of classification | September 30, 2019 - (Un-audited) | | December 31, 2018 - Audited | |
|----------------------------|-----------------------------------|----------------|-----------------------------|-----------|
| | Non Performing Loans | Provision | Non Performing Loans | Provision |
| Rupees in '000 | | | | |
| Domestic | 462,500 | - | 114,687 | - |
| Substandard | - | - | 186,829 | - |
| Doubtful | 22,244,287 | 281,756 | - | - |
| Loss | 22,706,787 | 281,756 | 301,516 | - |
| Total | 22,706,787 | 281,756 | 301,516 | - |

42.3.2 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.

42.3.3 As of September 30, 2019, 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 higher by Rs. 2,557 million, whereas profit after tax would have been lower in December 31, 2018: Rs. 79 million, which shall not be available for payment of cash or stock dividend / bonus to employees.

42.4 Deposits

| | September 30, 2019 - (Un-audited) | | | December 31, 2018 - Audited | | |
|-------------------------------|-----------------------------------|-----------------------|-------------------|-----------------------------|-----------------------|-------------------|
| | In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |
| Rupees in '000 | | | | | | |
| Customers | | | | | | |
| Current deposits | 1,951,803 | 968,703 | 2,920,506 | 2,348,847 | 320,404 | 2,669,251 |
| Saving deposits | 16,728,913 | 611,946 | 17,340,859 | 14,189,530 | 321,442 | 14,510,972 |
| Term deposits | 4,854,942 | 1,211,988 | 6,066,930 | 3,975,426 | 1,191,260 | 5,166,686 |
| Margin deposits | 28,497 | - | 28,497 | 29,433 | - | 29,433 |
| Others | 77,823 | - | 77,823 | 52,384 | - | 52,384 |
| Total | 23,641,978 | 2,792,637 | 26,434,615 | 20,595,620 | 1,833,106 | 22,428,726 |
| Financial Institutions | | | | | | |
| Current deposits | 4,129 | 161 | 4,290 | 4,046 | 447 | 4,493 |
| Saving deposits | 8,518,502 | - | 8,518,502 | 8,370,906 | - | 8,370,906 |
| Term deposits | 203,600 | - | 203,600 | 156,100 | - | 156,100 |
| Total | 8,726,231 | 161 | 8,726,392 | 8,531,052 | 447 | 8,531,499 |
| | 32,368,209 | 2,792,798 | 35,161,007 | 29,126,672 | 1,833,553 | 30,960 |

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS - UN-AUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

| | September 30, December 31, 2019 2018 | |
|--|---|------------------|
| | Un-audited | Audited |
| | Rupees in '000 | |
| 42.5 Islamic Banking Business Unappropriated Profit | | |
| Opening Balance | 1,098,279 | 275,944 |
| Add: Islamic Banking Accumulated (loss) / Un-appropriated profit for the period / year | (3,559,947) | 822,335 |
| Closing Balance | (2,461,668) | 1,098,279 |
| 42.6 Contingencies and Commitments | | |
| Guarantees | 1,123,734 | 937,732 |
| Commitments | 2,457,264 | 1,613,063 |
| | 3,580,998 | 2,550,795 |
| 42.7 Profit / return earned of financing, investments and placement | | |
| Profit earned on: | | |
| Financing | (471,997) | 1,690,273 |
| Investments | 73,575 | 65,844 |
| Due from Financial Institutions | 316,778 | - |
| | (81,644) | 1,756,117 |
| 42.8 Profit on Deposits and other Dues Expensed | | |
| Deposits and other accounts | 2,420,964 | 606,623 |
| Due to Financial Institutions | 22,547 | 41,730 |
| Cost of foreign currency swaps against foreign currency deposits / borrowings | 83,884 | - |
| Lease liability against right-of-use assets | 97,240 | - |
| | 2,624,635 | 648,353 |
| 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 financial statements. | | |
| 45 DATE OF AUTHORISATION FOR ISSUE | | |
| These condensed interim financial statements were authorised for issue on June 29, 2020 by the Board of Directors of the Bank. | | |

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Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Tariq Iqbal Khan
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Shahzad Enver Murad
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