



دی بینک آف پنجاب رکھے  
**HarFardKaKhayal**



**QUARTERLY REPORT**  
**(Un-audited)**  
**JANUARY - SEPTEMBER**  
**2020**

## Contents

Corporate Information	2
Directors' Review	3
Unconsolidated Condensed Interim Financial Statements of The Bank of Punjab	7
Consolidated Condensed Interim Financial Statements of The Bank of Punjab and its subsidiaries	45

# Corporate Information

## Board of Directors

Mr Mohammad Jehanzeb Khan	Director
Mr Muhammad Abdullah Khan Sumbal	Director
Dr Muhammad Amjad Saqib	Director
Syed Ghazanfar Abbas Jilani	Director
Mr Shaharyar Ahmad	Director
Khawaja Farooq Saeed	Director
Mr Saeed Anwar	Director
Mr Zafar Masud	President / CEO
Mr Kamran Hafeez	Secretary to the Board

## Board Audit Committee

Mr Saeed Anwar	Chairman
Mr Mohammad Jehanzeb Khan	Member
Syed Ghazanfar Abbas Jilani	Member
Mr Shaharyar Ahmad	Member

## Risk Management, Compliance and NPL Review Committee

Mr Shaharyar Ahmad	Chairman
Dr Muhammad Amjad Saqib	Member
Syed Ghazanfar Abbas Jilani	Member
Khawaja Farooq Saeed	Member

## Human Resource, Compensation and Nomination Committee

Khawaja Farooq Saeed	Chairman
Mr Mohammad Jehanzeb Khan	Member
Mr Muhammad Abdullah Khan Sumbal	Member
Dr Muhammad Amjad Saqib	Member
Syed Ghazanfar Abbas Jilani	Member

## Strategy, Islamic and Priority Sector Finance Committee

Dr Muhammad Amjad Saqib	Chairman
Mr Muhammad Abdullah Khan Sumbal	Member
Mr Shaharyar Ahmad	Member
Mr Saeed Anwar	Member

## Information Technology and Communications Committee

Mr Mohammad Jehanzeb Khan	Chairman
Mr Muhammad Abdullah Khan Sumbal	Member
Khawaja Farooq Saeed	Member
Mr Saeed Anwar	Member

## Auditors

EY Ford Rhodes, Chartered Accountants

## Registered Office

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 42 35783700-10  
Fax No. +92 42 35783975  
UAN: 111 200 100

## Registrar

M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 42 35916714, 35916719, 35839182  
Fax No. +92 42 35869037

## Website

[www.bop.com.pk](http://www.bop.com.pk)

## Directors' Review

### Quarterly Financial Statements - September 30, 2020

On behalf of the Board of Directors, I am pleased to present Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the nine months period ended September 30, 2020.

The series of targeted measures undertaken by State Bank of Pakistan (SBP), since the outbreak of COVID-19 Pandemic in the country, have injected significant liquidity and further lowered funding costs for businesses and households. These monetary measures by SBP have injected an estimated stimulus of Rs. 1.58 trillion, or about 3.8 percent of GDP, in the cash flow of businesses and households. In addition, the government has also undertaken a number of significant measures to support economic activity including the "Ehsaas Emergency Cash Program", commodity financing, a risk-sharing facility for SMEs, and acceleration of tax refunds.

Consequently, following a deep contraction between March and June due to COVID-19, the large-scale manufacturing (LSM) index returned to expansion in July, growing at 5 percent on YOY basis. High frequency demand indicators including auto sales, cement dispatches, POL sales and electricity consumption also reflect an encouraging pick-up in economic activity. However, the economic recovery remains uneven across industries, with the hospitality and certain services sectors especially lagging and the level of activity generally still remaining below pre-Corona levels. Going forward, growth is projected to recover to slightly above 2 percent in FY21, after falling to -0.4 percent last year. The recovery is expected to be driven mainly by manufacturing related activities and construction, which are being supported by various financial policies from SBP including the Temporary Economic Refinance Facility and the incentives taken by the government for the housing and construction sectors.

Despite above narrated economic slowdown, the Bank has been able to maintain its growth trend and has achieved following financial results during nine months period ended September 30, 2020:

Financial Highlights:	Rs. in Million
Profit before taxation	10,011.928
Taxation	4,184.117
Profit after taxation	5,827.811
Earnings per share (Rupees)	2.20

During nine months period ended September 30, 2020, the Bank was able to minimize the impact of adverse economic conditions by opting investment strategy which resulted in substantial capital gains on books of the Bank and Non-Markup/ Interest Income increased to Rs. 11.56 billion as against Rs. 2.80 billion showing a substantial increase of 313%. However, Net Interest Margin (NIM) remained at Rs. 17.15 billion. Accordingly, during nine months period ended September 30, 2020, pre-provision profit improved to Rs. 15.87 billion as against Rs. 11.99 billion during corresponding period last year thereby registering a rise of 32%. However, in view of prevalent economic situation, in addition to subjective assessment, the Bank also opted to create general provision against loans and advances on prudent basis. Accordingly, the Bank posted before tax profit of Rs. 10.01 billion as against Rs. 10.52 billion earned during corresponding period of year 2019. Earnings per Share (EPS) for the nine months of year 2020 remained at the level of Rs. 2.20 per share.

Bank's Total Assets touched the level of Rs. 1,050.6 billion as at September 30, 2020 as against Rs. 868.9 billion as of December 31, 2019. The Deposits of the Bank improved to Rs. 791.4 billion, while Investments and Gross Advances were recorded at Rs. 555.1 billion and Rs. 429.4 billion, respectively. The Equity remained at Rs. 51.3 billion and Capital Adequacy Ratio (CAR) also improved to the level of 17.18% from 14.80% as on December 31, 2019. Accordingly, the Bank stands fully compliant with the SBP's prescribed requirement of CAR with substantial positive margin.

The Bank has been assigned long term entity rating of "AA" by M/s PACRA with short term rating being at the highest rank of "A1+". The Bank currently has a countrywide network of 624 online branches, including 100 Taqwa Islamic Banking Branches and 17 sub-branches.

I am grateful to our valued customers and shareholders for their continuous support and also assure that Bank shall maintain its growth trend in future as well. I also wish to thank the Government of the Punjab, as majority shareholder, and State Bank of Pakistan, as regulator, for their support and guidance. Further, I highly appreciate the efforts of Bank's management team and staff, especially those working in branches, for provision of banking services in prevalent COVID-19 situation.

For and on behalf of the Board

Chairman

## ڈائریکٹرز رپورٹ

دی بینک آف پنجاب کے نو ماہی مالیاتی نتائج 30 ستمبر 2020ء

یہ بات میرے لیے باعث مسرت ہے کہ میں دی بینک آف پنجاب کے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2020ء کو اختتام پذیر ہونے والی نو ماہی کے غیر آڈٹ شدہ حسابات پیش کر رہا ہوں۔

COVID-19 پھیلنے کے بعد اسٹیٹ بینک کی جانب سے کیے بعد دیگرے کیے گئے اقدامات نے کافی سیالیت داخل کی ہے اور بیشتر کاروباری اداروں اور گھرانوں کی فنڈنگ کی لاگت مزید کم کر دی ہے۔ مجموعی طور پر ان زرعی اقدامات کے نتیجے میں کاروباری اداروں اور گھرانوں کو تخمیناً 1.58 ٹریلین روپے یا جی ڈی پی کے لگ بھگ 3.8 فیصد کی مالی تحریک ملی ہے۔ مزید برآں، حکومت نے معاشی سرگرمی کو تقویت دینے کے لیے متعدد اہم اقدامات کیے ہیں جن میں احساس ایمرجنسی پروجرام، اجناس کی مالکاری، ایس ایم ایز کے لیے خطرے میں اشتراک کی سہولت اور ٹیکس ری فنڈ کے عمل میں تیزی شامل ہیں۔

مارچ اور جون کے درمیان بھاری کمی کے بعد جولائی میں بڑے پیمانے کی اشیاء سازی (ایل ایس ایم) اشاریے میں پھر اضافہ ہوا۔ یہ اشاریہ 5 فیصد (سال بسال) کی شرح سے بڑھا۔ گاڑیوں کی فروخت، سپنٹ کی ترسیل، پیٹرولیم مصنوعات کی فروخت اور کچل کے خرچ سمیت بلند تعداد کے طلبی اظہار یوں سے بھی معاشی سرگرمی میں حوصلہ افزائی کی عکاسی ہوتی ہے۔ بہر کیف، مختلف صنعتوں میں معاشی بحالی کی صورت حال مختلف ہے۔ خاص طور پر میزبانی اور بعض خدمات کے شعبے پیچھے رہ گئے ہیں اور سرگرمی کی عمومی سطح کو رونما سے پہلے کے زمانے سے اب بھی کم ہے۔ آگے چل کر مالی سال 21ء میں نمونے کے بحال ہو کر 2 فیصد سے کچھ اوپر رہنے کا تخمینہ لگایا گیا ہے، جو گزشتہ سال 0.4- فیصد تک گر گئی تھی۔ توقع ہے کہ یہ بحالی زیادہ تر اشیاء سازی سے متعلق سرگرمیوں اور تعمیرات کی بنا پر ہوگی جنہیں عارضی معاشی ری فنانس سہولت سمیت اسٹیٹ بینک کی مختلف مالی پالیسیوں اور ہاؤسنگ اور تعمیرات کے شعبوں کے لیے حکومتی ترغیبات سے تقویت مل رہی ہے۔

مذکورہ بالا اقتصادي معاشی سست روی کے باوجود، بینک اپنی نمونہ کاروبار بحال برقرار رکھنے میں کامیاب رہا ہے اور 30 ستمبر 2020ء کو ختم ہونے والے نو ماہ کے عرصے کے دوران اس نے مندرجہ ذیل مالی نتائج حاصل کیے ہیں۔

مالیاتی نتائج	روپیہ بلین میں
قبل از ٹیکس منافع	10,011.928
ٹیکس	4,184.117
بعد از ٹیکس منافع	5,827.811
فی حصص منافع (روپیہ)	2.20

سال 2020ء کی پہلی نو ماہی کے دوران بینک نامساعد معاشی صورتحال کے اثر کو زائل کرنے میں کامیاب رہا اور سرمایہ کاری کی حکمت عملی کے ذریعے خاطر خواہ کپیتل گین جمع ہوئے۔ بینک کی نان انٹرسٹ/مارک اپ آمدن 313 فیصد کے قابل ذکر اضافے کے ساتھ 11.56 ارب روپے ہو گئی جو کہ سال 2019ء کی پہلی نو ماہی کے دوران 2.80 ارب روپے تھی۔ جبکہ بینک کانٹینٹ انٹرسٹ مارجن 17.15 ارب روپے رہا۔ سال 2020ء کی پہلی نو ماہی کے دوران بینک نے %32 اضافہ کے ساتھ 15.87 ارب روپے کا قہل از پروویژن منافع کمایا جو کہ گزشتہ سال کی اسی مدت کے دوران 11.99 ارب روپے تھا۔ معاشی صورتحال کو مد نظر رکھتے ہوئے بینک نے لازمی پروویژن کے ساتھ قرضہ جات پر جہز ل پروویژن بھی کی ہے۔ لہذا بینک کا قہل از ٹیکس منافع 10.01 ارب روپے رہا جو کہ سال 2019ء کی پہلی نو ماہی کے دوران 10.52 ارب روپے تھا۔ بینک کی فی شخص آمدن 2.20 روپے فی شخص رہی۔

30 ستمبر 2020ء کو بینک کے اثاثہ جات 1,050.6 ارب روپے کی سطح پر رہے جو کہ 31 دسمبر 2019ء کو 868.9 ارب روپے تھے۔ بینک کے ڈیپازٹ 791.4 ارب روپے کی سطح پر پہنچ گئے جبکہ سرمایہ کاری اور قرضہ جات بالترتیب 555.1 ارب روپے اور 429.4 ارب روپے رہے۔ بینک کی ٹیڈون ایکویٹی 51.3 ارب روپے رہی جبکہ کپیتل ایکویٹی ریٹو (CAR) 17.18 فیصد کی انتہائی اطمینان بخش سطح پر رہی جو کہ 31 دسمبر 2019ء کی 14.80 فیصد تھی۔ اس طرح بینک ایک قابل ذکر مارجن کے ساتھ اسٹیٹ بینک آف پاکستان کی متعین کردہ CAR کی مطلوبہ سطح پوری کر چکا ہے۔

پاکستان کریڈٹ ریٹنگ ایجنسی نے بینک کو طویل مدت ریٹنگ "AA" دی ہے جبکہ مختصر مدت کے لیے "A1+" کی ریٹنگ بلند ترین سطح پر ہے۔ اس وقت بینک کی 624 آن لائن برانچز بشمول 100 تقویٰ اسلامی بینکنگ برانچز اور 17 سب برانچز ملک بھر میں موجود ہیں۔

میں اپنے معزز صارفین اور حصص داران کے مسلسل تعاون پر مشکور ہوں اور اس بات کا یقین دلاتا ہوں کہ ترقی کی موجودہ رفتار کو ان حالات میں بھی برقرار رکھا جائے گا۔ میں حکومت پنجاب اور اسٹیٹ بینک آف پاکستان کے تعاون اور معاونت کا تہ دل سے شکر گزار ہوں۔ میں بینک کی انتظامیہ اور تمام ملازمین کی انتھک محنت کا معترف ہوں جس کی وجہ سے بینک نے COVID-19 کی مشکل صورتحال میں صارفین کو بینکاری کی سہولیات فراہم کی ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

چیرمین







# Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	61,230,582	53,414,628
Balances with other banks	8	725,597	10,310,569
Lendings to financial institutions	9	6,470,000	4,059,771
Investments - net	10	555,113,960	361,452,930
Advances - net	11	378,721,593	383,313,380
Fixed assets	12	14,136,683	15,218,893
Intangible assets	13	747,683	793,285
Deferred tax assets - net	14	7,270,337	6,567,783
Other assets - net	15	26,166,810	33,796,541
		1,050,583,245	868,927,780
<b>LIABILITIES</b>			
Bills payable	17	4,083,336	3,421,083
Borrowings	18	157,185,038	77,044,955
Deposits and other accounts	19	791,410,196	691,017,447
Liabilities against assets subject to finance lease		-	-
Subordinated debts	20	6,793,060	8,794,420
Deferred tax liabilities		-	-
Other liabilities	21	39,811,586	41,967,541
		999,283,216	822,245,446
<b>NET ASSETS</b>		51,300,029	46,682,334
<b>REPRESENTED BY</b>			
Share capital - net		26,173,766	26,173,766
Reserves		6,640,276	6,640,276
Surplus on revaluation of assets - net of tax	22	6,055,784	5,371,207
Unappropriated profit		12,430,203	8,497,085
		51,300,029	46,682,334

## CONTINGENCIES AND COMMITMENTS

23

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

## Unconsolidated Condensed Interim Profit and Loss Account For the Nine Months Ended September 30, 2020 (Un-audited)

	Note	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Rupees in '000'					
Mark-up / return / interest earned	24	19,636,452	23,016,196	66,503,714	57,134,651
Mark-up / return / interest expensed	25	14,035,974	16,268,287	49,355,857	37,303,048
Net mark-up / interest income		5,600,478	6,747,909	17,147,857	19,831,603
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	26	976,472	931,574	2,788,075	2,606,590
Dividend income		27,719	17,400	92,007	75,221
Foreign exchange income / (loss)		31,533	(63,138)	237,370	(32,377)
Income / (loss) from derivatives		-	-	-	-
Gain on securities - net	27	3,534,938	74,605	8,300,254	108,523
Other income - net	28	99,286	3,430	144,036	43,488
Total non-markup / interest income		4,669,948	963,871	11,561,742	2,801,445
Total income		10,270,426	7,711,780	28,709,599	22,633,048
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	29	4,109,927	3,580,703	12,268,154	10,538,505
Workers welfare fund		107,243	-	268,981	-
Other charges	30	15,630	103,404	303,949	106,067
Total non-markup / interest expenses		4,232,800	3,684,107	12,841,084	10,644,572
Profit before provisions		6,037,626	4,027,673	15,868,515	11,988,476
Provisions and write offs - net	31	2,366,195	439,470	5,856,587	1,473,383
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		3,671,431	3,588,203	10,011,928	10,515,093
Taxation - net	32	1,493,082	1,417,157	4,184,117	4,334,984
<b>PROFIT AFTER TAXATION</b>		2,178,349	2,171,046	5,827,811	6,180,109
<b>Basic earnings per share - Rupees</b>	33	0.82	0.82	2.20	2.34
<b>Diluted earnings per share - Rupees</b>	34	0.82	0.82	2.20	2.34

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

# Unconsolidated Condensed Interim Statement of Comprehensive Income

## For the Nine Months Ended September 30, 2020 (Un-audited)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
	Rupees in '000'			
Profit after taxation for the period	2,178,349	2,171,046	5,827,811	6,180,109
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement loss on defined benefit obligations	-	-	-	-
Movement in surplus on revaluation of fixed / non-banking assets - net of tax	-	-	(9,167)	-
	-	-	(9,167)	-
	2,178,349	2,171,046	5,818,644	6,180,109
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(5,976,636)	1,432,003	778,997	664,035
<b>Total comprehensive income for the period</b>	<b>(3,798,287)</b>	<b>3,603,049</b>	<b>6,597,641</b>	<b>6,844,144</b>

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

# Unconsolidated Condensed Interim Statement of Changes in Equity

## For the Nine Months Ended September 30, 2020 (Un-audited)

	Rupees in '000'							Total	
	Share capital	Discount on issue of shares	Share capital - net	Share premium	Statutory reserve	Investments	Fixed / non banking assets		Unappropriated profit
<b>Balance as on January 01, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,775,530	(11,368)	3,271,681	3,295,643	37,720,291
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	684,035	-	6,180,109	6,180,109
Other comprehensive income	-	-	-	-	-	684,035	-	-	664,035
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	6,180,109	6,844,144
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(32,279)	32,279	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(12,797)	12,797	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(4,891)	5,083	192
<b>Transactions with owners recognized directly in equity:</b>									
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)
<b>Balance as on September 30, 2019</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,775,530	652,666	3,221,714	7,543,142	42,581,858
<b>Profit after taxation for the three months ended December 31, 2019</b>	-	-	-	-	-	1,574,248	495,543	2,069,420	2,069,420
Other comprehensive income / (loss)	-	-	-	-	-	1,574,248	-	(54,429)	2,015,392
Total comprehensive income for the three months ended December 31, 2019	-	-	-	-	-	1,574,248	495,543	2,013,991	4,083,782
Transfer to statutory reserve	-	-	-	-	1,649,706	-	-	(1,649,706)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(10,582)	10,582	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(4,262)	4,262	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(958,120)	574,814	16,684
<b>Balance as on December 31, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,426,236	2,226,914	3,144,293	8,497,085	46,682,334
Profit after taxation for the nine months ended September 30, 2020	-	-	-	-	-	778,997	(9,167)	5,827,811	5,827,811
Other comprehensive income / (loss)	-	-	-	-	-	-	-	769,530	769,530
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	778,997	(9,167)	5,827,811	6,597,641
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(49,903)	49,903	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(7,093)	7,093	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(12,139)	14,962	2,823
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(16,118)	16,118	-
<b>Transactions with owners recognized directly in equity:</b>									
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)
<b>Balance as on September 30, 2020</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,426,236	3,005,911	3,049,873	12,430,203	51,300,029

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

## Unconsolidated Condensed Interim Cash Flow Statement For the Nine Months Ended September 30, 2020 (Un-audited)

		Nine Months Ended	
	Note	September 30, 2020	September 30, 2019
		Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		10,011,928	10,515,093
Less: Dividend income		(92,007)	(75,221)
		9,919,921	10,439,872
Adjustments:			
Depreciation on fixed assets	29	876,096	778,258
Depreciation on non banking assets acquired in satisfaction of claims	29	44,481	55,546
Depreciation on ijarah assets under IFAS - 2	29	123,416	194,849
Depreciation on right of use assets	29	645,725	607,092
Amortization on intangible assets	29	146,565	128,190
Amortization of discount on debt securities - net		(2,685,487)	(1,345,623)
Mark-up on lease liability against right of use assets	25	672,168	544,920
Unrealized loss / (gain) on revaluation of investments classified as held for trading	27	23,537	(25,466)
Provision and write-offs - net	31	5,856,587	1,473,383
Loss on termination of lease liability against right of use assets	28	1,453	-
Gain on sale of fixed assets - net	28	(103,539)	(34,180)
Gain on sale of non banking assets - net	28	(32,467)	(67)
Gain on securities - net	27	(8,323,791)	(83,057)
Provision for employees compensated absences		10,424	7,843
Provision for gratuity		118,016	86,094
		(2,626,816)	2,387,782
		7,293,105	12,827,654
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(2,410,229)	23,794,817
Held for trading securities		(1,796,504)	17,985,265
Advances - net		(709,358)	8,971,273
Others assets - net		5,727,623	(1,887,767)
		811,532	48,863,588
Increase / (Decrease) in operating liabilities:			
Bills Payable		662,253	(326,689)
Borrowings from financial institutions		80,186,169	72,883,918
Deposits		100,392,749	44,942,683
Other liabilities		(2,393,110)	671,573
		178,848,061	118,171,485
Income tax paid		(3,789,788)	(2,889,535)
<b>Net cash generated from operating activities</b>		<b>183,162,910</b>	<b>176,973,192</b>

	Nine Months Ended	
	September 30, 2020	September 30, 2019
	Rupees in '000'	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(180,071,279)	(121,325,378)
Net investments in held to maturity securities	-	(46,879,496)
Dividends received	89,813	71,921
Investments in fixed assets	(694,578)	(622,877)
Investments in intangible assets	(100,963)	(67,375)
Proceeds from sale of fixed assets	646,667	35,122
Proceeds from sale of non banking assets	81,698	63,612
<b>Net cash used in investing activities</b>	<b>(180,048,642)</b>	<b>(168,724,471)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated debts	(2,001,360)	(1,360)
Dividend paid	(1,982,769)	(1,982,769)
Payment - lease liability against right of use assets	(853,071)	-
<b>Net cash used in financing activities</b>	<b>(4,837,200)</b>	<b>(1,984,129)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(1,722,932)</b>	<b>6,264,592</b>
Cash and cash equivalents at beginning of the period	63,586,009	49,180,556
Cash and cash equivalents at end of the period	61,863,077	55,445,148
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	61,230,582	46,318,475
Balances with other banks	725,597	9,126,968
Overdrawn nostro accounts	(93,102)	(295)
	61,863,077	55,445,148

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2020 (Un-audited)

## 1. STATUS AND NATURE OF BUSINESS

The Bank of Punjab (the Bank) was constituted in Pakistan pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. The Bank has 624 branches including 17 sub branches and 100 Islamic banking branches (December 31, 2019: 624 branches including 17 sub branches and 100 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir (AJK) at the period end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

## 2. BASIS OF PRESENTATION

In accordance with the directives of the Government of Pakistan regarding conversion 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 marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

These unconsolidated condensed interim financial statements are separate financial statements of the Bank in which the investment in subsidiaries is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee. Consolidated condensed interim financial statements of the Group are being issued separately.

The financial results of Islamic Banking business have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 39 of these unconsolidated condensed interim financial statements.

### 2.1 Statement of compliance

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

- Directives issued by the SBP and the Securities Exchange Commission of Pakistan (SECP).
- Requirements of The Bank of Punjab Act, 1989;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017.

Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 differ with the requirements of these IFRS or IFAS, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 take precedence.

2.1.2 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on SBP BPRD Circular Letter No. 05 of 2019 and IAS 34 "Interim Financial Reporting".

Accordingly, these unconsolidated condensed interim financial statements do not include all the information and disclosures required for annual unconsolidated financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2019.

**2.1.3** SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.

**2.1.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFFS). The standard will result in certain new disclosures in these unconsolidated condensed interim financial statements of the Bank.

**2.1.5 New accounting standards/ amendments and IFRS interpretations that are effective for the current period:**

During the period, certain amendments to standards, interpretations and improvements to accounting standards became effective, however the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

**2.1.6 New accounting standards and IFRS interpretations that are not yet effective:**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than IFRS 9.

The SBP vide BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial Instruments' as January 01, 2021. IFRS 9, 'Financial Instruments' has replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard 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 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

**Standard or Interpretations**

**Effective date (accounting periods beginning on or after)**

IFRS 9	Financial instruments	January 01, 2021
IFRS 17	Insurance contracts	January 01, 2023

**3. BASIS OF MEASUREMENT**

**3.1** These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and right of use assets, lease liability and certain staff retirement benefits at present value.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

## 6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual unconsolidated financial statements of the Bank for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months of 2020, affecting the earnings and cash flows of businesses.

The SBP has also responded to the crisis by reducing the policy rate by 225 basis points to 11% in March 2020, 200 basis points to 9% on April 16, 2020, 100 basis points to 8% on May 15, 2020 and by another 100 basis points to 7% on June 25, 2020. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing banks to defer borrower's principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of Covid-19.
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of COVID-19.

COVID-19 is likely to impact banks in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, since significant number of Bank's staff was working from home, there is increased operational risk in respect of business operations including enhanced cyber-security threat as increased number of customers are diverting to meet their banking needs through the digital channels.

### 6.1 Credit risk management and asset quality

The risk management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19 pandemic situation. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk. The Bank's management has created a buffer against unforeseen loan losses and to preserve the quality of the credit portfolio. The Bank is continuously assessing the situation as it develops and is in the process of accounting for the same in its loan loss provision.

In light of above stated circumstances and on account of foreseeable changes in regulatory regime with respect to provisioning requirement, the management considers it appropriate to create a general provision of 0.5 % on funded credit portfolio, excluding Government guaranteed exposure and exposure secured against cash and equivalents, to mitigate any adverse impact on equity, performance and related regulatory compliance.

Accordingly, a general provision of Rs. 1,516,070 thousand has been recognized in these unconsolidated condensed interim financial statements.

## 6.2 Liquidity risk management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

## 6.3 Equity risk management

There is no significant impact of COVID-19 on the listed equity securities of the Bank classified as available-for-sale. The carrying amount of the Bank's investment in listed equity securities classified as available-for-sale, amounting to Rs. 3,415,314 thousand as at September 30, 2020. Impairment against these securities has already been recognized in the unconsolidated condensed interim financial statements, as applicable in accordance with SBP circular. The Bank has obtained relief of Rs. 45,045 thousand during the quarter on account of deferral of impairment.

## 6.4 Operational risk management

The Bank is closely monitoring the situation and has invoked required actions to ensure the Health and safety of Bank staff alongside uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can avail the services from its digital/online channels also.

The Bank staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Bank continues to meet the expectations of all stakeholders.

### Capital adequacy ratio (CAR)

In order to encourage banks to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand:		
Local currency	18,083,208	10,744,173
Foreign currencies	3,103,769	1,862,526
	21,186,977	12,606,699
With SBP in:		
Local currency current accounts	31,489,768	24,791,197
Foreign currency current accounts	482,193	531,902
Foreign currency deposit accounts	977,218	1,587,930
	32,949,179	26,911,029
With National Bank of Pakistan in:		
Local currency current account	7,076,482	13,526,747
Prize bonds	17,944	370,153
	61,230,582	53,414,628

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan :			
Current accounts		384,229	7,261,938
Deposit accounts		1,494	2,763,609
		385,723	10,025,547
Outside Pakistan:			
Current accounts		295,511	205,569
Deposit accounts		44,363	79,453
		339,874	285,022
		725,597	10,310,569
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	9.2	-	564,771
Placements	9.3	6,470,000	3,495,000
		6,470,000	4,059,771
<b>9.1 Particulars of lending</b>			
In local currency		6,470,000	4,059,771
In foreign currencies		-	-
		6,470,000	4,059,771

## 9.2 Securities held as collateral against repurchase agreement lendings (reverse repo)

	(Un-audited) September 30, 2020			(Audited) December 31, 2019		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	R u p e e s i n ' 0 0 0 '					
Pakistan investment bonds	-	-	-	564,771	-	564,771

Market value of securities held as collateral as at September 30, 2020 amounted to Rs. Nil (December 31, 2019: Rs. 564,464 thousand). These carry mark-up at rate Nil (December 31, 2019: 13.75% per annum).

- 9.3 These carry profit rates ranging from 6.25% to 7.00% per annum (December 31, 2019: 11.00% to 13.75% per annum) with maturities upto January 25, 2021.

## 10. INVESTMENTS - NET

### 10.1 Investments by type:

	Note	(Un-audited) September 30, 2020				(Audited) December 31, 2019			
		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
<b>R u p e e s i n ' 0 0 0 '</b>									
<b>Held-for-trading securities</b>									
Federal government securities	10.1.1	11,541,143	-	(109)	11,541,034	9,896,210	-	(1,710)	9,894,500
Ordinary shares		213,155	-	(23,428)	189,727	65,836	-	(2,497)	63,339
		11,754,298	-	(23,537)	11,730,761	9,962,046	-	(4,207)	9,957,839
<b>Available-for-sale securities</b>									
Federal government securities	10.1.1 & 10.2	459,450,448	-	4,681,326	464,131,774	279,471,832	-	3,305,176	282,777,008
Shares and certificates		5,072,391	(1,302,074)	52,989	3,823,306	2,605,974	(1,169,906)	119,326	1,555,394
Non government debt securities		17,782,131	(2,543,731)	(109,836)	15,128,564	9,755,954	(2,360,803)	1,519	7,396,671
Foreign securities		4,019	-	-	4,019	4,019	-	-	4,019
		482,308,989	(3,845,805)	4,624,479	483,087,663	291,837,779	(3,530,709)	3,426,021	291,733,091
<b>Held-to-maturity securities</b>									
Federal government securities	10.1.1 & 10.4	60,295,536	-	-	60,295,536	59,762,000	-	-	59,762,000
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		60,295,936	(400)	-	60,295,536	59,762,400	(400)	-	59,762,000
<b>Subsidiaries</b>		164,945	(164,945)	-	-	164,945	(164,945)	-	-
<b>Total investments</b>		554,524,168	(4,011,150)	4,600,942	555,113,960	361,727,170	(3,696,054)	3,421,815	361,452,930

10.1.1 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.1.2 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
<b>Rupees in '000'</b>		
<b>10.2 Investments given as collateral</b>		
Pakistan investment bonds	8,746,912	41,022,618
Market treasury bills	108,042,050	11,378,650
	116,788,962	52,401,268
<b>10.3 Provision for diminution in value of investments</b>		
10.3.1 Opening balance	3,696,054	3,393,101
Charge / reversals:		
Charge for the period / year	390,951	404,485
Reversals for the period / year	-	-
	390,951	404,485
Reversal on disposal during the period / year	(75,855)	(101,532)
Closing balance	4,011,150	3,696,054

### 10.3.2 Particulars of provision against debt securities

Category of classification	(Un-audited) September 30, 2020		(Audited) December 31, 2019	
	NPI	Provision	NPI	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	308,606	125,678
Loss	2,544,131	2,544,131	2,235,525	2,235,525
<b>Total</b>	<b>2,544,131</b>	<b>2,544,131</b>	<b>2,544,131</b>	<b>2,361,203</b>

The benefit of Forced Sale Value (FSV) of collateral against non-performing investments is allowed by SBP vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing investments by Rs. Nil (December 31, 2019: Rs 28,625 thousand). The FSV benefit availed is not available for cash or stock dividend.

10.4 Market value of held to maturity investments amounted to Rs. 70,125,637 thousand (December 31, 2019: Rs. 64,466,364 thousand).

### 11. ADVANCES - NET

	Performing		Non Performing		Total	
	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'						
Loans, cash credits, running finances, etc.	327,763,758	319,953,398	56,091,228	51,027,036	383,854,986	370,980,434
Net book value of assets in ijarah under IFAS 2 - In Pakistan	1,801,935	1,522,428	215,000	215,000	2,016,935	1,737,428
Islamic financing and related assets	25,944,116	25,688,577	2,628,820	90,734	28,572,936	25,779,311
Bills discounted and purchased	14,956,517	30,318,260	30,522	30,521	14,987,039	30,348,781
<b>Advances - gross</b>	<b>370,466,326</b>	<b>377,482,663</b>	<b>58,965,570</b>	<b>51,363,291</b>	<b>429,431,896</b>	<b>428,845,954</b>
Provision against advances:						
- Specific	-	-	(48,770,831)	(45,119,933)	(48,770,831)	(45,119,933)
- General	(1,939,472)	(412,641)	-	-	(1,939,472)	(412,641)
	(1,939,472)	(412,641)	(48,770,831)	(45,119,933)	(50,710,303)	(45,532,574)
<b>Advances - net of provision</b>	<b>368,526,854</b>	<b>377,070,022</b>	<b>10,194,739</b>	<b>6,243,358</b>	<b>378,721,593</b>	<b>383,313,380</b>

11.1 Particulars of advances (gross)	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
In local currency	429,251,460	428,085,025
In foreign currencies	180,436	760,929
	<b>429,431,896</b>	<b>428,845,954</b>

11.2 Advances include Rs. 58,965,570 thousand (December 31, 2019: Rs. 51,363,291 thousand) which have been placed under non-performing status as detailed below:

	(Un-audited) September 30, 2020		(Audited) December 31, 2019	
	Non performing loans	Provision	Non performing loans	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	240,748	6,985	185,320	9,079
Substandard	6,345,448	1,249,062	1,131,078	139,457
Doubtful	8,536,490	5,893,737	8,204,461	4,808,487
Loss	43,842,884	41,621,047	41,842,432	40,162,910
<b>Total</b>	<b>58,965,570</b>	<b>48,770,831</b>	<b>51,363,291</b>	<b>45,119,933</b>

### 11.3 Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	45,119,933	412,641	45,532,574	43,530,419	348,299	43,878,718
Charge for the period / year	4,235,544	1,526,831	5,762,375	3,790,075	64,342	3,854,417
Reversals for the period / year	(584,646)	-	(584,646)	(2,199,509)	-	(2,199,509)
Amounts written off	3,650,898	1,526,831	5,177,729	1,590,566	64,342	1,654,908
	-	-	-	(1,052)	-	(1,052)
Closing balance	48,770,831	1,939,472	50,710,303	45,119,933	412,641	45,532,574

#### 11.3.1 Particulars of provision against advances with respect to currencies

In local currency	48,706,030	1,939,472	50,645,502	45,055,132	412,641	45,467,773
In foreign currencies	64,801	-	64,801	64,801	-	64,801
	48,770,831	1,939,472	50,710,303	45,119,933	412,641	45,532,574

11.3.2 This includes general provision recognized during the period as explained in note 6.1 of these unconsolidated condensed interim financial statements and provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

11.3.3 The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 3,120,927 thousand (December 31, 2019: Rs 2,527,122 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	130,615	192,270
Right of use assets		5,984,603	6,342,167
Property and equipment		8,021,465	8,684,456
		14,136,683	15,218,893
<b>12.1 Capital work-in-progress</b>			
Civil works		130,615	192,270

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>12.2 Additions / (transfers) to fixed assets</b>		
The following additions / (transfers) have been made to fixed assets during the period:		
<b>Capital work-in-progress</b>	(61,655)	(83,315)
<b>Addition to right of use assets / impact of adoption of IFRS - 16</b>	366,832	6,289,682
<b>Property and equipment:</b>		
Building on freehold land	-	99,693
Furniture and fixture	30,987	50,360
Office equipment	92,627	202,722
Computer equipment	332,113	77,027
Lease hold improvements	233,052	242,731
Vehicles	67,454	33,659
	756,233	706,192
	1,061,410	6,912,559

<b>12.3 Termination of right of use assets</b>	76,671	-
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<b>12.4 Disposal of property and equipment:</b>		
The net book value of property and equipment disposed off during the period is as follows:		
Freehold land	440,860	-
Building on freehold land	93,858	-
Furniture and fixture	1,611	352
Office equipment	5,343	590
Computer equipment	1,456	-
	543,128	942

Gross carrying amount of vehicles disposed off during the period was Rs. 34,559 thousand (September 30, 2019: Rs. 43,307 thousand).

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>13. INTANGIBLE ASSETS</b>		
Intangible in progress	194,183	126,421
Softwares	553,500	666,864
	747,683	793,285

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>13.1 Additions to intangible assets</b>		
The following additions have been made to intangible assets during the period:		
Intangible in progress	67,762	38,059
Intangible assets purchased	33,201	29,316
	100,963	67,375

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note	Rupees in '000'	
<b>14. DEFERRED TAX ASSETS - NET</b>		
Deductible temporary differences on :		
Right of use assets	294,718	129,797
Provision against advances, off balance sheet etc.	9,636,391	8,763,726
	9,931,109	8,893,523
Taxable temporary differences on:		
Surplus on revaluation of fixed assets	(687,802)	(717,498)
Accelerated tax depreciation	(256,366)	(306,240)
Surplus on revaluation of investments	(1,618,568)	(1,199,107)
Surplus on revaluation of non banking assets	(98,036)	(102,895)
	(2,660,772)	(2,325,740)
	7,270,337	6,567,783
<b>15. OTHER ASSETS - NET</b>		
Income / mark-up accrued in local currency	12,159,650	19,788,030
Income / mark-up accrued in foreign currency	4,119	3,786
Profit paid in advance on pehlay munafa scheme	837	321
Advances, deposits, advance rent and other prepayments	734,537	474,409
Advance taxation (payments less provisions)	286,818	1,799,299
Non-banking assets acquired in satisfaction of claims	7,190,989	7,257,669
Acceptances	4,553,517	2,913,345
Branch adjustment account	76,258	180,250
Stock of stationery	197,918	147,340
Suspense account	7,184	5,387
Zakat recoverable from NITL	36,790	36,790
Unrealized gain on revaluation of foreign bills and trade loans	76,073	37,999
Fraud and forgeries	476,326	193,559
Unearned income on sale of sukuk on bai-muajjal basis	425,528	691,120
Others	694,208	700,998
	26,920,752	34,230,302
Less: Provision held against other assets	15.1 (2,050,390)	(1,767,448)
Other assets (net of provision)	24,870,362	32,462,854
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	1,296,448	1,333,687
Other assets - total	26,166,810	33,796,541
<b>15.1 Provision held against other assets</b>		
Advances, deposits, advance rent & other prepayments	35,723	35,723
Non banking assets acquired in satisfaction of claims	1,198,555	1,198,555
Zakat recoverable from NITL	36,790	36,790
Fraud and forgeries	472,458	190,122
Others	306,864	306,258
	2,050,390	1,767,448



	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'		
<b>16. CONTINGENT ASSETS</b>		
Contingent assets	Nil	Nil
<b>17. BILLS PAYABLE</b>		
In Pakistan	4,083,336	3,421,083
Outside Pakistan	-	-
	4,083,336	3,421,083
<b>18. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP under:		
Export refinance scheme (ERF)	19,992,497	16,701,300
Long term financing facility (LTFF)	10,214,054	7,839,710
Finance facility for storage of agricultural produce (FFSAP)	62,237	37,048
Finance facility for renewable energy performance platform (REPP)	1,850,972	2,011,143
Refinancing facility for payment of salaries and wages	6,971,426	-
Refinancing facility for modernization of small and medium enterprises (SMES)	52,861	-
	39,144,047	26,589,201
Repurchase agreement borrowings	52,657,850	11,374,535
Call borrowings	64,790,039	38,942,031
Borrowing from Pakistan Mortgage Refinance Company Limited	500,000	-
<b>Total secured</b>	157,091,936	76,905,767
<b>Unsecured</b>		
Overdrawn nostro accounts	93,102	139,188
	157,185,038	77,044,955

## 19. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000'						
<b>Customers:</b>						
Current deposits	135,657,457	3,192,183	138,849,640	128,760,062	2,777,676	131,537,738
Savings deposits	368,649,292	2,687,352	371,336,644	328,444,179	2,683,909	331,128,088
Term deposits	256,809,382	3,364,742	260,174,124	198,611,751	3,210,224	201,821,975
Others	16,800,074	-	16,800,074	16,222,707	-	16,222,707
	777,916,205	9,244,277	787,160,482	672,038,699	8,671,809	680,710,508
<b>Financial institutions:</b>						
Current deposits	1,222,980	444,087	1,667,067	5,068,904	550,472	5,619,376
Savings deposits	1,549,157	24,030	1,573,187	3,295,307	209	3,295,516
Term deposits	689,375	-	689,375	405,000	864,050	1,269,050
Others	320,085	-	320,085	122,997	-	122,997
	3,781,597	468,117	4,249,714	8,892,208	1,414,731	10,306,939
	781,697,802	9,712,394	791,410,196	680,930,907	10,086,540	691,017,447

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>20. SUBORDINATED DEBTS</b>			
Loan from GoPb	20.1	-	2,000,000
Privately placed term finance certificates - I	20.2	2,496,500	2,497,000
Privately placed term finance certificates - II	20.3	4,296,560	4,297,420
		6,793,060	8,794,420

### 20.1 Loan from GoPb

During the period, the Bank exercised call option for premature repayment and repaid Rs. 2,000,000 thousand to GoPB. Accordingly, the total liability against GoPb subordinated loan stands fully settled. The salient features of the loan were as follows:

Tenor:	07 Years.
Issue date	December 31, 2014
Maturity date	December 30, 2021
Rating	Unrated
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis)
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

### 20.2 Privately placed term finance certificates - I

The Bank has issued rated, unsecured and subordinated term finance certificates under section 120 of the Companies Ordinance, 1984, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date; and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013; with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 2,500,000 thousand
Issue date:	December 23, 2016
Maturity date:	December 22, 2026
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.

Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 100 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

### 20.3 Privately placed term finance certificates - II

The Bank has issued rated, unsecured and subordinated term finance certificates under section 66 of the Companies Act, 2017, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013 with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 4,300,000 thousand
Issue date:	April 23, 2018
Maturity date:	April 23, 2028
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 125 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>21. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		13,755,428	16,670,871
Mark-up / return / interest payable in foreign currency		47,961	82,589
Lease key money		11,410,175	12,541,675
Sundry creditors and accrued expenses		979,923	708,533
Acceptances		4,553,517	2,913,345
Mark-up payable on subordinated debts		238,326	130,626
Unclaimed dividends		2,588	2,588
Mark to market loss on forward foreign exchange contracts		44,804	155,671
Payable to gratuity fund		118,014	211,782
Gratuity payable		53,145	53,145
Provision against off-balance sheet obligations	21.1	62,183	62,183
Provision for employees compensated absences		119,947	111,612
Taxes / zakat / import fee payable		323,107	372,905
Lease liability against right of use assets		6,826,653	6,717,938
Deferred income on sale of sukuk on bai - muajjal basis		425,528	691,120
Workers welfare fund		553,942	284,961
Others		296,345	255,997
		39,811,586	41,967,541
<b>21.1 Provision against off-balance sheet obligations</b>		62,183	62,183

The above provision has been made against letters of guarantee issued by the Bank.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation of:			
- Available for sale securities	10.1	4,624,479	3,426,021
- Fixed assets		2,539,263	2,630,999
- Non-banking assets acquired in satisfaction of claims	15	1,296,448	1,333,687
		8,460,190	7,390,707
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(1,618,568)	(1,199,107)
- Fixed assets		(687,802)	(717,498)
- Non-banking assets acquired in satisfaction of claims		(98,036)	(102,895)
		(2,404,406)	(2,019,500)
		6,055,784	5,371,207

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	64,055,104	57,676,022
Commitments	23.2	130,326,221	137,405,985
Other contingent liabilities	23.3	171,711	142,633
		194,553,036	195,224,640
<b>23.1 Guarantees:</b>			
Financial guarantees		18,629,104	18,399,059
Performance guarantees		17,901,202	16,411,708
Other guarantees		27,524,798	22,865,255
		64,055,104	57,676,022
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		73,380,737	60,718,682
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	29,445,575	53,180,523
- forward lending	23.2.2	27,456,734	23,449,998
Commitments in acquisition of:			
- fixed assets		19,098	50,934
- intangible assets		24,077	5,848
		130,326,221	137,405,985
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		16,451,771	28,416,586
Sale		12,993,804	24,763,937
		29,445,575	53,180,523
<b>23.2.2 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.2.1	27,456,734	23,449,998
<b>23.2.2.1</b>			
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition, the Bank makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.3 Other contingent liabilities</b>	23.3.1 & 23.3.2	171,711	142,633

**23.3.1** For the tax year 2007, the Income Tax Department concluded proceedings under section 161/205 and created a default of Rs. 8,975 thousand. The Bank filed appeal before CIR (A), however the same was not allowed. The Bank filed an appeal against the said order of CIR (A) with ATIR. The expected tax liability for the said year amounts to Rs. 8,975 thousand. However, the management of the Bank, as per opinion of its tax consultant, is confident that the decision for the aforementioned tax year will be decided in Bank's favor.

**23.3.2** The tax authorities of AJK made amendment under section 122(1) of for tax year 2013 to 2019 and created an additional demand of Rs. 162,736 thousands against which the Bank has filed an appeal before Commissioner (Appeals) AJK. The management of the Bank, as per opinion of its tax consultant, is confident that the decision for aforementioned tax years will be decided in Bank's favour.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.4 Claims against the Bank not acknowledged as debts</b>	23.4.1	53,723,496	53,806,237

**23.4.1** The amounts involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Un-audited) September 30, 2019
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances		31,043,153	33,462,610
On investments:			
Available for sale securities		27,819,977	17,931,590
Held for trading securities		888,890	2,044,545
Held to maturity securities		5,520,205	1,375,759
On lendings to financial institutions:			
Securities purchased under resale agreements		1,029,878	1,865,124
Certificates of investment			
Call lending		94	2,062
Letters of placement		160,762	353,883
On balances with banks		40,755	99,078
		66,503,714	57,134,651
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits and other accounts		41,364,983	32,569,674
Borrowings:			
Securities sold under repurchase agreements		2,137,836	1,176,753
Foreign placements		-	42,231
Call borrowings		4,008,731	1,845,261
SBP refinance borrowing		459,665	326,643
Subordinated debts:			
Mark-up on subordinated loan from GoPb		106,644	180,493
Mark-up on privately placed term finance certificates		605,830	617,073
Mark-up on lease liability against right of use assets		672,168	544,920
		49,355,857	37,303,048
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		370,394	435,899
Consumer finance related fees		168,498	161,499
Card related fees		441,467	387,072
Credit related fees		554,341	295,180
Branchless banking fees		63,877	50,538
Commission on trade		437,758	428,317
Commission on guarantees		173,136	110,668
Commission on cash management		120,296	145,033
Commission on remittances including home remittances		248,082	193,075
Commission on bancassurance		32,015	96,177
Commission on wheat financing		-	133,977
SMS banking income		178,211	169,155
		2,788,075	2,606,590
<b>27. GAIN ON SECURITIES - NET</b>			
Realized gain on sale of securities - net	27.1	8,323,791	83,057
Unrealized gain / (loss) - held for trading		(23,537)	25,466
		8,300,254	108,523

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>27.1 Realized gain on sale of securities - net:</b>		
Federal government	8,010,593	59,299
Shares and certificates	313,198	14,501
Term finance certificates	-	9,257
	8,323,791	83,057
<b>28. OTHER INCOME - NET</b>		
Rent on property	-	1,169
Gain on sale of fixed assets - net	103,539	34,180
Gain on sale of non banking assets - net	32,467	67
Loss on termination of lease liability against right of use assets	(1,453)	-
Notice pay on resignations	9,483	8,072
	144,036	43,488
<b>29. OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	6,598,911	5,353,537
<b>Property expense:</b>		
Rent and taxes	13,808	36,023
Insurance	12,806	14,282
Utilities cost	491,212	459,826
Security	940	911
Repair and maintenance including janitorial charges	29,832	12,455
Depreciation	448,884	396,789
Depreciation on right of use assets	645,725	607,092
Others	109	3,443
	1,643,316	1,530,821
<b>Information technology expenses:</b>		
Software maintenance	333,409	246,695
Hardware maintenance	70,271	79,810
Depreciation on computer equipment	203,948	167,564
Amortization on intangible assets	146,565	128,190
Network charges	280,064	236,015
	1,034,257	858,274
<b>Other operating expenses:</b>		
Directors' fees and allowances	29,388	6,368
Fees and allowances to shariah board	2,510	3,205
Legal and professional charges	83,212	71,660
Subscription charges	24,987	11,433
Outsourced staff services costs	244,231	179,258
Travelling and conveyance	402,824	419,497
NIFT clearing charges	52,225	43,045
Depreciation	223,264	213,905
Depreciation on non banking assets	44,481	55,546
Depreciation on ijarah assets	123,416	194,849
Training and development	11,548	16,391
Postage and courier charges	134,765	113,344
Stationery and printing	132,232	134,439



	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Un-audited) September 30, 2019
Marketing, advertisement and publicity		123,156	67,317
Donations	29.1	10,000	1,000
Insurance		105,239	97,324
Deposit protection fee		263,973	253,032
Repair and maintenance		113,052	122,793
Entertainment expenses		75,373	72,740
Fuel for generator		62,729	78,379
Commission and brokerage		183,542	98,587
Bank charges		33,568	65,540
SMS banking charges		15,298	30,041
ATM charges including ATM maintenance charges		105,338	96,244
Cash remittance charges		152,489	141,634
Branch license fee		13,652	13,060
CNIC verification / ECIB charges		42,492	59,999
COVID-19 related expenses		34,579	-
Miscellaneous expenses		148,107	135,243
		2,991,670	2,795,873
		12,268,154	10,538,505

**29.1** This represents donation paid to Akhuwat Corona Imdad Fund of Rs. 10,000 thousand (September 30, 2019: Institute of business Administration Rs. 1,000 thousand) in accordance with the approval of Board of Directors of the Bank. None of the directors had any interest in the donee, except for Mr. Dr. Amjad Saqib (Non Executive Director) is Founder / CEO in Akhuwat.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Un-audited) September 30, 2019
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		303,949	106,067
<b>31. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	10.3.1	390,951	256,270
Provisions against advances	11.3	5,177,729	1,096,755
Provision against other assets - net		287,907	120,358
		5,856,587	1,473,383
<b>32. TAXATION</b>			
Current	32.1	5,302,269	3,525,007
Prior years		-	250,348
Deferred		(1,118,152)	559,629
		4,184,117	4,334,984

- 32.1** This includes provision for super tax for the period in accordance with Income Tax Ordinance, 2001.

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
<b>33. BASIC EARNINGS PER SHARE</b>		
Profit after taxation for the period (Rs in '000')	5,827,811	6,180,109
Weighted average number of ordinary shares (No.)	2,643,692,380	2,643,692,380
Basic earnings per share (Rs).	2.20	2.34

**34. DILUTED EARNINGS PER SHARE**

There is no dilution effect on basic earnings per share.

**35. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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 these are either short-term in nature or, in the case of customer loans and deposits, are frequently reprised.

- 35.1** The Bank measures fair value 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 measurement using inputs other than quoted prices included within Level 1 that are observable for the asset 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 categorized:

September 30, 2020 (Un-audited)					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value:</b>					
Government securities	475,672,808	-	475,672,808	-	475,672,808
Shares and certificates	4,013,033	3,928,030	-	85,003	4,013,033
Non-Government debt securities	10,238,635	-	10,238,635	-	10,238,635
Foreign securities	4,019	-	-	4,019	4,019
Subsidiary company	-	-	-	-	-
<b>Financial assets disclosed but not measured at fair value:</b>					
Government securities	60,295,536	-	70,125,637	-	70,125,637
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	118,014	-	118,014	-	118,014
Provision for employees compensated absences	119,947	-	119,947	-	119,947
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	16,290,693	-	16,290,693	-	16,290,693
Forward sale of foreign exchange contracts	12,877,530	-	12,877,530	-	12,877,530

December 31, 2019 (Audited)					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	292,671,508	-	292,671,508	-	292,671,508
Shares and certificates	1,618,733	1,533,730	-	85,003	1,618,733
Non-Government debt securities	1,978,127	-	1,978,127	-	1,978,127
Foreign securities	4,019	-	-	4,019	4,019
Subsidiary Company	-	-	-	-	-
<b>Financial assets disclosed but not measured at fair value :</b>					
Government securities	59,762,000	-	64,466,364	-	64,466,364
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	211,782	-	211,782	-	211,782
Provision for employees compensated absences	111,612	-	111,612	-	111,612
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	27,819,676	-	27,819,676	-	27,819,676
Forward sale of foreign exchange contracts	24,322,698	-	24,322,698	-	24,322,698

### 35.2 Fair value of non financial assets

September 30, 2020 (Un-audited)					
Carrying value	Fair value			Total	
	Level 1	Level 2	Level 3		
Rupees in '000'					
<b>Non Financial assets measured at fair value:</b>					
Fixed assets (land & building)	5,213,944	-	5,213,944	-	5,213,944
Non banking assets acquired in satisfaction of claims	7,288,882	-	7,288,882	-	7,288,882
December 31, 2019 (Audited)					
Carrying value	Fair value			Total	
	Level 1	Level 2	Level 3		
Rupees in '000'					
<b>Non Financial assets measured at fair value:</b>					
Fixed assets (land & building)	5,906,710	-	5,906,710	-	5,906,710
Non banking assets acquired in satisfaction of claims	7,392,801	-	7,392,801	-	7,392,801

## 36. SEGMENT INFORMATION

### 36.1 Segment details with respect to business activities

(Un-audited) September 30, 2020							
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	23,501,900	-	4,818,934	33,884,805	4,004,951	293,124	66,503,714
Inter segment revenue - net	(19,611,925)	52,230,580	(3,269,306)	(27,625,643)	(56,926)	(1,666,780)	-
Non mark-up / return / interest income	434,498	1,129,359	153,404	9,637,077	66,630	140,774	11,561,742
<b>Total income</b>	<b>4,324,473</b>	<b>53,359,939</b>	<b>1,703,032</b>	<b>15,896,239</b>	<b>4,014,655</b>	<b>(1,232,882)</b>	<b>78,065,456</b>
Segment total expenses	706,748	45,920,086	652,402	6,410,413	3,207,419	5,299,873	62,196,941
<b>Profit before provisions and tax</b>	<b>3,617,725</b>	<b>7,439,853</b>	<b>1,050,630</b>	<b>9,485,826</b>	<b>807,236</b>	<b>(6,532,755)</b>	<b>15,868,515</b>
Provisions	4,241,680	285,888	524,602	390,951	410,601	2,865	5,856,587
<b>Profit / (loss) before tax</b>	<b>(623,955)</b>	<b>7,153,965</b>	<b>526,028</b>	<b>9,094,875</b>	<b>396,635</b>	<b>(6,535,620)</b>	<b>10,011,928</b>
<b>Balance sheet</b>							
Cash & bank balances	-	30,540,439	-	26,585,560	4,830,180	-	61,956,179
Investments - net	2,492,080	-	-	537,319,388	15,302,492	-	555,113,960
Net inter segment lending	-	718,228,399	-	-	1,047,104	32,274,818	751,550,321
Lendings to financial institutions	-	-	-	-	6,470,000	-	6,470,000
Advances - performing	288,219,226	-	46,619,291	-	27,746,051	5,942,286	368,526,854
Advances - non-performing - net	6,388,631	-	1,609,673	-	2,188,865	7,570	10,194,739
Others	11,341,329	5,932,614	804,724	2,980,216	4,081,566	23,181,064	48,321,513
<b>Total assets</b>	<b>308,441,266</b>	<b>754,701,452</b>	<b>49,033,688</b>	<b>566,885,164</b>	<b>61,666,258</b>	<b>61,405,738</b>	<b>1,802,133,566</b>
Borrowings	39,072,143	-	500,000	117,540,991	71,904	-	157,185,038
Subordinated debts	-	-	-	-	-	6,793,060	6,793,060
Deposits & other accounts	-	736,855,195	-	-	54,555,001	-	791,410,196
Net inter segment borrowing	266,109,782	-	36,998,465	448,442,074	-	-	751,550,321
Others	4,553,517	17,846,257	11,535,222	902,099	3,045,557	6,012,270	43,894,922
<b>Total liabilities</b>	<b>309,735,442</b>	<b>754,701,452</b>	<b>49,033,687</b>	<b>566,885,164</b>	<b>57,672,462</b>	<b>12,805,330</b>	<b>1,750,833,537</b>
Equity	-	-	-	-	-	-	51,300,029
<b>Total equity &amp; liabilities</b>							<b>1,802,133,566</b>
<b>Contingencies &amp; commitments</b>	<b>145,130,986</b>	<b>-</b>	<b>8,120,731</b>	<b>29,445,575</b>	<b>11,640,858</b>	<b>214,886</b>	<b>194,553,036</b>

(Un-audited) September 30, 2019							
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	26,784,786	-	4,683,845	22,281,048	3,274,431	110,541	57,134,651
Inter segment revenue - net	(20,874,535)	45,026,753	(3,764,688)	(18,210,829)	(9,205)	(2,167,496)	-
Non mark-up / return / interest income	558,487	856,270	117,715	1,170,371	57,101	41,501	2,801,445
<b>Total income</b>	<b>6,468,738</b>	<b>45,883,023</b>	<b>1,036,872</b>	<b>5,240,590</b>	<b>3,322,327</b>	<b>(2,015,454)</b>	<b>59,936,096</b>
Segment total expenses	737,938	36,915,138	112,019	3,158,335	2,536,349	4,487,841	47,947,620
<b>Profit before provisions and tax</b>	<b>5,730,800</b>	<b>8,967,885</b>	<b>924,853</b>	<b>2,082,255</b>	<b>785,978</b>	<b>(6,503,295)</b>	<b>11,988,476</b>
Provisions	1,067,304	66,503	91,034	193,431	13,506	41,605	1,473,383
<b>Profit / (loss) before tax</b>	<b>4,663,496</b>	<b>8,901,382</b>	<b>833,819</b>	<b>1,888,824</b>	<b>772,472</b>	<b>(6,544,900)</b>	<b>10,515,093</b>

(Audited) December 31, 2019							
<b>Balance sheet</b>							
Cash & bank balances	-	36,534,123	-	20,093,277	7,097,797	-	63,725,197
Investments - net	2,569,293	-	-	349,947,441	8,936,196	-	361,452,930
Net inter segment lending	-	625,626,216	-	-	2,342,604	24,456,858	652,425,678
Lendings to financial institutions	-	-	-	664,771	3,395,000	-	4,059,771
Advances - performing	290,116,157	-	54,477,738	-	27,211,005	5,265,122	377,070,022
Advances - non-performing	5,302,696	-	862,781	-	59,967	17,914	6,243,358
Others	14,081,124	5,727,520	1,169,369	7,888,965	4,221,371	23,288,153	56,376,502
<b>Total assets</b>	<b>312,069,270</b>	<b>667,887,859</b>	<b>56,509,888</b>	<b>378,594,454</b>	<b>53,263,940</b>	<b>53,028,047</b>	<b>1,521,353,458</b>
Borrowings	26,589,201	-	-	50,455,754	-	-	77,044,955
Subordinated debts	-	-	-	-	-	8,794,420	8,794,420
Deposits & other accounts	-	644,928,438	-	-	46,089,009	-	691,017,447
Net inter segment borrowing	282,566,724	-	43,904,084	325,954,870	-	-	652,425,678
Others	2,913,345	22,959,421	12,605,804	2,183,830	3,419,840	1,306,384	45,388,624
<b>Total liabilities</b>	<b>312,069,270</b>	<b>667,887,859</b>	<b>56,509,888</b>	<b>378,594,454</b>	<b>49,508,849</b>	<b>10,100,804</b>	<b>1,474,671,124</b>
Equity							46,682,334
<b>Total equity &amp; liabilities</b>							<b>1,521,353,458</b>
<b>Contingencies &amp; commitments</b>	124,290,688	-	746,379	53,180,523	16,807,634	199,416	195,224,640

Due to change in reportable business segments, the figures of comparative period (September 30, 2019) are realigned for the purposes of comparison.

### 37. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	(Un-audited) September 30, 2020					(Audited) December 31, 2019				
	Directors	Key manage- ment personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties	Directors	Key manage- ment personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties
----- Rupees in '000' -----										
<b>Lendings to financial institutions :</b>										
Opening balance	-	-	400,000	-	-	-	-	400,000	-	-
Addition during the period	-	-	2,700,000	-	-	-	-	1,600,000	-	-
Repaid during the period	-	-	2,100,000	-	-	-	-	1,600,000	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>-</b>
<b>Investments (gross)</b>	<b>-</b>	<b>-</b>	<b>164,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,945</b>	<b>-</b>	<b>-</b>
Provision for diminution in value of investments	-	-	164,945	-	-	-	-	164,945	-	-
<b>Advances (gross):</b>										
Opening balance	-	311,603	1,258,526	-	-	-	197,801	1,287,780	-	-
Addition during the period	-	48,456	2,802,884	-	4,690,263	-	223,695	1,300,324	-	-
Repaid during the period	-	193,965	3,289,931	-	3,895,517	-	109,893	1,329,578	-	-
<b>Closing balance</b>	<b>-</b>	<b>166,094</b>	<b>771,479</b>	<b>-</b>	<b>794,746</b>	<b>-</b>	<b>311,603</b>	<b>1,258,526</b>	<b>-</b>	<b>-</b>
Provision held against advances	-	-	59,935	-	-	-	-	56,301	-	-
<b>Financial guarantees</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000</b>	<b>-</b>	<b>-</b>
<b>Other assets - markup receivable</b>	<b>-</b>	<b>10,730</b>	<b>35,412</b>	<b>-</b>	<b>6,735</b>	<b>-</b>	<b>14,331</b>	<b>54,577</b>	<b>-</b>	<b>-</b>

	(Un-audited) September 30, 2020					(Audited) December 31, 2019				
	Directors	Key management personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties	Directors	Key management personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties
----- Rupees in '000' -----										
Right of use assets	-	-	-	-	67,018	-	-	-	-	93,381
Lease liability against right of use assets	-	-	-	-	19,365	-	-	-	-	38,502
<b>Deposits and other accounts:</b>										
Opening balance	61	13,746	1,588	2,564,910	876	651	37,858	19,999	2,398,389	7,753
Received during the period	4,347	399,069	2,965,995	950,924	53,649	3,036	530,706	1,474,110	1,148,293	85,894
Withdrawn during the period	3,815	394,674	2,961,021	443,720	53,059	3,626	554,818	1,492,521	981,772	92,771
Closing balance	593	18,161	6,562	3,072,114	1,466	61	13,746	1,588	2,564,910	876

	(Un-audited) September 30, 2020					(Un-audited) September 30, 2019				
	Directors	Key management personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties	Directors	Key management personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties
----- Rupees in '000' -----										
<b>Income:</b>										
Mark-up / return / interest earned	-	11,664	131,566	-	9,798	-	11,640	146,870	-	-
<b>Expense:</b>										
Mark-up / return / interest paid	19	1,314	-	194,841	68	28	1,103	-	220,566	960
Depreciation on right of use assets	-	-	-	-	3,651	-	-	-	-	3,860
Mark-up on lease liability against right of use assets	-	-	-	-	3,575	-	-	-	-	3,548
Compensation expense	-	168,198	-	-	-	-	233,517	-	-	-
Commission expense	-	-	834	-	-	-	-	36	-	-
<b>Provision:</b>										
Charge of provision - investment	-	-	-	-	-	-	-	1,698	-	-
Charge of provision - advances	-	-	3,634	-	-	-	-	8,256	-	-

**37.1** Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**37.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank. The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 45,441,324 thousand (December 31, 2019: Rs. 43,767,706 thousand), Rs. 409,996,398 thousand (December 31, 2019: Rs. 357,426,911 thousand) and Rs. 27,845,703 thousand (December 31, 2019: Rs. 29,655,042 thousand) respectively.

During the period, the Bank incurred markup expense of Rs. 106,644 thousand (September 30, 2019: Rs. 180,493 thousand) on subordinated debt of Rs. 2,000,000 thousand received from GoPb. Further, the subordinated loan received from GoPb amounting to Rs. 2,000,000 thousand has also been fully repaid by the Bank.

**37.3** The Bank made contribution of Rs. 180,505 thousand (September 30, 2019: Rs. 134,008 thousand) to employees provident fund during the period.

**37.4** First Punjab Modaraba and Punjab Modaraba Services (Pvt) Limited are using owned premises of The Bank of Punjab free of cost.

**37.5** Advances to employees as at September 30, 2020, other than key management personnel, amounted to Rs. 6,428,998 thousand (December 31, 2019: Rs. 5,494,198 thousand) with markup receivable of Rs 529,562 thousand (December 31, 2019: Rs 514,567 thousand).

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'		
<b>38. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	28,388,806	28,388,806
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	41,086,252	37,926,403
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	41,086,252	37,926,403
Eligible Tier 2 Capital	13,585,950	11,742,487
Total Eligible Capital (Tier 1 + Tier 2)	54,672,202	49,668,890
Risk Weighted Assets (RWAs):		
Credit risk	265,782,049	286,447,542
Market risk	6,745,263	3,381,838
Operational risk	45,712,499	45,712,499
Total	318,239,811	335,541,879
Common equity tier I capital adequacy ratio	12.91%	11.30%
Tier I CAR (%)	12.91%	11.30%
Total CAR (%)	17.18%	14.80%
<b>38.1 Leverage Ratio (LR):</b>		
Eligible Tier-I Capital	41,086,252	37,926,403
Total exposures	1,244,333,258	1,063,176,213
LR (%)	3.30%	3.57%
<b>38.2 Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	492,824,685	346,077,837
Total net cash outflow	377,069,393	293,511,879
LCR (%)	130.70%	117.91%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	543,647,106	474,402,901
Total required stable funding	434,769,858	441,990,495
NSFR (%)	125.04%	107.33%

### 39. ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the September 30, 2020, the Bank is operating 98 Islamic banking branches and 02 sub Islamic banking branches (December 31, 2019: 98 Islamic banking branches and 02 sub Islamic banking branches).

## STATEMENT OF FINANCIAL POSITION As At September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		4,627,565	3,742,675
Balances with other banks		202,615	3,355,122
Due from financial institutions	39.1	6,470,000	3,395,000
Investments - net	39.2	15,302,492	8,936,196
Islamic financing and related assets - net	39.3	29,934,916	27,270,972
Fixed assets		1,616,554	1,757,599
Intangible assets		4,311	4,428
Due from head office		1,047,104	2,342,604
Other assets		2,460,701	2,459,344
<b>Total assets</b>		<b>61,666,258</b>	<b>53,263,940</b>
<b>LIABILITIES</b>			
Bills payable		252,001	250,213
Due to financial institutions		71,904	-
Deposits and other accounts	39.4	54,555,001	46,089,009
Due to head office		-	-
Subordinated debt		-	-
Other liabilities		2,793,556	3,169,627
		57,672,462	49,508,849
<b>NET ASSETS</b>		<b>3,993,796</b>	<b>3,755,091</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,500,000	1,500,000
Reserves		6,826	32,768
(Deficit) / Surplus on revaluation of assets		(64,289)	67,698
Unappropriated profit	39.5	2,551,259	2,154,625
		3,993,796	3,755,091
<b>CONTINGENCIES AND COMMITMENTS</b>	39.6		



## ISLAMIC BANKING BUSINESS

### Profit and Loss Account

For the Nine Months Ended September 30, 2020 (Un-audited)

		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
	Note	Rupees in '000'			
Profit / return earned	39.7	1,241,984	1,208,235	4,004,951	3,274,431
Profit / return expensed	39.8	533,770	612,152	2,034,957	1,498,216
Net profit / return		708,214	596,083	1,969,994	1,776,215
Fee and commission income		21,208	17,059	61,725	54,868
Dividend income		-	-	-	-
Foreign exchange income		60	45	1,748	884
Income / (loss) from derivatives		-	-	-	-
Loss on securities		-	-	-	(634)
Other income		2,449	421	3,157	1,983
		23,717	17,525	66,630	57,101
Total income		731,931	613,608	2,036,624	1,833,316
Other expenses					
Operating expenses		428,000	357,586	1,229,239	1,046,643
Workers welfare fund		-	-	-	-
Other charges		130	-	150	695
		428,130	357,586	1,229,389	1,047,338
Profit before provisions		303,801	256,022	807,235	785,978
Provisions and write offs - net		223,222	-	410,601	13,506
Profit before taxation		80,579	256,022	396,634	772,472

### 39.1 DUE FROM FINANCIAL INSTITUTIONS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Placements	6,470,000	-	6,470,000	3,395,000	-	3,395,000

### 39.2 INVESTMENTS - NET

	(Un-audited) September 30, 2020				(Audited) December 31, 2019			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	Rupees in '000'							
<b>Investments by segment:</b>								
Federal government securities:								
- Ijarah sukuk	-	-	-	-	1,985,749	-	(5,749)	1,980,000
- Sale of sukuk- bai muajjal	3,005,216	-	55	3,005,271	2,756,196	-	-	2,756,196
	3,005,216	-	55	3,005,271	4,741,945	-	(5,749)	4,736,196
Non government debt securities								
- Sukuks	8,537,789	-	(137,790)	8,399,999	-	-	-	-
- Unlisted	3,897,222	-	-	3,897,222	4,200,000	-	-	4,200,000
	12,435,011	-	(137,790)	12,297,221	4,200,000	-	-	4,200,000
<b>Total investments</b>	<b>15,440,227</b>	<b>-</b>	<b>(137,735)</b>	<b>15,302,492</b>	<b>8,941,945</b>	<b>-</b>	<b>(5,749)</b>	<b>8,936,196</b>

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
Ijarah	2,016,935	1,737,428
Murabaha	627,555	1,272,740
Musharaka	6,747,782	10,684,948
Diminishing musharaka	17,869,013	10,599,650
Payment against documents	55,304	55,303
Istisna	3,273,282	3,166,670
<b>Gross islamic financing and related assets</b>	<b>30,589,871</b>	<b>27,516,739</b>
Less: provision against islamic financings		
- Specific	654,955	245,767
- General	-	-
	654,955	245,767
<b>Islamic financing and related assets - net of provision</b>	<b>29,934,916</b>	<b>27,270,972</b>

### 39.4 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
<b>Customers :</b>						
Current deposits	9,198,452	275,828	9,474,280	9,093,509	330,022	9,423,531
Savings deposits	42,219,525	73,174	42,292,699	33,025,303	98,310	33,123,613
Term deposits	1,184,828	-	1,184,828	1,092,240	-	1,092,240
Others	1,314,985	-	1,314,985	1,125,855	-	1,125,855
	53,917,790	349,002	54,266,792	44,336,907	428,332	44,765,239
<b>Financial institutions:</b>						
Current deposits	192,832	57	192,889	200,243	-	200,243
Savings deposits	77,388	17,932	95,320	1,122,998	-	1,122,998
Others	-	-	-	529	-	529
	270,220	17,989	288,209	1,323,770	-	1,323,770
	54,188,010	366,991	54,555,001	45,660,677	428,332	46,089,009

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>39.5 UNAPPROPRIATED PROFIT - ISLAMIC BANKING BUSINESS</b>		
Opening balance	2,154,625	869,194
Islamic banking profit for the period / year	396,634	1,285,431
Closing balance	2,551,259	2,154,625
<b>39.6 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	2,127,341	1,095,316
-Commitments	9,513,517	15,712,318
	11,640,858	16,807,634
	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>39.7 PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT</b>		
Profit earned on:		
Financing	2,622,378	2,140,539
Investments	1,217,047	792,775
Placements	152,831	318,494
Deposits with financial institutions	12,695	22,623
	4,004,951	3,274,431
<b>39.8 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	1,845,597	1,394,001
Markup on lease liability against right of use assets	132,434	95,010
Profit on deposits from conventional head office	56,926	9,205
	2,034,957	1,498,216

**39.9** During the period, Special Pool XVI (SP-XVI) has been created. The main characteristics of the pool are as under:

- i) Profit sharing ratio between Mudarib and Rab-ul-mal is 20:80.
- ii) Profit equalization reserve upto 2% of net income will be created, if needed.
- iii) Investment risk reserve upto 1% of distributable profit of depositors will be created, if needed.

**40. DATE OF AUTHORIZATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorized for issue on October 28, 2020 by the Board of Directors of the Bank.

**41. GENERAL**

**41.1** Figures have been rounded off to the nearest thousand rupees.

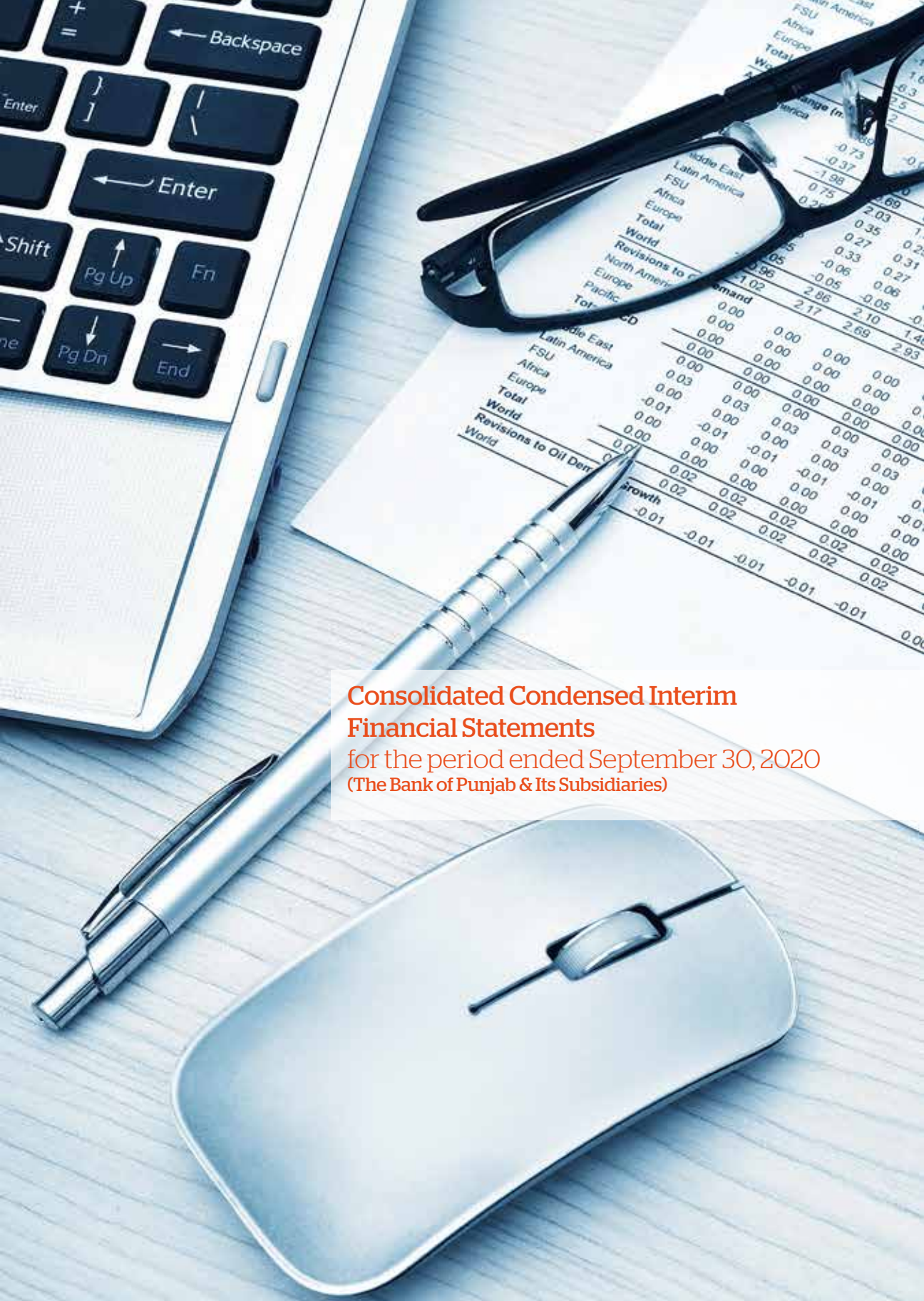
**41.2** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President

\_\_\_\_\_  
Director





**Consolidated Condensed Interim  
Financial Statements**  
for the period ended September 30, 2020  
(The Bank of Punjab & Its Subsidiaries)

# Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	61,230,583	53,414,645
Balances with other banks	8	841,911	10,374,371
Lendings to financial institutions	9	5,470,000	3,959,771
Investments - net	10	555,128,852	361,467,822
Advances - net	11	379,519,421	383,646,616
Fixed assets	12	14,140,982	15,223,601
Intangible assets	13	754,823	800,425
Deferred tax assets - net	14	7,334,736	6,632,182
Other assets - net	15	26,590,873	34,162,404
		1,051,012,181	869,681,837
<b>LIABILITIES</b>			
Bills payable	17	4,083,336	3,421,083
Borrowings	18	157,199,244	77,358,612
Deposits and other accounts	19	791,403,633	691,015,859
Liabilities against assets subject to finance lease		-	-
Subordinated debts	20	6,793,060	8,794,420
Deferred tax liabilities		-	-
Other liabilities	21	40,106,931	42,225,055
		999,586,204	822,815,029
<b>NET ASSETS</b>		51,425,977	46,866,808
<b>REPRESENTED BY</b>			
Share capital - net		26,173,766	26,173,766
Reserves		6,725,228	6,725,228
Surplus on revaluation of assets - net of tax	22	6,055,784	5,371,207
Non Controlling Interest		490,783	445,331
Unappropriated profit		11,980,416	8,151,276
		51,425,977	46,866,808
<b>CONTINGENCIES AND COMMITMENTS</b>		23	

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director

## Consolidated Condensed Interim Profit and Loss Account For the Nine Months Ended September 30, 2020 (Un-audited)

	Note	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Rupees in '000'					
Mark-up / return / interest earned	24	19,636,158	23,026,003	66,475,776	57,187,813
Mark-up / return / interest expensed	25	14,045,815	16,268,922	49,358,427	37,302,709
Net mark-up / interest income		5,590,343	6,757,081	17,117,349	19,885,104
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	26	982,028	934,942	2,809,920	2,622,496
Dividend income		27,719	17,400	92,007	75,221
Foreign exchange income / (loss)		31,533	(63,138)	237,370	(32,377)
Income / (loss) from derivatives		-	-	-	-
Gain on securities - net	27	3,534,938	74,605	8,300,254	108,523
Other income - net	28	100,490	3,828	145,319	47,580
Total non-markup / interest income		4,676,708	967,637	11,584,870	2,821,443
Total income		10,267,051	7,724,718	28,702,219	22,706,547
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	29	4,124,931	3,610,704	12,314,041	10,636,686
Workers welfare fund		107,243	-	268,981	-
Other charges	30	15,630	103,404	303,949	106,067
Total non-markup / interest expenses		4,247,804	3,714,108	12,886,971	10,742,753
Profit before provisions		6,019,247	4,010,610	15,815,248	11,963,794
Provisions and write offs - net	31	2,375,230	435,187	5,862,016	1,455,918
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		3,644,017	3,575,423	9,953,232	10,507,876
Taxation - net	32	1,493,179	1,416,719	4,183,947	4,335,128
<b>PROFIT AFTER TAXATION</b>		2,150,838	2,158,704	5,769,285	6,172,748
<b>Basic earnings per share - Rupees</b>	33	0.81	0.81	2.18	2.33
<b>Diluted earnings per share - Rupees</b>	34	0.81	0.81	2.18	2.33
<b>PROFIT ATTRIBUTABLE TO:</b>					
Equity holders of the parent		2,147,357	2,132,297	5,723,833	6,090,287
Non-controlling interest		3,481	26,407	45,452	82,461
		2,150,838	2,158,704	5,769,285	6,172,748

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director



# Consolidated Condensed Interim Statement of Comprehensive Income

## For the Nine Months Ended September 30, 2020 (Un-audited)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
	Rupees in '000'			
Profit after taxation for the period	2,150,838	2,158,704	5,769,285	6,172,748
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement loss on defined benefit obligations	-	-	-	-
Movement in surplus on revaluation of fixed / non-banking assets - net of tax	-	-	(9,167)	-
	-	-	(9,167)	-
	2,150,838	2,158,704	5,760,118	6,172,748
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	(5,976,636)	1,432,003	778,997	664,035
<b>Total comprehensive income for the period</b>	<b>(3,825,798)</b>	<b>3,590,707</b>	<b>6,539,115</b>	<b>6,836,783</b>

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President

Director

## Consolidated Condensed Interim Statement of Changes in Equity For the Nine Months Ended September 30, 2020 (Un-audited)

	Rupees in '000'							Total		
	Share capital	Discount on issue of shares	Share capital - net	Share premium	Statutory reserve	Investments	Fixed / non banking assets		Unappropriated profit	Non-controlling interest
<b>Balance as on January 01, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,859,890	(11,369)	3,271,691	3,038,684	328,052	37,875,744
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	684,035	-	6,090,287	82,461	6,172,748
Other comprehensive income	-	-	-	-	-	684,035	-	-	-	684,035
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	684,035	-	6,090,287	82,461	6,836,783
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(32,279)	32,279	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(12,797)	12,797	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(4,891)	5,083	-	192
<b>Transactions with owners recognized directly in equity:</b>										
Final cash dividend - December 31, 2018 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
<b>Balance as on September 30, 2019</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,859,890	652,666	3,221,714	7,196,361	410,513	42,729,950
Profit after taxation for the three months ended December 31, 2019	-	-	-	-	-	-	-	2,069,984	34,818	2,104,802
Other comprehensive income / (loss)	-	-	-	-	-	1,574,248	495,543	(54,429)	-	2,015,362
Total comprehensive income for the three months ended December 31, 2019	-	-	-	-	-	1,574,248	495,543	2,015,555	34,818	4,120,164
Transfer to statutory reserve	-	-	-	-	1,650,298	-	-	(1,650,298)	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(10,582)	10,582	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(4,262)	4,262	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(558,126)	574,814	-	16,684
<b>Balance as on December 31, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,510,188	2,226,914	3,144,293	8,151,276	445,331	46,866,808
Profit after taxation for the nine months ended September 30, 2020	-	-	-	-	-	-	-	5,723,833	45,452	5,769,285
Other comprehensive income / (loss)	-	-	-	-	-	778,997	(9,167)	-	-	769,830
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	-	-	778,997	(9,167)	5,723,833	45,452	6,539,115
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(49,903)	49,903	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(7,093)	7,093	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(12,139)	14,962	-	2,823
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(16,115)	16,115	-	-
<b>Transactions with owners recognized directly in equity:</b>										
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
<b>Balance as on September 30, 2020</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,510,188	3,005,911	3,049,873	11,980,416	490,783	51,425,977

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director

## Consolidated Condensed Interim Cash Flow Statement For the Nine Months Ended September 30, 2020 (Un-audited)

		Nine Months Ended	
	Note	September 30, 2020	September 30, 2019
		Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		9,953,232	10,507,876
Less: Dividend income		(92,007)	(75,221)
		9,861,225	10,432,655
Adjustments:			
Depreciation on fixed assets	29	877,638	787,499
Depreciation on non banking assets acquired in satisfaction of claims	29	44,481	55,546
Depreciation on ijarah assets under IFAS - 2	29	123,416	239,179
Depreciation on right of use assets	29	645,725	607,092
Amortization on intangible assets	29	146,565	128,190
Amortization of discount on debt securities - net		(2,685,487)	(1,345,623)
Mark-up on lease liability against right of use assets	25	672,168	544,920
Unrealized loss / (gain) on revaluation of investments classified as held for trading	27	23,537	(25,466)
Provision and write-offs - net	31	5,862,016	1,455,918
Loss on termination of lease liability against right of use assets	28	1,453	-
Gain on sale of fixed assets - net	28	(104,822)	(38,272)
Gain on sale of non banking assets - net	28	(32,467)	(67)
Gain on securities - net	27	(8,323,791)	(83,057)
Provision for employees compensated absences		10,424	7,843
Provision for gratuity		118,016	86,094
		(2,621,128)	2,419,796
		7,240,097	12,852,451
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(1,510,229)	23,794,817
Held for trading securities		(1,796,504)	17,985,265
Advances - net		(1,179,379)	9,013,767
Others assets - net		5,669,423	(1,946,997)
		1,183,311	48,846,852
Increase / (Decrease) in operating liabilities:			
Bills Payable		662,253	(326,689)
Borrowings from financial institutions		79,886,718	72,879,398
Deposits		100,387,774	44,957,551
Other liabilities		(2,355,279)	708,994
		178,581,466	118,219,254
Income tax paid		(3,789,618)	(2,886,345)
<b>Net cash generated from operating activities</b>		<b>183,215,256</b>	<b>177,032,212</b>

	<b>Nine Months Ended</b>	
	<b>September 30, 2020</b>	<b>September 30, 2019</b>
	<b>Rupees in '000'</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(180,071,279)	(121,325,378)
Net investments in held to maturity securities	-	(46,879,496)
Dividends received	89,813	71,921
Investments in fixed assets	(695,711)	(631,457)
Investments in intangible assets	(100,963)	(67,640)
Proceeds from sale of fixed assets	647,950	39,214
Proceeds from sale of non banking assets	81,698	63,612
<b>Net cash used in investing activities</b>	<b>(180,048,492)</b>	<b>(168,729,224)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated debts	(2,001,360)	(1,360)
Dividend paid	(1,982,769)	(1,982,769)
Payment - lease liability against right of use assets	(853,071)	-
<b>Net cash used in financing activities</b>	<b>(4,837,200)</b>	<b>(1,984,129)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(1,670,436)</b>	<b>6,318,859</b>
Cash and cash equivalents at beginning of the period	63,649,828	49,216,809
Cash and cash equivalents at end of the period	61,979,392	55,535,668
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	61,230,583	46,318,715
Balances with other banks	841,911	9,217,248
Overdrawn nostro accounts	(93,102)	(295)
	61,979,392	55,535,668

The annexed notes 1 to 41 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President

Director

# Notes to the Consolidated Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2020 (Un-audited)

## 1. STATUS AND NATURE OF BUSINESS

The Bank of Punjab Group (“the Group”) comprises of The Bank of Punjab (“the Bank”) (“BOP”) (“the Parent”), Punjab Modaraba services (Private) Limited (“PMSL”) (the Management Company), First Punjab Modaraba (“FPM”) (“the Modaraba”), Punjab Capital Securities (Private) Limited (“PCSL”) (100% owned by First Punjab Modaraba). For the purpose of these financial statements, The Bank of Punjab and consolidated subsidiaries are referred to as the Group.

The Group consists of:

### 1.1 Parent

The Bank of Punjab

Subsidiary Companies	% age of holding-2020	% age of holding-2019
Punjab Modaraba services (Private) Limited	100.00%	100.00%
First Punjab Modaraba	39.16%	39.16%
Punjab Capital Securities (Private) Limited	39.16%	39.16%

The subsidiary company of the Group, Punjab Modaraba services (Private) Limited exercises control over First Punjab Modaraba, as its management company and also has a direct economic interest in it. Further, Punjab Capital Securities (Private) Limited is a 100% subsidiary of FPM. The Group has consolidated the financial statements of the modaraba and PCSL as the ultimate parent. The Group is principally engaged in commercial banking, modaraba management, leasing, brokerage, etc. Brief profile of the Bank and subsidiaries is as follows:

The Bank of Punjab (the Bank) was constituted in Pakistan pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. The Bank has 624 branches including 17 sub branches and 100 Islamic banking branches (December 31, 2019: 624 branches including 17 sub branches and 100 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir (AJK) at the period end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

### Punjab Modaraba Services (Private) Limited

Punjab Modaraba services (Private) Limited was incorporated in Pakistan on October 19, 1991 under the Companies Ordinance, 1984 as a private limited company. It is wholly owned by The Bank of Punjab and is primarily engaged in the business of floating and managing Modarabas.

### First Punjab Modaraba

First Punjab Modaraba was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab). The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

### Punjab Capital Securities (Private) Limited

Punjab Capital Securities (Private) Limited is registered under the Companies Ordinance, 1984 as company limited by shares from the 29th day of November 2016. PCSL is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the company is situated at Room No 319, 3rd Floor, LSE Building, Lahore. The Company is wholly-owned subsidiary of First Punjab Modaraba.

## 1.2 Basis of Consolidation

Subsidiaries are all entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent controls another entity. The Bank also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Bank's voting rights relative to the size and dispersion of holdings of other shareholders give the Bank the power to govern the financial and operating policies, etc.

The Group financial statements include the financial statements of the Bank and its subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The Financial Statements of the Bank and its subsidiaries are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Any contingent consideration to be transferred by the Bank is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill, if any, is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income statement. After initial recognition, it is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Bank ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss

## 2. BASIS OF PRESENTATION

These consolidated condensed interim financial statements are the consolidated financial statements of the Group in which investments in subsidiaries is accounted for on the basis of acquisition method. Standalone financial statements of the Bank and its subsidiaries are prepared separately.

In accordance with the directives of the Government of Pakistan regarding conversion 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 marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of Islamic Banking business have been consolidated in these consolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 39 of these consolidated condensed interim financial statements.

### 2.1 Statement of compliance

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

- Directives issued by the SBP and the Securities Exchange Commission of Pakistan (SECP).
- Requirements of The Bank of Punjab Act, 1989;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017.

Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 differ with the requirements of these IFRS or IFAS, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 take precedence.

**2.1.2** The disclosures made in these consolidated condensed interim financial statements have been limited based on SBP BPRD Circular Letter No. 05 of 2019 and IAS 34 "Interim Financial Reporting". Accordingly, these consolidated condensed interim financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019.

**2.1.3** SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements.

**2.1.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFS). The standard will result in certain new disclosures in these consolidated condensed interim financial statements of the Bank.

### 2.1.5 New accounting standards/ amendments and IFRS interpretations that are effective for the current period:

During the period, certain amendments to standards, interpretations and improvements to accounting standards became effective, however the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these consolidated condensed interim financial statements.

### 2.1.6 New accounting standards and IFRS interpretations that are not yet effective:

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than IFRS 9.

The SBP vide BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial Instruments' as January 01, 2021. IFRS 9, 'Financial Instruments' has replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard 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 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
IFRS 9	Financial instruments	January 01, 2021
IFRS 17	Insurance contracts	January 01, 2023

## 3. BASIS OF MEASUREMENT

- 3.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and right of use assets, lease liability and certain staff retirement benefits at present value.
- 3.2 These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

## 6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual consolidated financial statements of the Bank for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.



The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months of 2020, affecting the earnings and cash flows of businesses.

The SBP has also responded to the crisis by reducing the policy rate by 225 basis points to 11% in March 2020, 200 basis points to 9% on April 16, 2020, 100 basis points to 8% on May 15, 2020 and by another 100 basis points to 7% on June 25, 2020. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing banks to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of Covid-19.
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of COVID-19.

COVID-19 is likely to impact banks in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, since significant number of Bank's staff was working from home, there is increased operational risk in respect of business operations including enhanced cyber-security threat as increased number of customers are diverting to meet their banking needs through the digital channels.

## 6.1 Credit risk management and asset quality

The risk management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19 pandemic situation. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk. The Bank's management has created a buffer against unforeseen loan losses and to preserve the quality of the credit portfolio. The Bank is continuously assessing the situation as it develops and is in the process of accounting for the same in its loan loss provision.

In light of above stated circumstances and on account of foreseeable changes in regulatory regime with respect to provisioning requirement, the management considers it appropriate to create a general provision of 0.5 % on funded credit portfolio, excluding Government guaranteed exposure and exposure secured against cash and equivalents, to mitigate any adverse impact on equity, performance and related regulatory compliance.

Accordingly, a general provision of Rs. 1,516,070 thousand has been recognized in these consolidated condensed interim financial statements.

## 6.2 Liquidity risk management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

### 6.3 Equity risk management

There is no significant impact of COVID-19 on the listed equity securities of the Bank classified as available-for-sale. The carrying amount of the Bank's investment in listed equity securities classified as available-for-sale, amounting to Rs. 3,415,314 thousand as at September 30, 2020. Impairment against these securities has already been recognized in the unconsolidated condensed interim financial statements, as applicable in accordance with SBP circular. The Bank has obtained relief of Rs. 45,045 thousand during the quarter on account of deferral of impairment.

### 6.4 Operational risk management

The Bank is closely monitoring the situation and has invoked required actions to ensure the Health and safety of Bank staff alongside uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can avail the services from its digital/online channels also.

The Bank staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Bank continues to meet the expectations of all stakeholders.

#### Capital adequacy ratio (CAR)

In order to encourage banks to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand:		
Local currency	18,083,209	10,744,190
Foreign currencies	3,103,769	1,862,526
	21,186,978	12,606,716
With SBP in:		
Local currency current accounts	31,489,768	24,791,197
Foreign currency current accounts	482,193	531,902
Foreign currency deposit accounts	977,218	1,587,930
	32,949,179	26,911,029
With National Bank of Pakistan in:		
Local currency current account	7,076,482	13,526,747
Prize bonds	17,944	370,153
	61,230,583	53,414,645

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan :			
Current accounts		500,543	7,300,725
Deposit accounts		1,494	2,788,624
		502,037	10,089,349
Outside Pakistan:			
Current accounts		295,511	205,569
Deposit accounts		44,363	79,453
		339,874	285,022
		841,911	10,374,371
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	9.2	-	564,771
Placements	9.3	5,470,000	3,395,000
		5,470,000	3,959,771
<b>9.1 Particulars of lending</b>			
In local currency		5,470,000	3,959,771
In foreign currencies		-	-
		5,470,000	3,959,771

## 9.2 Securities held as collateral against repurchase agreement lendings (reverse repo)

	(Un-audited) September 30, 2020			(Audited) December 31, 2019		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	R u p e e s i n ' 0 0 0 '					
Pakistan investment bonds	-	-	-	564,771	-	564,771

Market value of securities held as collateral as at September 30, 2020 amounted to Rs. Nil (December 31, 2019: Rs. 564,464 thousand). These carry mark-up at rate Nil (December 31, 2019: 13.75% per annum).

- 9.3 These carry profit rates ranging from 6.25% to 7.00% per annum (December 31, 2019: 11.00% to 13.75% per annum) with maturities upto January 25, 2021.

## 10. INVESTMENTS - NET

### 10.1 Investments by type:

	Note	(Un-audited) September 30, 2020			(Audited) December 31, 2019			Carrying value	
		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)		
<b>R u p e e s i n ' 0 0 0 '</b>									
<b>Held-for-trading securities</b>									
Federal government securities	10.1.1	11,541,143	-	(109)	11,541,034	9,896,210	-	(1,710)	9,894,500
Ordinary shares		213,155	-	(23,428)	189,727	65,836	-	(2,497)	63,339
		11,754,298	-	(23,537)	11,730,761	9,962,046	-	(4,207)	9,957,839
<b>Available-for-sale securities</b>									
Federal government securities	10.1.1 & 10.2	459,450,448	-	4,681,326	464,131,774	279,471,832	-	3,305,176	282,777,008
Shares and certificates		5,087,283	(1,302,074)	52,989	3,838,198	2,620,866	(1,169,906)	119,326	1,570,286
Non government debt securities		17,782,131	(2,543,731)	(109,836)	15,128,564	9,755,954	(2,360,803)	1,519	7,396,671
Foreign securities		4,019	-	-	4,019	4,019	-	-	4,019
		482,323,881	(3,845,805)	4,624,479	483,102,555	291,852,671	(3,530,709)	3,426,021	291,747,983
<b>Held-to-maturity securities</b>									
Federal government securities	10.1.1 & 10.4	60,295,536	-	-	60,295,536	59,762,000	-	-	59,762,000
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		60,295,936	(400)	-	60,295,536	59,762,400	(400)	-	59,762,000
<b>Total investments</b>		<b>554,374,115</b>	<b>(3,846,205)</b>	<b>4,600,942</b>	<b>555,128,852</b>	<b>361,577,117</b>	<b>(3,531,109)</b>	<b>3,421,814</b>	<b>361,467,822</b>

10.1.1 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.1.2 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
<b>Rupees in '000'</b>		
<b>10.2 Investments given as collateral</b>		
Pakistan investment bonds	8,746,912	41,022,618
Market treasury bills	108,042,050	11,378,650
	<b>116,788,962</b>	<b>52,401,268</b>
<b>10.3 Provision for diminution in value of investments</b>		
<b>10.3.1</b> Opening balance	3,531,109	3,261,903
Charge / reversals:		
Charge for the period / year	390,951	370,738
Reversals for the period / year	-	-
	390,951	370,738
Reversal on disposal during the period / year	(75,855)	(101,532)
Closing balance	<b>3,846,205</b>	<b>3,531,109</b>

### 10.3.2 Particulars of provision against debt securities

Category of classification	(Un-audited) September 30, 2020		(Audited) December 31, 2019	
	NPI	Provision	NPI	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	308,606	125,678
Loss	2,544,131	2,544,131	2,235,525	2,235,525
<b>Total</b>	<b>2,544,131</b>	<b>2,544,131</b>	<b>2,544,131</b>	<b>2,361,203</b>

The benefit of Forced Sale Value (FSV) of collateral against non-performing investments is allowed by SBP vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing investments by Rs. Nil (December 31, 2019: Rs 28,625 thousand). The FSV benefit availed is not available for cash or stock dividend.

10.4 Market value of held to maturity investments amounted to Rs. 70,125,637 thousand (December 31, 2019: Rs. 64,466,364 thousand).

### 11. ADVANCES - NET

	Performing		Non Performing		Total	
	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'						
Loans, cash credits, running finances, etc.	328,561,586	320,238,315	56,314,979	51,293,677	384,876,565	371,531,992
Net book value of assets in Ijarah under IFAS 2 - In Pakistan	1,801,935	1,522,428	215,000	215,000	2,016,935	1,737,428
Islamic financing and related assets	25,944,116	25,688,577	2,628,820	90,734	28,572,936	25,779,311
Bills discounted and purchased	14,956,517	30,318,260	30,522	30,521	14,987,039	30,348,781
<b>Advances - gross</b>	<b>371,264,154</b>	<b>377,767,580</b>	<b>59,189,321</b>	<b>51,629,932</b>	<b>430,453,475</b>	<b>429,397,512</b>
Provision against advances:						
- Specific	-	-	(48,994,582)	(45,338,255)	(48,994,582)	(45,338,255)
- General	(1,939,472)	(412,641)	-	-	(1,939,472)	(412,641)
	<b>(1,939,472)</b>	<b>(412,641)</b>	<b>(48,994,582)</b>	<b>(45,338,255)</b>	<b>(50,934,054)</b>	<b>(45,750,896)</b>
<b>Advances - net of provision</b>	<b>369,324,682</b>	<b>377,354,939</b>	<b>10,194,739</b>	<b>6,291,677</b>	<b>379,519,421</b>	<b>383,646,616</b>

11.1 Particulars of advances (gross)	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
In local currency	430,273,039	428,636,583
In foreign currencies	180,436	760,929
	<b>430,453,475</b>	<b>429,397,512</b>

11.2 Advances include Rs. 59,189,321 thousand (December 31, 2019: Rs. 51,629,932 thousand) which have been placed under non-performing status as detailed below:

	(Un-audited) September 30, 2020		(Audited) December 31, 2019	
	Non performing loans	Provision	Non performing loans	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	240,748	6,985	185,320	9,079
Substandard	6,345,448	1,249,062	1,179,397	139,457
Doubtful	8,536,490	5,893,737	8,204,461	4,808,487
Loss	44,066,635	41,844,798	42,060,754	40,381,232
<b>Total</b>	<b>59,189,321</b>	<b>48,994,582</b>	<b>51,629,932</b>	<b>45,338,255</b>

### 11.3 Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	45,338,255	412,641	45,750,896	43,763,990	348,299	44,112,289
Charge for the period / year	4,240,973	1,526,831	5,767,804	3,774,826	64,342	3,839,168
Reversals for the period / year	(584,646)	-	(584,646)	(2,199,509)	-	(2,199,509)
Amounts written off	3,656,327	1,526,831	5,183,158	1,575,317	64,342	1,639,659
	-	-	-	(1,052)	-	(1,052)
Closing balance	48,994,582	1,939,472	50,934,054	45,338,255	412,641	45,750,896

#### 11.3.1 Particulars of provision against advances with respect to currencies

In local currency	48,929,781	1,939,472	50,869,253	45,273,454	412,641	45,686,095
In foreign currencies	64,801	-	64,801	64,801	-	64,801
	48,994,582	1,939,472	50,934,054	45,338,255	412,641	45,750,896

11.3.2 This includes general provision recognized during the period as explained in note 6.1 of these unconsolidated condensed interim financial statements and provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

11.3.3 The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 3,120,927 thousand (December 31, 2019: Rs 2,527,122 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	130,615	192,270
Right of use assets		5,984,603	6,342,167
Property and equipment		8,025,764	8,689,164
		14,140,982	15,223,601
<b>12.1 Capital work-in-progress</b>			
Civil works		130,615	192,270

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>12.2 Additions / (transfers) to fixed assets</b>		
The following additions / (transfers) have been made to fixed assets during the period:		
<b>Capital work-in-progress</b>	(61,655)	(83,315)
<b>Addition to right of use assets / impact of adoption of IFRS - 16</b>	366,832	6,289,682
<b>Property and equipment:</b>		
Building on freehold land	-	99,693
Furniture and fixture	32,120	50,360
Office equipment	92,627	211,302
Computer equipment	332,113	77,027
Lease hold improvements	233,052	242,731
Vehicles	67,454	33,659
	757,366	714,772
	1,062,543	6,921,139

<b>12.3 Termination of right of use assets</b>	78,671	-
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<b>12.4 Disposal of property and equipment:</b>		
The net book value of property and equipment disposed off during the period is as follows:		
Freehold land	440,860	-
Building on freehold land	93,858	-
Furniture and fixture	1,611	352
Office equipment	5,343	590
Computer equipment	1,456	-
Vehicles	-	-
	543,128	942

Gross carrying amount of vehicles disposed off during the period was Rs. 34,559 thousand (September 30, 2019: Rs. 43,307 thousand).

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>13. INTANGIBLE ASSETS</b>		
Intangible in progress	194,183	126,421
Softwares	560,640	674,004
	754,823	800,425

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>13.1 Additions to intangible assets</b>		
The following additions have been made to intangible assets during the period:		
Intangible in progress	67,762	38,059
Intangible assets purchased	33,201	29,581
	100,963	67,640

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'			
<b>14. DEFERRED TAX ASSETS - NET</b>			
Deductible temporary differences on :			
Right of use assets		294,718	129,797
Provision against advances, off balance sheet etc.		9,636,391	8,763,726
Business loss - Subsidiaries		64,399	64,399
		9,995,508	8,957,922
Taxable temporary differences on:			
Surplus on revaluation of fixed assets		(687,802)	(717,498)
Accelerated tax depreciation		(256,366)	(306,240)
Surplus on revaluation of investments		(1,618,568)	(1,199,107)
Surplus on revaluation of non banking assets		(98,036)	(102,895)
		(2,660,772)	(2,325,740)
		7,334,736	6,632,182
<b>15. OTHER ASSETS - NET</b>			
Income / mark-up accrued in local currency		12,444,779	20,059,765
Income / mark-up accrued in foreign currency		4,119	3,786
Profit paid in advance on pehlay munafa scheme		837	321
Advances, deposits, advance rent and other prepayments		864,375	610,934
Advance taxation (payments less provisions)		286,818	1,799,299
Non-banking assets acquired in satisfaction of claims		7,190,989	7,257,669
Acceptances		4,553,517	2,913,345
Branch adjustment account		76,258	180,250
Stock of stationery		197,918	147,340
Suspense account		7,184	5,387
Zakat recoverable from NITL		36,790	36,790
Unrealized gain on revaluation of foreign bills and trade loans		76,073	37,999
Fraud and forgeries		476,326	193,559
Unearned income on sale of sukuk on bai-muajjal basis		425,528	691,120
Others		703,304	658,601
		27,344,815	34,596,165
Less: Provision held against other assets	15.1	(2,050,390)	(1,767,448)
Other assets (net of provision)		25,294,425	32,828,717
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,296,448	1,333,687
Other assets - total		26,590,873	34,162,404
<b>15.1 Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		35,723	35,723
Non banking assets acquired in satisfaction of claims		1,198,555	1,198,555
Zakat recoverable from NITL		36,790	36,790
Fraud and forgeries		472,458	190,122
Others		306,864	306,258
		2,050,390	1,767,448



	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'		
<b>16. CONTINGENT ASSETS</b>		
Contingent assets	Nil	Nil
<b>17. BILLS PAYABLE</b>		
In Pakistan	4,083,336	3,421,083
Outside Pakistan	-	-
	4,083,336	3,421,083
<b>18. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP under:		
Export refinance scheme (ERF)	19,992,497	16,701,300
Long term financing facility (LTFF)	10,214,054	7,839,710
Finance facility for storage of agricultural produce (FFSAP)	62,237	37,048
Finance facility for renewable energy performance platform (REPP)	1,850,972	2,011,143
Refinancing facility for payment of salaries and wages	6,971,426	-
Refinancing facility for modernization of small and medium enterprises (SMES)	52,861	-
	39,144,047	26,589,201
Repurchase agreement borrowings	52,672,056	11,688,192
Call borrowings	64,790,039	38,942,031
Borrowing from Pakistan Mortgage Refinance Company Limited	500,000	-
<b>Total secured</b>	157,106,142	77,219,424
<b>Unsecured</b>		
Overdrawn nostro accounts	93,102	139,188
	157,199,244	77,358,612

## 19. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees in '000'						
<b>Customers:</b>						
Current deposits	135,657,457	3,192,183	138,849,640	128,760,062	2,777,676	131,537,738
Savings deposits	368,649,292	2,687,352	371,336,644	328,444,179	2,683,909	331,128,088
Term deposits	256,809,382	3,364,742	260,174,124	198,611,751	3,210,224	201,821,975
Others	16,800,074	-	16,800,074	16,222,707	-	16,222,707
	777,916,205	9,244,277	787,160,482	672,038,699	8,671,809	680,710,508
<b>Financial institutions:</b>						
Current deposits	1,222,980	444,087	1,667,067	5,068,904	550,472	5,619,376
Savings deposits	1,542,594	24,030	1,566,624	3,293,719	209	3,293,928
Term deposits	689,375	-	689,375	405,000	864,050	1,269,050
Others	320,085	-	320,085	122,997	-	122,997
	3,775,034	468,117	4,243,151	8,890,620	1,414,731	10,305,351
	781,691,239	9,712,394	791,403,633	680,929,319	10,086,540	691,015,859

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>20. SUBORDINATED DEBTS</b>			
Loan from GoPb	20.1	-	2,000,000
Privately placed term finance certificates - I	20.2	2,496,500	2,497,000
Privately placed term finance certificates - II	20.3	4,296,560	4,297,420
		6,793,060	8,794,420

### 20.1 Loan from GoPb

During the period, the Bank exercised call option for premature repayment and repaid Rs. 2,000,000 thousand to GoPB. Accordingly, the total liability against GoPb subordinated loan stands fully settled. The salient features of the loan were as follows:

Tenor:	07 Years.
Issue date	December 31, 2014
Maturity date	December 30, 2021
Rating	Unrated
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis)
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

### 20.2 Privately placed term finance certificates - I

The Bank has issued rated, unsecured and subordinated term finance certificates under section 120 of the Companies Ordinance, 1984, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date; and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013; with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 2,500,000 thousand
Issue date:	December 23, 2016
Maturity date:	December 22, 2026
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.

Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 100 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

### 20.3 Privately placed term finance certificates - II

The Bank has issued rated, unsecured and subordinated term finance certificates under section 66 of the Companies Act, 2017, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013 with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 4,300,000 thousand
Issue date:	April 23, 2018
Maturity date:	April 23, 2028
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 125 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>21. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		13,755,428	16,670,871
Mark-up / return / interest payable in foreign currency		47,961	82,589
Lease key money		11,410,175	12,541,675
Sundry creditors and accrued expenses		1,275,268	851,407
Acceptances		4,553,517	2,913,345
Mark-up payable on subordinated debts		238,326	130,626
Unclaimed dividends		2,588	2,588
Mark to market loss on forward foreign exchange contracts		44,804	155,671
Payable to gratuity fund		118,014	211,782
Gratuity payable		53,145	53,145
Provision against off-balance sheet obligations	21.1	62,183	62,183
Provision for employees compensated absences		119,947	111,612
Taxes / zakat / import fee payable		323,107	372,905
Lease liability against right of use assets		6,826,653	6,717,938
Deferred income on sale of sukuk on bai - muajjal basis		425,528	691,120
Workers welfare fund		553,942	286,007
Others		296,345	369,591
		40,106,931	42,225,055
<b>21.1 Provision against off-balance sheet obligations</b>		62,183	62,183

The above provision has been made against letters of guarantee issued by the Bank.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation of:			
- Available for sale securities	10.1	4,624,479	3,426,021
- Fixed assets		2,539,263	2,630,999
- Non-banking assets acquired in satisfaction of claims	15	1,296,448	1,333,687
		8,460,190	7,390,707
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(1,618,568)	(1,199,107)
- Fixed assets		(687,802)	(717,498)
- Non-banking assets acquired in satisfaction of claims		(98,036)	(102,895)
		(2,404,406)	(2,019,500)
		6,055,784	5,371,207

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	64,055,104	57,676,022
Commitments	23.2	130,326,221	137,405,985
Other contingent liabilities	23.3	171,711	142,633
		194,553,036	195,224,640
<b>23.1 Guarantees:</b>			
Financial guarantees		18,629,104	18,399,059
Performance guarantees		17,901,202	16,411,708
Other guarantees		27,524,798	22,865,255
		64,055,104	57,676,022
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		73,380,737	60,718,682
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	29,445,575	53,180,523
- forward lending	23.2.2	27,456,734	23,449,998
Commitments in acquisition of:			
- fixed assets		19,098	50,934
- intangible assets		24,077	5,848
		130,326,221	137,405,985
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		16,451,771	28,416,586
Sale		12,993,804	24,763,937
		29,445,575	53,180,523
<b>23.2.2 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.2.1	27,456,734	23,449,998
<b>23.2.2.1</b>			

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. In addition, the Bank makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.3 Other contingent liabilities</b>	23.3.1 & 23.3.2	171,711	142,633

**23.3.1** For the tax year 2007, the Income Tax Department concluded proceedings under section 161/205 and created a default of Rs. 8,975 thousand. The Bank filed appeal before CIR (A), however the same was not allowed. The Bank filed an appeal against the said order of CIR (A) with ATIR. The expected tax liability for the said year amounts to Rs. 8,975 thousand. However, the management of the Bank, as per opinion of its tax consultant, is confident that the decision for the aforementioned tax year will be decided in Bank's favor.

**23.3.2** The tax authorities of AJK made amendment under section 122(1) of for tax year 2013 to 2019 and created an additional demand of Rs. 162,736 thousands against which the Bank has filed an appeal before Commissioner (Appeals) AJK. The management of the Bank, as per opinion of its tax consultant, is confident that the decision for aforementioned tax years will be decided in Bank's favour.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.4 Claims against the Bank not acknowledged as debts</b>	23.4.1	53,723,496	53,806,237

**23.4.1** The amounts involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

	Note	(Un-audited) September 30, 2020 Rupees in '000'	(Un-audited) September 30, 2019
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances		31,015,215	33,515,772
On investments:			
Available for sale securities		27,819,977	17,931,590
Held for trading securities		888,890	2,044,545
Held to maturity securities		5,520,205	1,375,759
On lendings to financial institutions:			
Securities purchased under resale agreements		1,029,878	1,865,124
Call lending		94	2,062
Letters of placement		160,762	353,883
On balances with banks		40,755	99,078
		66,475,776	57,187,813
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits and other accounts		41,367,553	32,569,683
Borrowings:			
Securities sold under repurchase agreements		2,137,836	1,176,753
Foreign placements		-	42,231
Call borrowings		4,008,731	1,844,913
SBP refinance borrowing		459,665	326,643
Subordinated debts:			
Mark-up on subordinated loan from GoPb		106,644	180,493
Mark-up on privately placed term finance certificates		605,830	617,073
Mark-up on lease liability against right of use assets		672,168	544,920
		49,358,427	37,302,709
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		382,333	435,899
Consumer finance related fees		168,498	174,465
Card related fees		441,467	387,072
Credit related fees		564,247	295,180
Branchless banking fees		63,877	50,538
Commission on trade		437,758	428,317
Commission on guarantees		173,136	110,668
Commission on cash management		120,296	147,973
Commission on remittances including home remittances		248,082	193,075
Commission on bancassurance		32,015	96,177
Commission on wheat financing		-	133,977
SMS banking income		178,211	169,155
		2,809,920	2,622,496
<b>27. GAIN ON SECURITIES - NET</b>			
Realized gain on sale of securities - net	27.1	8,323,791	83,057
Unrealized gain / (loss) - held for trading		(23,537)	25,466
		8,300,254	108,523

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>27.1 Realized gain on sale of securities - net:</b>		
Federal government	8,010,593	59,299
Shares and certificates	313,198	14,501
Term finance certificates	-	9,257
	8,323,791	83,057
<b>28. OTHER INCOME - NET</b>		
Rent on property	-	1,169
Gain on sale of fixed assets - net	104,822	38,272
Gain on sale of non banking assets - net	32,467	67
Loss on termination of lease liability against right of use assets	(1,453)	-
Notice pay on resignations	9,483	8,072
	145,319	47,580
<b>29. OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	6,636,211	5,388,418
<b>Property expense:</b>		
Rent and taxes	13,830	36,433
Insurance	12,806	14,282
Utilities cost	492,274	461,039
Security	940	911
Repair and maintenance including janitorial charges	29,832	12,455
Depreciation	449,798	396,789
Depreciation on right of use assets	645,725	607,092
Others	109	3,443
	1,645,314	1,532,444
<b>Information technology expenses:</b>		
Software maintenance	333,409	246,695
Hardware maintenance	70,271	79,810
Depreciation on computer equipment	203,948	167,564
Amortization on intangible assets	146,565	128,190
Network charges	280,064	236,015
	1,034,257	858,274
<b>Other operating expenses:</b>		
Directors' fees and allowances	29,388	6,368
Fees and allowances to shariah board	2,510	3,205
Legal and professional charges	85,257	72,650
Subscription charges	25,838	13,394
Outsourced staff services costs	244,231	179,258
Travelling and conveyance	403,076	419,816
NIFT clearing charges	52,225	43,045
Depreciation	223,892	223,146
Depreciation on non banking assets	44,481	55,546
Depreciation on ijarah assets	123,416	239,179
Training and development	11,548	16,391
Postage and courier charges	134,765	113,481
Stationery and printing	132,758	134,910



	Note	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
Rupees in '000'			
Marketing, advertisement and publicity		123,518	68,347
Donations	29.1	10,000	1,000
Insurance		105,986	97,469
Deposit protection fee		263,973	253,032
Repair and maintenance		113,052	123,583
Entertainment expenses		75,732	73,692
Fuel for generator		62,729	78,407
Commission and brokerage		184,017	99,104
Bank charges		33,568	65,540
SMS banking charges		15,298	30,041
ATM charges including ATM maintenance charges		105,338	96,244
Cash remittance charges		152,489	141,634
Branch license fee		13,652	13,060
CNIC verification / ECIB charges		42,492	59,999
COVID-19 related expenses		34,579	-
Miscellaneous expenses		148,451	136,009
		2,998,259	2,857,550
		12,314,041	10,636,686

**29.1** This represents donation paid to Akhuwat Corona Imdad Fund of Rs. 10,000 thousand (September 30, 2019: Institute of business Administration Rs. 1,000 thousand) in accordance with the approval of Board of Directors of the Bank. None of the directors had any interest in the donee, except for Mr. Dr. Amjad Saqib (Non Executive Director) is Founder / CEO in Akhuwat.

	Note	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
Rupees in '000'			
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		303,949	106,067
<b>31. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	10.3.1	390,951	254,572
Provisions against advances	11.3	5,183,158	1,080,988
Provision against other assets - net		287,907	120,358
		5,862,016	1,455,918
<b>32. TAXATION</b>			
Current	32.1	5,302,099	3,525,151
Prior years		-	250,348
Deferred		(1,118,152)	559,629
		4,183,947	4,335,128

- 32.1** This includes provision for super tax for the period in accordance with Income Tax Ordinance, 2001.

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
<b>33. BASIC EARNINGS PER SHARE</b>		
Profit after taxation for the period (Rs in '000')	5,769,285	6,172,748
Weighted average number of ordinary shares (No.)	2,643,692,380	2,643,692,380
Basic earnings per share (Rs).	2.18	2.33

**34. DILUTED EARNINGS PER SHARE**

There is no dilution effect on basic earnings per share.

**35. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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 these are either short-term in nature or, in the case of customer loans and deposits, are frequently reprised.

- 35.1** The Bank measures fair value 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 measurement using inputs other than quoted prices included within Level 1 that are observable for the asset 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 categorized:

September 30, 2020 (Un-audited)					
Carrying value	Fair value			Total	
	Level 1	Level 2	Level 3		
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value:</b>					
Government securities	475,672,808	-	475,672,808	-	475,672,808
Shares and certificates	4,027,925	3,942,922	-	85,003	4,027,925
Non-Government debt securities	10,238,635	-	10,238,635	-	10,238,635
Foreign securities	4,019	-	-	4,019	4,019
<b>Financial assets disclosed but not measured at fair value:</b>					
Government securities	60,295,536	-	70,125,637	-	70,125,637
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	118,014	-	118,014	-	118,014
Provision for employees compensated absences	119,947	-	119,947	-	119,947
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	16,290,693	-	16,290,693	-	16,290,693
Forward sale of foreign exchange contracts	12,877,530	-	12,877,530	-	12,877,530

December 31, 2019 (Audited)					
Carrying value	Fair value			Total	
	Level 1	Level 2	Level 3		
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	292,671,508	-	292,671,508	-	292,671,508
Shares and certificates	1,633,625	1,533,730	-	99,895	1,633,625
Non-Government debt securities	1,978,127	-	1,978,127	-	1,978,127
Foreign securities	4,019	-	-	4,019	4,019
<b>Financial assets disclosed but not measured at fair value:</b>					
Government securities	59,762,000	-	64,466,364	-	64,466,364
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	211,782	-	211,782	-	211,782
Provision for employees compensated absences	111,612	-	111,612	-	111,612
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	27,819,676	-	27,819,676	-	27,819,676
Forward sale of foreign exchange contracts	24,322,698	-	24,322,698	-	24,322,698

### 35.2 Fair value of non financial assets

September 30, 2020 (Un-audited)					
Fair value					
Carrying value	Level 1	Level 2	Level 3	Total	
Rupees in '000'					
<b>Non Financial assets measured at fair value :</b>					
Fixed assets (land & building)	5,213,944	-	5,213,944	-	5,213,944
Non banking assets acquired in satisfaction of claims	7,288,882	-	7,288,882	-	7,288,882
December 31, 2019 (Audited)					
Fair value					
Carrying value	Level 1	Level 2	Level 3	Total	
Rupees in '000'					
<b>Non Financial assets measured at fair value :</b>					
Fixed assets (land & building)	5,906,710	-	5,906,710	-	5,906,710
Non banking assets acquired in satisfaction of claims	7,392,801	-	7,392,801	-	7,392,801

## 36. SEGMENT INFORMATION

### 36.1 Segment details with respect to business activities

(Un-audited) September 30, 2020							
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	23,473,962	-	4,818,934	33,884,805	4,004,951	293,124	66,475,776
Inter segment revenue - net	(19,611,925)	52,230,580	(3,269,306)	(27,625,643)	(56,926)	(1,666,780)	-
Non mark-up / return / interest income	457,626	1,129,359	153,404	9,637,077	66,630	140,774	11,584,870
<b>Total income</b>	<b>4,319,663</b>	<b>53,359,939</b>	<b>1,703,032</b>	<b>15,896,239</b>	<b>4,014,655</b>	<b>(1,232,882)</b>	<b>78,060,646</b>
Segment total expenses	755,204	45,920,086	652,402	6,410,413	3,207,420	5,299,873	62,245,398
<b>Profit before provisions and tax</b>	<b>3,564,459</b>	<b>7,439,853</b>	<b>1,050,630</b>	<b>9,485,826</b>	<b>807,235</b>	<b>(6,532,755)</b>	<b>15,815,248</b>
Provisions	4,247,109	285,888	524,602	390,951	410,601	2,865	5,862,016
<b>Profit / (loss) before tax</b>	<b>(682,650)</b>	<b>7,153,965</b>	<b>526,028</b>	<b>9,094,875</b>	<b>396,634</b>	<b>(6,535,620)</b>	<b>9,953,232</b>
<b>Balance sheet</b>							
Cash & bank balances	-	30,656,754	-	26,585,560	4,830,180	-	62,072,494
Investments - net	2,506,972	-	-	537,319,388	15,302,492	-	555,128,852
Net inter segment lending	-	718,228,399	-	-	2,047,104	31,274,818	751,550,321
Lendings to financial institutions	-	-	-	-	5,470,000	-	5,470,000
Advances - performing	289,017,052	-	46,619,291	-	27,746,051	5,942,288	369,324,682
Advances - non-performing - net	6,388,631	-	1,609,673	-	2,188,865	7,570	10,194,739
Others	11,841,230	5,932,614	804,724	2,980,216	4,081,566	23,181,064	48,821,414
<b>Total assets</b>	<b>309,753,885</b>	<b>754,817,767</b>	<b>49,033,688</b>	<b>566,885,164</b>	<b>61,666,258</b>	<b>60,405,740</b>	<b>1,802,562,502</b>
Borrowings	39,086,349	-	500,000	117,540,991	71,904	-	157,199,244
Subordinated debts	-	-	-	-	-	6,793,060	6,793,060
Deposits & other accounts	-	736,848,632	-	-	54,555,001	-	791,403,633
Net inter segment borrowing	266,109,782	-	36,998,465	448,442,074	-	-	751,550,321
Others	4,848,862	17,846,257	11,535,222	902,099	3,045,557	6,012,270	44,190,267
<b>Total liabilities</b>	<b>310,044,993</b>	<b>754,694,889</b>	<b>49,033,687</b>	<b>566,885,164</b>	<b>57,672,462</b>	<b>12,805,330</b>	<b>1,751,136,525</b>
Equity	-	-	-	-	-	-	51,425,977
<b>Total equity &amp; liabilities</b>							<b>1,802,562,502</b>
<b>Contingencies &amp; commitments</b>	<b>145,130,986</b>	<b>-</b>	<b>8,120,731</b>	<b>29,445,575</b>	<b>11,640,858</b>	<b>214,886</b>	<b>194,553,036</b>

(Un-audited) September 30, 2019							
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	26,837,948	-	4,683,845	22,281,048	3,274,431	110,541	57,187,813
Inter segment revenue - net	(20,874,535)	45,026,753	(3,764,688)	(18,210,829)	(9,205)	(2,167,496)	-
Non mark-up / return / interest income	578,485	856,270	117,715	1,170,371	57,101	41,501	2,821,443
<b>Total income</b>	<b>6,541,898</b>	<b>45,883,023</b>	<b>1,036,872</b>	<b>5,240,590</b>	<b>3,322,327</b>	<b>(2,015,454)</b>	<b>60,009,256</b>
Segment total expenses	835,780	36,915,138	112,019	3,158,335	2,536,349	4,487,841	48,045,462
Profit before provisions and tax	5,706,118	8,967,885	924,853	2,082,255	785,978	(6,503,295)	11,963,794
Provisions	1,049,839	66,503	91,034	193,431	13,506	41,605	1,455,918
Profit / (loss) before tax	4,656,279	8,901,382	833,819	1,888,824	772,472	(6,544,900)	10,507,876

(Audited) December 31, 2019							
<b>Balance sheet</b>							
Cash & bank balances	-	36,597,942	-	20,093,277	7,097,797	-	63,789,016
Investments - net	2,569,293	-	-	349,962,333	8,936,196	-	361,467,822
Net inter segment lending	-	625,376,213	-	-	2,342,604	24,741,332	652,460,149
Lendings to financial institutions	-	-	-	664,771	3,295,000	-	3,959,771
Advances - performing	290,401,074	-	54,477,738	-	27,211,005	5,265,122	377,354,939
Advances - non-performing	5,351,015	-	862,781	-	59,967	17,914	6,291,677
Others	14,081,124	6,169,630	1,169,369	7,888,965	4,221,371	23,288,153	56,818,612
<b>Total assets</b>	<b>312,402,506</b>	<b>668,143,785</b>	<b>56,509,888</b>	<b>378,609,346</b>	<b>53,163,940</b>	<b>53,312,521</b>	<b>1,522,141,986</b>
Borrowings	26,589,201	-	-	50,769,411	-	-	77,358,612
Subordinated debts	-	-	-	-	-	8,794,420	8,794,420
Deposits & other accounts	-	644,926,850	-	-	46,089,009	-	691,015,859
Net inter segment borrowing	282,899,960	-	43,904,084	325,656,105	-	-	652,460,149
Others	2,913,345	23,216,935	12,605,804	2,183,830	3,419,840	1,306,384	45,646,138
<b>Total liabilities</b>	<b>312,402,506</b>	<b>668,143,785</b>	<b>56,509,888</b>	<b>378,609,346</b>	<b>49,508,849</b>	<b>10,100,804</b>	<b>1,475,275,178</b>
Equity							46,866,808
<b>Total equity &amp; liabilities</b>							<b>1,522,141,986</b>
<b>Contingencies &amp; commitments</b>	124,290,688	-	746,379	53,180,523	16,807,634	199,416	195,224,640

Due to change in reportable business segments, the figures of comparative period (September 30, 2019) are realigned for the purposes of comparison.

### 37. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	September 30, 2020 (Un-audited)				December 31, 2019 (Audited)			
	Directors	Key management personnel	Employee funds	Others related parties	Directors	Key management personnel	Employee funds	Others related parties
Rupees in '000'								
<b>Advances (gross):</b>								
Opening balance	-	322,244	-	-	-	210,446	-	-
Added during the period	-	48,456	-	4,690,263	-	225,070	-	-
Repaid during the period	-	194,830	-	3,895,517	-	113,272	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>175,870</b>	<b>-</b>	<b>794,746</b>	<b>-</b>	<b>322,244</b>	<b>-</b>	<b>-</b>
<b>Other assets - markup receivable</b>	<b>-</b>	<b>12,009</b>	<b>-</b>	<b>6,735</b>	<b>-</b>	<b>15,623</b>	<b>-</b>	<b>-</b>
<b>Right of use assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,381</b>
<b>Lease liability against right of use assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,365</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,502</b>
<b>Deposits and other accounts:</b>								
Opening balance	61	13,961	2,564,910	876	651	38,348	2,398,389	7,753
Received during the period	4,347	409,428	950,924	53,649	3,036	547,232	1,148,293	85,894
Withdrawn during the period	3,815	404,129	443,720	53,059	3,626	571,619	981,772	92,771
<b>Closing balance</b>	<b>593</b>	<b>19,260</b>	<b>3,072,114</b>	<b>1,466</b>	<b>61</b>	<b>13,961</b>	<b>2,564,910</b>	<b>876</b>

	September 30, 2020 (Un-audited)				December 31, 2019 (Audited)			
	Directors	Key management personnel	Employee funds	Others related parties	Directors	Key management personnel	Employee funds	Others related parties
	Rupees in '000'				Rupees in '000'			
<b>Income :</b>								
Mark-up / return / interest earned	-	11,664	-	9,798	-	11,655	-	-
<b>Expense:</b>								
Mark-up / return / interest paid	19	1,314	194,841	68	28	1,103	220,566	960
Depreciation on right of use assets	-	-	-	3,651	-	-	-	3,860
Mark-up on lease liability against right of use assets	-	-	-	3,575	-	-	-	3,548
Compensation expense	-	168,198	-	-	-	233,517	-	-

**37.1** Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**37.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank. The Bank in the ordinary course of business enters into transaction with Government- related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 45,441,324 thousand (December 31, 2019: Rs. 43,767,706 thousand), Rs. 409,996,398 thousand (December 31, 2019: Rs. 357,426,911 thousand) and Rs. 27,845,703 thousand (December 31, 2019: Rs. 29,655,042 thousand) respectively.

During the period, the Bank incurred markup expense of Rs. 106,644 thousand (September 30, 2019: Rs. 180,493 thousand) on subordinated debt of Rs. 2,000,000 thousand received from GoPb. Further, the subordinated loan received from GoPb amounting to Rs. 2,000,000 thousand has also been fully repaid by the Bank.

**37.3** The Bank made contribution of Rs. 180,505 thousand (September 30, 2019: Rs. 134,008 thousand) to employees provident fund during the period.

**37.4** Advances to employees as at September 30, 2020, other than key management personnel, amounted to Rs. 6,428,998 thousand (December 31, 2019: Rs. 5,494,198 thousand) with markup receivable of Rs 529,562 thousand (December 31, 2019: Rs 514,567 thousand).

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>38. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	28,388,806	28,388,806
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	40,612,688	37,567,213
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	40,612,688	37,567,213
Eligible Tier 2 Capital	13,585,950	11,742,487
Total Eligible Capital (Tier 1 + Tier 2)	54,198,638	49,309,700
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	266,734,232	287,094,506
Market risk	6,775,047	3,411,622
Operational risk	45,898,636	45,898,636
Total	319,407,915	336,404,764
Common equity tier I capital adequacy ratio	12.71%	11.17%
Tier I CAR (%)	12.71%	11.17%
Total CAR (%)	16.97%	14.66%
<b>38.1 Leverage Ratio (LR):</b>		
Eligible Tier-I Capital	40,612,688	37,567,213
Total exposures	1,244,653,461	1,063,747,831
LR (%)	3.26%	3.53%
<b>38.2 Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	492,824,685	346,077,837
Total net cash outflow	377,069,393	293,511,879
LCR (%)	130.70%	117.91%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	543,647,106	474,402,901
Total required stable funding	434,769,858	441,990,495
NSFR (%)	125.04%	107.33%

### 39. ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the September 30, 2020, the Bank is operating 98 Islamic banking branches and 02 sub Islamic banking branches (December 31, 2019: 98 Islamic banking branches and 02 sub Islamic banking branches).

## STATEMENT OF FINANCIAL POSITION As At September 30, 2020

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		4,627,565	3,742,675
Balances with other banks		202,615	3,355,122
Due from financial institutions	39.1	5,470,000	3,395,000
Investments - net	39.2	15,302,492	8,936,196
Islamic financing and related assets - net	39.3	29,934,916	27,270,972
Fixed assets		1,616,554	1,757,599
Intangible assets		4,311	4,428
Due from head office		2,047,104	2,342,604
Other assets		2,460,701	2,459,344
<b>Total assets</b>		<b>61,666,258</b>	<b>53,263,940</b>
<b>LIABILITIES</b>			
Bills payable		252,001	250,213
Due to financial institutions		71,904	-
Deposits and other accounts	39.4	54,555,001	46,089,009
Due to head office		-	-
Subordinated debt		-	-
Other liabilities		2,793,556	3,169,627
		57,672,462	49,508,849
<b>NET ASSETS</b>		<b>3,993,796</b>	<b>3,755,091</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,500,000	1,500,000
Reserves		6,826	32,768
(Deficit) / Surplus on revaluation of assets		(64,289)	67,698
Unappropriated profit	39.5	2,551,259	2,154,625
		3,993,796	3,755,091
<b>CONTINGENCIES AND COMMITMENTS</b>	39.6		



# ISLAMIC BANKING BUSINESS

## Profit and Loss Account

### For the Nine Months Ended September 30, 2020 (Un-audited)

		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
	Note	Rupees in '000'			
Profit / return earned	39.7	1,241,984	1,208,235	4,004,951	3,274,431
Profit / return expensed	39.8	533,770	612,152	2,034,957	1,498,216
Net profit / return		708,214	596,083	1,969,994	1,776,215
Fee and commission income		21,208	17,059	61,725	54,868
Dividend income		-	-	-	-
Foreign exchange income		60	45	1,748	884
Income / (loss) from derivatives		-	-	-	-
Loss on securities		-	-	-	(634)
Other income		2,449	421	3,157	1,983
		23,717	17,525	66,630	57,101
Total income		731,931	613,608	2,036,624	1,833,316
Other expenses					
Operating expenses		428,000	357,586	1,229,239	1,046,643
Workers welfare fund		-	-	-	-
Other charges		130	-	150	695
		428,130	357,586	1,229,389	1,047,338
Profit before provisions		303,801	256,022	807,235	785,978
Provisions and write offs - net		223,222	-	410,601	13,506
Profit before taxation		80,579	256,022	396,634	772,472

### 39.1 DUE FROM FINANCIAL INSTITUTIONS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Placements	5,470,000	-	5,470,000	3,395,000	-	3,395,000

### 39.2 INVESTMENTS - NET

	(Un-audited) September 30, 2020				(Audited) December 31, 2019			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	Rupees in '000'							
<b>Investments by segment:</b>								
Federal government securities:								
-Ijarah sukuk	-	-	-	-	1,985,749	-	(5,749)	1,980,000
-Sale of sukuk- bai muajjal	2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
	2,756,196	-	-	2,756,196	4,741,945	-	(5,749)	4,736,196
Non government debt securities								
-Sukuk	8,786,809	-	(137,735)	8,649,074	-	-	-	-
-Unlisted	3,897,222	-	-	3,897,222	4,200,000	-	-	4,200,000
	12,684,031	-	(137,735)	12,546,296	4,200,000	-	-	4,200,000
<b>Total investments</b>	<b>15,440,227</b>	<b>-</b>	<b>(137,735)</b>	<b>15,302,492</b>	<b>8,941,945</b>	<b>-</b>	<b>(5,749)</b>	<b>8,936,196</b>

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

### 39.3 ISLAMIC FINANCING AND RELATED ASSETS

Ijarah	2,016,935	1,737,428
Murabaha	627,555	1,272,740
Musharaka	6,747,782	10,684,948
Diminishing musharaka	17,869,013	10,599,650
Payment against documents	55,304	55,303
Istisna	3,273,282	3,166,670
<b>Gross islamic financing and related assets</b>	<b>30,589,871</b>	<b>27,516,739</b>
Less: provision against islamic financings		
- Specific	654,955	245,767
- General	-	-
	654,955	245,767
<b>Islamic financing and related assets - net of provision</b>	<b>29,934,916</b>	<b>27,270,972</b>

### 39.4 DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
<b>Customers :</b>						
Current deposits	9,198,452	275,828	9,474,280	9,093,509	330,022	9,423,531
Savings deposits	42,219,525	73,174	42,292,699	33,025,303	98,310	33,123,613
Term deposits	1,184,828	-	1,184,828	1,092,240	-	1,092,240
Others	1,314,985	-	1,314,985	1,125,855	-	1,125,855
	53,917,790	349,002	54,266,792	44,336,907	428,332	44,765,239
<b>Financial institutions:</b>						
Current deposits	192,832	57	192,889	200,243	-	200,243
Savings deposits	77,388	17,932	95,320	1,122,998	-	1,122,998
Others	-	-	-	529	-	529
	270,220	17,989	288,209	1,323,770	-	1,323,770
	54,188,010	366,991	54,555,001	45,660,677	428,332	46,089,009

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>39.5 UNAPPROPRIATED PROFIT - ISLAMIC BANKING BUSINESS</b>		
Opening balance	2,154,625	869,194
Islamic banking profit for the period / year	396,634	1,285,431
Closing balance	2,551,259	2,154,625
<b>39.6 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	2,127,341	1,095,316
-Commitments	9,513,517	15,712,318
	11,640,858	16,807,634
	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	Rupees in '000'	
<b>39.7 PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT</b>		
Profit earned on:		
Financing	2,622,378	2,140,539
Investments	1,217,047	792,775
Placements	152,831	318,494
Deposits with financial institutions	12,695	22,623
	4,004,951	3,274,431
<b>39.8 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	1,845,597	1,394,001
Markup on lease liability against right of use assets	132,434	95,010
Profit on deposits from conventional head office	56,926	9,205
	2,034,957	1,498,216

**39.9** During the period, Special Pool XVI (SP-XVI) has been created. The main characteristics of the pool are as under:

- i) Profit sharing ratio between Mudarib and Rab-ul-mal is 20:80.
- ii) Profit equalization reserve upto 2% of net income will be created, if needed.
- iii) Investment risk reserve upto 1% of distributable profit of depositors will be created, if needed.

**40. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issue on October 28, 2020 by the Board of Directors of the Bank.

**41. GENERAL**

**41.1** Figures have been rounded off to the nearest thousand rupees.

**41.2** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President

\_\_\_\_\_  
Director





**THE BANK OF PUNJAB**

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