

SERVING ACROSS THE NATION



QUARTERLY REPORT SEPTEMBER 2020



National Bank of Pakistan
نیشنل بینک آف پاکستان



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CORPORATE INFORMATION

Board of Directors

Chairman	Zubyr Soomro
President / CEO	Arif Usmani
Directors	Asif Jooma
	Farid Malik, CFA
	Imam Bakhsh Baloch
	Muhammad Sohail Rajput
	Sadaf Abid
	Tawfiq Asghar Hussain

Audit Committee

Chairman	Tawfiq Asghar Hussain
	Asif Jooma
	Muhammad Sohail Rajput

Auditors

Deloitte Yousuf Adil
 Chartered Accountants

Grant Thornton Anjum Rahman
 Chartered Accountants

Legal Advisors

Mandviwalla & Zafar
 Advocates & Legal Consultants

Registered & Head Office

NBP Building
 I.I. Chundrigar Road, Karachi, Pakistan.

Registrar & Share Registration Office

CDC Share Registrar Services Limited
 CDC House, 99-B, Block-B,
 S.M.C.H.S., Main Shara-e-Faisal
 Karachi-74400, Pakistan.
 111-111-500

Website

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Directors' Review

Standalone Financial Statements

On behalf of the Board of Directors, we are pleased to present the condensed interim standalone financial statements of National Bank of Pakistan “the Bank” for the nine month period ended September 30, 2020.

Economic Environment

Due to continuation of factors dominated by Covid-19, Pakistan’s GDP growth rate reduced to -0.4% in FY20 and is now projected to grow at about 2% in FY21 as business confidence has improved and demand indicators are showing an uptick. Triggered by a hike in food prices, headline inflation accelerated to 9.0% in September 2020, averaging 8.8% during 1st quarter of FY21. SBP and the Government have taken measures to keep inflation well-anchored within the announced range of 7%-9% during FY21. The current account recorded a surplus of USD 792 million for the first quarter compared to a deficit of USD 1,492 million during the same period last year. This was reflective of the rise in home remittances to a record USD 7.1 billion in Q1-FY21, 31% higher than Q1-FY20. This helped in replenishing SBP’s forex reserves to the pre-pandemic level of around USD 12.8 bn. As a result, Pakistan’s forex reserve adequacy is now back above the benchmark of 3 months of import cover, and the Rupee has slightly gained against the dollar. The Roshan Digital Account initiative is likely to further boost forex reserves as these accounts offer innovative banking solutions for millions of Non Resident Pakistanis seeking to undertake banking, payment and investment activities in Pakistan.

Prioritising growth and employment, SBP has encouraged private sector credit through gradual reductions in the policy rate by a total of 625 bps from 13.25% to 7.0% and through allowing various refinance facilities. These facilities, coupled with other supervisory actions related to deferment and restructuring of loans, have increased the availability of necessary funding to households and businesses. However, inspite of this, during this period private sector credit demand remained low and the banking sector advances recorded a 2% drop from the December ‘19 level. As deposits increased by 15%, the banks opted to invest in government securities. Asset quality has however emerged as a key concern as the economic slowdown undermined borrowers’ payback capacity and led to a rise in NPLs across the banking system.

Review of Financial Performance

Against this difficult environment the Bank has reported strong results with net profit doubling compared to the same period last year. Pre-provision profit, pre-tax profit and after-tax profit closed at PKR 62.6 billion “bn” (+64.3% YoY), PKR 39.3 bn (+34.6% YoY) and PKR 26.1 bn (+60% YoY), respectively. EPS improved to PKR 12.28 (Sep ‘19: PKR 7.68); whereas RoA and RoE improved from 0.7% and 14.0% in Q3 ‘19 to 1.2% and 19.7% respectively in Q3 ‘20. This was achieved despite a combination of negative factors including reduced credit demand, lower economic activity due to the lockdowns, higher portfolio impairment and an inflationary impact on operating expenses.

Financial Performance (PKR 'Bn)	Sep '20	Sep '19	Better / (Worse)	
Total Revenue	107.57	79.43	28.14	35.4%
OPEX and Other Charges	45.00	41.36	(3.64)	(8.8%)
Profit before-provision	62.57	38.07	24.50	64.4%
Provisions/Write-off (Net)	23.30	8.89	(14.41)	(162.1%)
Profit before-tax	39.27	29.18	10.09	34.6%
Profit after-tax	26.13	16.33	9.8	60.0%

Financial Position (PKR 'Bn)	Sep '20	Dec '19	Better / (Worse)	
Total Assets	2,783.48	3,124.39	(340.91)	(10.9%)
Investments	1,368.39	1,439.16	(70.77)	(4.9%)
Advances – Net	892.62	1,008.14	(115.52)	(11.5%)
Deposits	2,174.93	2,198.05	(23.12)	(1.1%)
Borrowings	142.65	471.76	329.16	69.8%
Net Assets	267.20	232.61	34.59	14.9%

▪ Mark-up/Interest Income

During the nine month under review, the Bank earned gross mark-up/interest income of PKR 206.0 bn (+23.1% YoY). The performing interest-bearing assets during the period averaged at PKR 2,395.7 bn (+16.2% YoY). Investment portfolio averaged up at 31.3% at PKR 1,393.7 bn (Sep '19: PKR 1,061.4 bn) and generated interest/mark-up income of PKR 124.9 bn (+49.5% YoY) making 60.6% of the total mark-up income. Average loans and advances were up 3.1% at PKR 950.2 bn (Sep '19: PKR 921.8 bn) generating mark-up/interest income of PKR 78.0 bn which, compared to PKR 77.6 bn level of Sep '19, is marginally higher by 0.6%. Average interest-bearing liabilities increased by 17.5% to PKR 2,458.5 bn. Therefore, the Bank's cost of funds also increased to PKR 126.2 bn (+11.1% YoY), of which PKR 82.3 bn (Sep '19: PKR 78.0 bn) was on account of profit to the depositors. However, cost of deposits dropped by 46 bps at 5.57% for 9M '20 (9M '19: 6.03%). Overall, the Bank's net mark-up/interest income closed at PKR 79.8 bn, which was 48.2% higher against PKR 53.9 bn earned during the corresponding nine month of 2019.

▪ Non mark-up/interest income

The Bank generated non mark-up income of PKR 27.7 bn (Sep '19: PKR 25.6 bn) constituting 25.8% of the total income (Sep '19 :32.2%). Branch banking operations continued generating healthy fees & commission income that closed at PKR 12.8 bn (-8.1% YoY). Dividend income dropped 46% to PKR 1.3 bn as companies resorted to retaining profits to mitigate the risks emerging after the pandemic outbreak. Reduced volatility in the forex market, coupled with lower international trade volumes, depressed the Bank's foreign exchange income by 22.4% YoY to PKR 3.4 bn (Sep '19: PKR 4.3 bn). These shrinkages were however off-set through higher gain on securities that amounted to PKR 6.9 bn (Sep '19: PKR 0.6 bn). Accordingly, the non-mark-up/ interest income of the Bank totalled at PKR 27.7 bn, being 8.4% up against PKR 25.6 bn of the similar period last year.

▪ Expense Management

Operating expenses of the Bank for the period under review were PKR 45.0 bn, 8.8% up YoY. However, the Bank's cost-to-income ratio for the period improved to 41.8% as against 52.1% for the corresponding nine month period of 2019 mainly due to increase in total income. HR costs comprise 67% (Sep '19: 65.6%) of the total operating expenses, amounting to PKR 29.9 bn compared to PKR 27.0 bn for the prior comparative period.

▪ Loan Losses and Provisions

Reflecting the economic environment triggered by the Covid-19 pandemic, the asset quality of the Bank came under pressure during the recent months. As of September 30, 2020, NPLs totaled PKR 172.7 bn, being PKR 24.0 bn or 16.1% higher than Dec '19 level of PKR 148.7 bn. The Bank follows a prudent approach in its identification of loan impairments to strengthen its balance sheet by maintaining a robust level of specific as well as general provisions against NPLs and other contingencies. Provision charges of PKR 23.3 bn (Sep '19: PKR 8.9 bn) were taken during the nine month period under review. Consequently, specific and general provisions increased to PKR 149.2 bn and PKR 18.6 bn. Total provisions held translate into coverage ratio of 97.2%.

▪ Profit Appropriation

Profit for the nine months ended September 30, 2020 after carry forward of accumulated profit of 2019 is proposed for appropriation as follows:

	<u>(PKR 'Bn)</u>
Profit before tax for the nine months ended September 30, 2020	39.27
Taxation:	
- Current	20.13
- Prior Year	-
- Deferred	(7.00)
	<u>13.13</u>
Profit after tax for the nine month ended September 30, 2020	26.14
Unappropriated profit brought forward	88.78
Other comprehensive income- net of tax	(0.47)
Transfer from surplus on revaluation of fixed assets	0.17
Profit available for appropriations	<u>114.62</u>
Appropriation:	
Transfer to Statutory Reserve	<u>(2.61)</u>
Unappropriated profit carried forward	<u>112.01</u>

Financial Position as of September 30, 2020

As of September 30, 2020 the Bank's balance sheet stood at PKR 2,783.5 bn which is 10.9% down from PKR 3,124.39 bn at December 31, 2019. This drop is mainly because the Bank reduced its money market borrowings by PKR 329.16 bn in line with its funding & liquidity position during the period. On the liability side, the Bank's balance sheet is driven by its wide market outreach and branch banking network where the focus remains on low-cost deposit mobilization.

▪ **Investments**

The Bank maintains an investment portfolio diversified across zero risk weighted treasury instruments and bonds, high dividend yielding equities and other interest-bearing financial instruments. As of September 30, 2020, investments (at cost) amounted to PKR 1,338.4 bn (Dec '19: PKR 1,417.7 bn), just over one-half of the Bank's balance sheet. The investment portfolio-mix gives the Bank flexibility to capitalise on short-term price movement by frequently churning the short-term portfolio.

▪ **Loans and Advances**

Gross advances of the Bank amounted to PKR 1,060.5 bn; being 7.9% down lower against Dec '19 level. The drop was due to reduced private sector credit demand and some seasonal adjustments in commodity financing. The Bank is pursuing a prudent strategy for its loan book growth across its target market. The loan book is predominantly in local currency (93.3%), and is fairly diversified. Given the Bank's systemically important role in Pakistan's financial system, the Bank is following a strategy to strengthen its resilience to shocks while continuing to support the communities it serves. At end-September 2020, the loan infection ratio stood at 16.3%. Domestic NPLs stood at PKR 128.8 bn (2019: PKR 107.7 bn) representing 74.6% (2019: 72.4%) of the total NPLs.

▪ **Funding & Liquidity**

The Bank maintains an optimum level of funding and liquidity. As of September 30, 2020, deposits closed at PKR 2,174.9 bn (-1.1% YoY). Average deposits grew by PKR 246.7 bn or 14.3% to PKR 1,974.3 bn. The majority of the Bank's funding comes from core customer deposits that contribute 89% (PKR 1,935.5 bn) of the Bank's total deposits. Compared to Dec 31, 2019 level, customer deposits have increased by PKR 138.3 bn or 7.7%. FI deposits, however, dropped during the period under review by PKR 161.4 bn and closed at PKR 239.4 bn (Dec '19: PKR 400.8 bn). The Bank is pursuing a prudent deposit mobilisation strategy, CASA ratio improved to 83.0% from 81.8% at the year-end 2019. The Bank's liquidity coverage ratio stood at 182%, and the Net Stable Funding Ratio stood at 263%, comfortably above the statutory requirement of 100%.

Capital Strength and Adequacy

Higher profitability and earnings retention, coupled with the reduction in the conservation buffer and the RWAs has improved the Bank's Tier-1 capital adequacy ratio to 15.68% (Dec '19: 12.11%) and total capital adequacy ratio to 20.75% (Dec '19: 15.48%). The Bank's capital and related ratios remain well above minimum regulatory requirements.

Controls & Compliance

The Bank emphasizes compliance with applicable laws, rules, regulations, and codes and recognises the need to improve its compliance & control capacity within its domestic network. A revamping of the network structure is under review to strengthen the supervision of its about 1509 branches. Significant attention is being given by the board to improving account reconciliation, complete data

cleansing and building accountability of staff. Additionally priority is to be accorded to the major task of upgrading its Core Banking Application. At the Board level, there is a need for greater expertise in technology to facilitate effective oversight. This has been highlighted to the government and an appropriate nomination made over six months ago but it remains unresponded.

While significant talent at senior levels has been attracted into the bank, outdated Staff Service Rules enable staff to file whimsical suits directly at the High Court levels and this results in the bank facing a large number of nuisance suits that distract management from pursuing necessary reform. Additionally, while a culture that is performance driven is being inculcated, it's effectiveness is diluted by the same Staff Service Rules prevalence. To allow the bank to reach its potential, the government's assistance is needed to repeal these Rules.

The international franchise of the Bank is being strategically streamlined to facilitate an enhanced level of compliance. To this end, work is underway to consolidate the Bank's international footprint and decisions on the closure of a number of franchises have been made.

In 2016 the Bank and its New York branch entered into a written agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators). This agreement, *inter-alia*, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements. This agreement also requires implementation of the requisite systems and controls and the allocation of adequate resources to ensure full compliance with such requirements. The Bank has undertaken significant personnel, systems and process changes in its NY operations to address identified regulatory weaknesses and ensures senior attention at Board Committee and Board levels, but a historically weak compliance culture will take time to change effectively and meanwhile the bank remains vulnerable.

Contingencies

There is no change in the status of the pensions related contingencies as the matter is pending adjudication before the Honourable Supreme Court of Pakistan. This issue has been discussed in detail in note 22.3.4.1 to the nine months Financial Statements.

Credit Rating

In June 2020, M/S VIS Credit Rating Company affirmed standalone credit rating of the Bank as "AAA" (Triple AAA), the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company has also affirmed the long-term entity rating of the Bank as 'AAA' and short-term credit rating as 'AA+' (A-one Plus). Moody's Investors Service, in their report of August '2020, upgraded the Bank's 'Outlook' to Stable with a 'B3' long-term rating.

Outlook

Going forward, there are prospects of gradual improvement in economic activity as the government is easing the lockdown while allowing many sectors to resume activities. External sector is also reasonably comfortable with the current account expected to stay range bound as oil demand and prices remain stable in the short run. However, progress will be dependent on the Covid-19 situation. A strong second wave will have serious adverse impacts on the momentum of home remittances, exports and the LSM index. Externally, the upcoming US election, political developments in the Middle East and the FATF decision will also influence the macro economic environment.

**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

NBP is conscious of its responsibilities to its customers and the wider economy, and is endeavouring to mitigate the impact of Covid-19 by extending appropriate financial solutions to its customers. The Bank's business strategy encompasses inclusive development through reaching and supporting underserved sectors including SME, Microfinance, Agriculture Finance and finance for Micro-Housing on a priority basis. These underserved segments are the key areas in which NBP seeks to expand its contribution and leverage its natural niche. However, material growth here will be dependent upon the Government stepping forward to help address overdue from SOEs that are a considerable drag on the institution. Building a digital banking capability and a technology platform will be a central part of this strategy to make it cost effective as well ensure necessary controls.

During the pandemic, the Bank's focus is to maintain its income streams as well as asset quality, while creating liquidity for its customers so that the workers continue to get paid their wages and businesses carry on their operations uninterrupted. Given the Bank's systemically important role in Pakistan's financial system, NBP has to ensure its resilience to shocks while continuing to support the communities it serves. We have set aside high levels of provisions and we are committed to using our earnings to further strengthen our balance sheet.

Acknowledgement and appreciation

On behalf of the Board and the management, we would like to acknowledge and appreciate the efforts and support of the Ministry of Finance, SBP, SECP and other regulatory bodies. Amidst the Pandemic outbreak, they have taken effective steps through prudent policies and measures to protect the common man and economy while adequately safeguarding the resilience and soundness of the banking industry in Pakistan. We would also like to express our gratitude to our shareholders, customers, employees and business partners for their patronage.

Our staff, in particular, has served with great dedication in these unprecedented circumstances to ensure that the Bank fulfils its responsibilities to the Nation. We express our strong appreciation and gratitude for our unsung heroes and their families, especially those who sacrificed their lives through customer facing functions and demonstrated their dedication to the NBP cause.

For and on behalf of the Board of Directors,

Arif Usmani
President & CEO

Zubyr Soomro
Chairman

Karachi
Date: October 27, 2020

کریڈٹ رینٹنگ:

جون 2020 میں، VIS کریڈٹ رینٹنگ کمپنی نے بینک کی انفرادی کریڈٹ رینٹنگ کی تصدیق "AAA" (ٹریپل AAA) کی حیثیت سے کی، جو کمپنی کے ذریعہ پاکستان میں کسی بینک کے لئے دی جانے والی اعلیٰ ترین رینٹنگ ہے۔ اسی طرح، میٹرزیکر کریڈٹ رینٹنگ کمپنی نے بھی بینک کی طویل مدتی اداراتی وجہ بندی کو "AAA" اور مختصر مدتی کریڈٹ رینٹنگ کو "A1+" (اے ون پلس) کی حیثیت سے تصدیق کی ہے۔ موزیڈ انویسٹمنٹس سروس نے اگست 2020 کی اپنی رپورٹ میں بینک کے "آؤٹ لک" کو اپ گریڈ کر کے '3' طویل مدتی وجہ بندی تک محکم کیا۔

مستقبل:

آگے بڑھتے ہوئے، معاشی سرگرمیوں میں بتدریج بہتری کے امکانات ہیں کیونکہ حکومت الیکٹرانک ڈاکومنٹ کریڈٹ کم کر رہی ہے جبکہ بہت سارے شعبوں کو دوبارہ سرگرمیاں شروع کرنے کی اجازت دے رہی ہے۔ بیرونی شعبہ بھی موجودہ کرنٹ اکاؤنٹ کو حدود کے پابند رہنے کی توقع کے ساتھ معقول حد تک تسلی بخش ہے کیونکہ تیل کی طلب اور قیمتیں مختصر مدت میں مستحکم ہیں۔ تاہم، بیڈرٹ کوویڈ 19 صورتحال پر زیادہ انحصار کرے گی۔ گھریلو سیالات زہر، برآمدات اور ایل این ایم انڈیکس کی رفتار پر کوویڈ 19 کی ایک مضبوط دوسری ہر کے شدید پٹری اثرات مرتب ہوں گے۔ بیرونی طور پر، آئندہ امریکی انتخابات، مشرق وسطیٰ میں سیاسی بیڈرٹ اور ایل این ایم کے فیصلے سے منکر و معاشی ماحول پر بھی اثر پڑے گا۔

بینک اپنے صارفین اور وسیع تر معیشت پر اپنی ذمہ داریوں سے آگاہ ہے، اور مناسب مالی طویل مدت کے وسیع تر کے کوویڈ 19 کے اثرات کو کم کرنے کی کوشش کر رہی ہے۔ بینک کی کاروباری حکمت عملی میں ترجیحی فیڈوں پر مائیکرو ہاؤسنگ کے لئے ایل این ایم ای، مائیکرو بزنس، زراعت، ٹرانس اور مائیکرو ہاؤسنگ کے لئے مالی اعانت کے تحت کام کرنے والے شعبوں تک رسائی اور معاونت کے ذریعہ ایک جامع ترقی شامل ہے۔ یہ غیر منقسم بلاتوا بکائیڈی شعبے ہیں جہاں INBP اپنی شرکت کو بڑھاتا چاہتا ہے اور یہ قدرتی طاق ہے تاہم یہاں مادی شوکا انحصار حکومت کی جانب سے اور SEOs کی جانب سے زائد آمدنی دوائی میں مدد کرنے کیلئے آگے بڑھنے پر ہوگا جس میں یہ ادارہ قدرتی حد تک سمجھتا ہے اس کے علاوہ، سرکاری شعبے کے کاروباری اداروں اور اس کے ملازمین کے ساتھ معاملات میں بینک کا نائب کاردار، ڈیجیٹل بینکاری کی صلاحیت اور ایک ٹیکنالوجی پلیٹ فارم کی تعمیر اس حکمت عملی کا مرکزی حصہ ہوگی جس کی وجہ سے کم خرچ میں موثر ضروری کٹر پلاننگ ہوگی۔

دوائی مرض کے دوران، بینک کی توجہ اپنی آمدنی کے سلسلے کے ساتھ ساتھ اثاثوں کے معیار کو بھی برقرار رکھنا ہے، ساتھ ہی اپنے صارفین کے لئے لیکویڈیٹی پیدا کرنا ہے تاکہ مزدوروں کو اجرت کی ادائیگی جاری رہے اور کاروبار بغیر کسی رکاوٹ کے اپنا کام جاری رکھیں۔ پاکستان کے مالیاتی نظام میں بینک کے سسٹمی طور پر اہم کردار کو دیکھتے ہوئے، این پی بی کو بھولوں سے اپنی ٹیک کو منظم کرنے کو یقینی بنانا ہے جبکہ اپنی خدمت کردہ ان کیڈینٹری خدمت جاری رکھتا ہے۔ ہم نے اعلیٰ سطحی تصرفات کو ایک طرف رکھا ہوا ہے، ہم اپنی پینل شیٹ کو مزید تقویت دینے کے لئے اپنی کمائی کو استعمال کرنے کے لئے پُر عزم ہیں۔

اعتراف اور واچسمن:

بورڈ اور انتظامیہ کی جانب سے، ہم وزارت خزانہ، اسٹیٹ بینک، ایل این ایم اور دیگر ریگولیٹری اداروں کی طرف سے کی جانے والی کوششوں اور مدد کو تسلیم کرنا اور ان کی تعریف کرنا چاہتے ہیں۔ دوائی امراض پھیلنے کے درمیان، انہوں نے حکمت عملی کی پالیسیوں اور عام آدمی اور معیشت کے تحفظ کے لئے موثر اقدامات اٹھائے ہیں جبکہ پاکستان میں بینکنگ صنعت کی ٹیک اور استحکام کو مناسب طریقے سے محفوظ رکھنا ہے۔ ہم اپنے ٹھکانے یاڈنٹان، صارفین، ملازمین اور کاروباری شرکت اداروں کی سرپرستی پر بھی اظہار تشکر کرنا چاہتے ہیں۔

ہمارے عملے نے، خاص طور پر، ان بے مثال حالات میں انتہائی لگن کے ساتھ خدمات انجام دیں تاکہ یہ یقینی بنایا جاسکے کہ بینک قوم سے متعلق اپنی ذمہ داریاں پوری کرے۔ ہم اپنے ہیرو وزادوان کے اہل خانہ، خاص طور پر صارفین سے وابستہ خدمات سرانجام دینے والے ملازمین جنہوں نے بینک کے اعلیٰ مقاصد کے لیے اپنی زندگیاں قربان کی ہیں اور اپنی لگن کا مظاہرہ کیا ہے، کے لئے اپنی بھرپور تعریف اور شکر بیک اظہار کرتے ہیں۔

بورڈ آف ڈائریکٹرز کے لئے اور ان کی طرف سے،

زہر سوم

چیئر مین

عارف خان

صدر و سی ای او

کراچی

تاریخ: 27 اکتوبر 2020

**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

مالی پوزیشن 30 ستمبر 2020:

30 ستمبر 2020 کو بینک کی بیلنس شیٹ 2,783.5 بلین روپے رہی جو 31 دسمبر 2019 کے 3,124.4 بلین روپے کی سطح سے 10.9% کم ہے۔ یہ اس کی وجہ سے ہے کہ اس عرصے کے دوران بینک نے اپنے فنڈز اور لیویٹی پٹی پوزیشن کے مطابق 329.1 بلین روپے سے مٹی مارکیٹ کے قرضوں میں کمی کی ہے۔ واجبات کی طرف، بینک کی بیلنس شیٹ اس کے منڈی تک پہنچانے والے برائے بیگانہ بنید ورک کے ذریعہ چل رہی ہے جہاں کم الاٹ ڈپازٹ جمع کرنے پر توجہ دی جاتی ہے۔

سرمایہ کاری:

بینک مفرسک رکھنے والے سرمایہ کاری تسکات اور بائزر، اعلیٰ منافع بخش ایزرا فراہم کرنے والی الیکٹریٹی اور دیگر سود چھٹی مالیاتی تسکات میں متنوع سرمایہ کاری کے پورٹ فولیو کو برقرار رکھتا ہے۔ 30 ستمبر 2020 تک، بینک کی بیلنس شیٹ کے نصف حصے سے زیادہ سرمایہ کاری (بحساب قیمت) 1,338.4 بلین روپے (دسمبر 2019: 1,417.7 بلین روپے) کی رہی۔ سرمایہ کاری پورٹ فولیو میں مختصر مدتی پورٹ فولیو میں ٹکوت سے متنوع کرتے ہوئے بینک پھیل مدتی قیمت میں اضافے کا فائدہ اٹھانے کی سہولت دیتا ہے۔

قرضہ جات:

بینک کے مجموعی قرضہ جات 1,060.5 بلین روپے رہے۔ جو دسمبر 2019 کی سطح کے مقابلہ میں 7.9% نیچے ہے۔ یہ کمی نجی شعبے کے قرضوں کی طلب میں کمی اور کوڈنی کی خاس کی مد میں کچھ وقتی اڈیشنلس کی وجہ سے تھی۔ بینک قرضوں میں اضافے کے لیے جتنا اعداد اختیار کر رہا ہے۔ قرض کی سب دی بنیادی طور پر مقامی کرنسی (93.3%) میں متنوع ہے۔ پاکستان کے مالیاتی نظام میں بینک کے اہم کارکردگی کیسے ہوئے، بینک شاکس سے اپنی پلک کو سھکم کرنے کی حکمت عملی پر عمل پیرا ہے جبکہ بینک ان کیڈنٹیز کی اعانت کرتا رہتا ہے جن کی یہ خدمات انجام دیتا ہے۔ ستمبر 2020 کے آخر میں Loan Infection Ratio 16.3% رہا۔ مقامی NPL 128.8 بلین روپے (2019: 107.7 بلین روپے) رہا۔ جوکل NPL میں سے 74.6% (2019: 72.4%) کی نمائندگی کرتا ہے۔

فنڈنگ اور لیویٹی پٹی:

بینک فنڈز اور لیویٹی پٹی کی زیادہ سے زیادہ کو برقرار رکھتا ہے۔ 30 ستمبر 2020 کو ڈپازٹس (YoY -1.1%) 2,174.9 بلین روپے پر بند ہوئے۔ اوسط ذخائر 246.7 بلین روپے (14.3%) اضافے سے 1,974.3 بلین روپے ہوئے۔ بینک کی زیادہ تر فنڈنگ بنیادی سٹرڈپازٹس سے حاصل ہوتی ہے۔ جو بینک کے کل ذخائر کا 89% (1,935.5 بلین روپے) ہے۔ 31 دسمبر 2019 کی سطح کے مقابلے میں صارفین کے ذخائر میں 138.3 بلین روپے (7.7%) کا اضافہ ہوا ہے۔ تاہم جائزے کے دوران اس عرصے میں غیر ملکی صارفین کے ذخائر 161.4 بلین روپے سے گزر کر 239.4 بلین روپے (دسمبر 2019: 400.8 بلین روپے) پر بند ہوئے۔ بینک ذخائر کو تقاط اعزاز سے متحرک کرنے کی حکمت عملی پر عمل پیرا ہے۔ CASA حساب سال 2019 کے اختتام پر رہنے والے 81.8% سے بڑھ کر 83.0% ہو گیا ہے۔ بینک کا Liquidity Coverage Ratio 182% اور Net Stable Funding Ratio 263% رہا جو کہ 100% کا قانونی ضرورت سے زیادہ ہے۔

سرمایہ کی طاقت اور قابلیت:

کنٹرولریشن فراہم RWAs میں اس کے ساتھ زیادہ منافع اور آمدنی کی سطحیں نے بینک کے Tier 1 کیپٹل تناسب کو 15.68% (دسمبر 2019: 12.11%) اور Total Capital کی وافر مقدار کا تناسب 20.75% (دسمبر 2019: 15.48%) کر دیا۔ بینک کا سرمایہ اور اس سے متعلق تناسب کم سے کم ریگولیٹری ضروریات سے کہیں بہتر ہے۔

کنٹرول اور قیام:

بینک قابل اطلاق قوانین، قواعد اور ضوابط اور ضوابط کی قیام پر زور دیتا ہے اور اپنے ڈومیسٹک نیٹ ورک میں اس کی قیام اور کنٹرول کی صلاحیت کی بہتر بنانے کی ضرورت کو تسلیم کرتا ہے۔ اس کی تقریباً 1509 شاخوں کی گہرائی کو تقویت دینے کیلئے نیٹ ورک کے ڈھانچے کی اصلاح پر غور کیا جا رہا ہے۔ بورڈ کی طرف سے اکاؤنٹ میں شیج، ڈیٹا کی مکمل صفائی اور غلطی کے احتساب کی تشکیل میں بہتری لانے کیلئے اہم توجہ دی جا رہی ہے۔ مزید برآں اس کی CORE BANKING APPLICATIONS کو اپ گریڈ کرنے کے بڑے کام کو ترجیح دی جاتی جائے۔ بورڈ کی سطح پر گہرائی کو موثر بنانے کیلئے ٹیکنالوجی میں زیادہ سے زیادہ مہارت حاصل کرنے کی ضرورت ہے۔ اسے حکومت کو باور کرایا گیا ہے اور چھ ماہ قبل ایک مناسب شائعہ کی گئی تھی لیکن اس کا تاحال کوئی جواب نہیں ملا۔

بیک سٹرڈپازٹ پر اہم صلاحیتوں کو بینک میں رافٹ کیا گیا ہے۔ ملازمت کے موجودہ قواعد کو ہائی کورٹ کی سطح پر براہ راست پریشان کن مقدمات اور اثر کرنے کے قابل بناتے ہیں اور اس کے نتیجے میں بینک کو بڑی تعداد میں پریشان کن مقدمات کا سامنا کرنا پڑتا ہے۔ جس سے انتظام پر کمزوری اصلاحات لانے میں رکاوٹ ہوتی ہے مزید برآں، جبکہ ایک ایسا ماحول جو کارآمد کارکردگی کا مظاہرہ کرتے ہوئے تیار کیا جا رہا ہے، اس کی تاخیر کو انہیں اسلاف سروسز سے کمزور کیا ہے۔ بینک کو اپنی صلاحیت تک پہنچنے کیلئے ان قواعد کو منسوخ کرنے کیلئے حکومت کی مدد کی ضرورت ہے۔

بینک کی بین الاقوامی فراہم کنندہ کوکھٹ عملی کے تحت قیام کی ایک بہتر سطح کی سہولت کے لیے بھی ہموار کیا جا رہا ہے۔ اس مقصد کے لیے، بینک کے بین الاقوامی پریجنٹو سھکم کرنے کے لیے کام جاری ہے۔ 2016 میں بینک اور اس کی بندیاک کی شاخ نے فیڈرل ریزرو بینک آف نیویارک کے سھکم مالیاتی خدمات (امریکی ریگولیڈر) کے ساتھ تجویزی معاہدہ کیا۔ اس معاہدے کے تحت، بینکوں سے منی لاڈرگ اور اس کی بینک کے رازداری سے متعلق قانون کی ضروریات سے متعلق کچھ قیام اور سکرپٹ منجسٹ کے معاملات پر توجہ دی کی ضرورت ہوتی ہے۔ اس معاہدے میں مظلوم سے سسٹم اور سٹریٹجک فائز اور مناسب وسائل کو مختص کرنے کی بھی ضرورت ہے تاکہ اس طرح کی ضروریات کی مکمل قیام کو یقینی بنایا جاسکے۔ بینک شائعہ کی جانے والی ریگولیٹری کمزوریوں کو مناسب طریقے سے دور کرنے کیلئے اپنے نیویارک آپریٹرز میں اہم شخصیات، سسٹم اور عمل میں تبدیلی لایا ہے اور بورڈ کیلن اور بورڈ کی سطح پر بہتر توجہ کو یقینی بنایا ہے لیکن تاہم داخلی اعتبار سے کمزور قیام اختلاف کو موثر طریقے سے تبدیل ہونے میں وقت لگے گا اور اس دوران بینک vulnerable رہتا ہے۔

غیر معیاری صورت حال:

مختص سے متعلق غیر معیاری صورت حال میں کوئی تبدیلی نہیں آئی ہے کیونکہ یہ معاملہ پریم کورٹ آف پاکستان کے سامنے زیر سماعت ہے اس مسئلے پر فواد کے گوشواروں کے نوٹ نمبر 22.3.4.1 میں تفصیل سے ذکر کیا گیا ہے

خاص مارک آپ / سودی آمدنی:

زیر نمونہ کے دوران، بینک نے 206.0 بلین روپے (YoY +23.1%) مجموعی مارک آپ / سودی آمدنی حاصل کی۔ اس مدت کے دوران کا گروسویڈ اوسط 2,395.7 بلین روپے (YoY +16.2%) رہے سرمایہ کاری کے پورٹ فولیو کی اوسط 1,393.7 بلین روپے (ستمبر 2019: 1,061.4 بلین روپے) میں 31.3% تک اضافہ ہوا اور 124.9 بلین روپے (YoY +49.5%) کی سود / مارک آپ آمدنی ہوئی جو گولڈ مارک آپ آمدنی کا 60.6% رہی۔ اوسط قرضے 3.1% اضافہ کے ساتھ 950.2 بلین روپے (ستمبر 2019: 921.8 بلین روپے) رہے جس سے 78.0 بلین روپے کی مارک آپ / سودی آمدنی ہوئی جو ستمبر 2019 کی 77.6% بلین روپے کی آمدنی کے مقابلے میں 0.6% زیادہ رہی اوسط سودی اجاڑات 17.5% اضافے سے 2,458.5 بلین روپے رہے، لہذا بینک کے فنڈز کی لاگت میں بھی 126.2 بلین روپے (YoY +11.1%) تک اضافہ ہوا، جس میں سے 82.3 بلین روپے (ستمبر 2019: 78.0 بلین روپے) سال 2020 کے نمونہ کے لیے متعلق کروانے والوں Depositors کو ادا کیے جانے والے منافع کی مدد میں تھا تاہم Deposits کی لاگت سال 2020 کے نمونہ کے لیے 46 بلین روپے کی کمی سے 5.57% (نوماء 2019: 6.03%) ہوئی۔ مجموعی طور پر، بینک کی خاص مارک آپ / سودی آمدنی 79.8 بلین روپے پر بند ہوئی، جو 2019 کے اسی نمونہ کے دوران حاصل 53.9 بلین روپے کے مقابلے میں 48.2% زیادہ ہے۔

غیر مارک آپ / سودی آمدنی:

بینک نے 27.7 بلین روپے (ستمبر 2019: 25.6 بلین روپے) کی غیر مارک آپ آمدنی حاصل کی جو گولڈ آمدنی کا 25.8% (ستمبر 2019: 32.2%) ہے۔ براؤنچ بینکاری سے منظم ٹیس اور کمیشن آمدنی پیدا ہوتی رہی جو 12.8 بلین روپے (YoY +8.1%) پر بند ہوئی۔ کمپنوں نے کوڈ-19 کی وبا پھیلنے کے بعد پیدا ہونے والے خطرات کو کم کرنے کے لیے منافع کو ذخیرہ رکھنے کا سہارا لیا لہذا ڈیویڈنڈ کی آمدنی 46.0% کم ہو کر 1.3 ارب روپے ہوئی۔ مبادلہ مارکیٹ میں کم اتار چڑھاؤ کم بین الاقوامی تجارت کے حجم کے ساتھ، بینک کی غیر ملکی زرمبادلہ کی آمدنی YoY +22.4% سے 3.4 بلین روپے (ستمبر 2019: 4.3 بلین روپے) تک کم ہوئی تاہم یہ کی بینک ریٹیز کے زیادہ فوائد کے ذریعہ سیٹ آف ہو گئیں جس میں 6.9 بلین روپے (ستمبر 2019: 0.6 بلین روپے) تھیں۔ اس کے سوا، بینک کی غیر مارک آپ / سودی آمدنی مجموعی طور پر 27.7 بلین روپے رہی، جو گزشتہ سال کی اسی مدت کے 25.6 بلین روپے کے مقابلے میں 8.4% زیادہ تھی۔

اخراجات کا انتظام:

زیر نظر مدت کے لیے بینک کے آپریٹنگ اخراجات 45.0 بلین روپے تھے جو سالانہ 8.8% زیادہ تھے۔ جبکہ اس عرصے کے لیے گولڈ آمدنی میں اضافے کی وجہ سے بینک کا لاگت سے آمدنی کا تناسب 41.8% رہا۔ جو کہ 2019 کے انجی نمونہ کے عرصے میں 52.1% تھا۔ بینک کے انسانی وسائل کے اخراجات آپریٹنگ اخراجات کا 67% (ستمبر 2019: 65.6%) رو کر گزشتہ سال کے تھوڑی عرصے کے 27.0 ارب روپے کے مقابلے میں 29.9 ارب روپے رہے۔

قرضوں کے نقصانات اور تعرفات:

کوڈ-19 وبائی امراض کی وجہ سے پیدا ہونے والے معاشی ماحول کی عکاسی کرتے ہوئے حالیہ مہینوں کے دوران بینک کا اثاثہ معیار دباؤ میں آیا۔ 30 ستمبر، 2020 تک NPLs مجموعی طور پر 172.7 بلین روپے رہے، جو دسمبر 2019 کے 148.7 بلین روپے کی سطح سے 24.0 بلین روپے (YoY +16.1%) زیادہ رہے۔ بینک اپنے پینلس شیڈ کو منظم کرنے کے لیے قرض کی فراہمیوں کی نشاندہی کے لیے محتاط انداز اپناتا ہے اور ساتھ ہی ساتھ NPLs اور دیگر غیر متوقعات کے پیش نظر شخص تعرفات کے ساتھ ساتھ عمومی تعرفات کو بھی برقرار رکھتا ہے۔ زیر جائزہ نمونہ کی مدت کے دوران 23.3 بلین روپے (ستمبر 2019: 8.9 بلین روپے) کے تعرفات فراہم کئے گئے اس کے نتیجے میں شخص اور عمومی تعرفات کا ترتیب 149.2 بلین روپے اور 18.6 بلین روپے تک بڑھ گئے۔ رکھے جانے والے گولڈ تعرفات NPL 97.2% کووریج تناسب کی ترجمانی کرتے ہیں۔

منافع مختص:

2019 کے منع شدہ منافع کو آگے بڑھانے کے بعد 30 ستمبر 2020 کو ختم ہونے والے نمونہ کے لئے منافع مختص کرنے کے لئے تجویز کیا گیا ہے۔

(ارب روپے)

39.27

30 ستمبر 2020 کو ختم ہونے والے نمونہ کے لیے لیگل ازنگس منافع نیکی پیش

20.13
-
(7.00)

گزشتہ سال
موخر شدہ

13.13

26.14

88.78

(0.47)

0.17

114.62

30 ستمبر 2020 کو ختم ہونے والے نمونہ کے لیے بعد ازنگس منافع

غیر تعریف شدہ لاگت ادا جانے والا منافع

دیگر جامع آمدنی۔ بعد ازنگس

جامدا اثاثوں کی نظر ثانی شدہ قدر کی وجہ سے ذخائر سے منتقلی

تعرف کے لیے دستیاب منافع

تعرف:

(2.61)

قانونی ذخائر میں منتقلی

112.01

غیر تعریف شدہ منافع آگے بڑھانے کے لیے:

**NBP**National Bank of Pakistan
نیشنل بینک آف پاکستان**ڈائریکٹر کا جائزہ****نوامی مالیاتی گوشوارے 30 ستمبر 2020**

ہم پور ڈی آف ڈائریکٹر کی طرف سے 30 ستمبر 2020 کو ختم ہونے والے نوامی مہرے کے لئے تفصیل پیش آف پاکستان "بینک" کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

معاشی ماحول:

کوویڈ-19 کے غلبے سے اثر پذیر عوامی حلقوں کے تسلسل کی وجہ سے، مالی سال 2020 میں پاکستان کی جی ڈی پی کی نمو میں 0.4% کی کمی ہوئی اور اب مالی سال 2021 میں تقریباً 2% کی شرح سے بڑھنے کا امکان ہے کیونکہ کاروباری اعتماد میں بہتری رہی ہے اور طلب کے اشاروں میں بھی تیزی دیکھنے کو مل رہی ہے۔ اشیائے خورد و پیش کی قیمتوں میں اضافے کی وجہ سے ستمبر 2020 میں ہیز لائنی افراد میں تیزی سے 9.0% تک اضافہ ہوا، جو مالی سال 2021 کی پہلی سہ ماہی کے دوران اوسطاً 8.8% تھا۔ مالی سال 2021 کے دوران افراد کو 7% سے 9% کی اخلاص کردہ حد کے اندر محدود رکھنے کے لئے اسٹیٹ بینک اور حکومت نے اقدامات اٹھائے ہیں۔ کرنٹ اکاؤنٹس گزشتہ سال کے اسی مہرے کے 1,492 ملین ڈالر کے خسارے کے مقابلے میں پہلی سہ ماہی میں 792 ملین ڈالر کے اضافے سے بلند ترین سطح پر آگیا۔ یہ مالی سال 2021 کی پہلی سہ ماہی کی تحریکات کے برعکس 7,114 ملین ڈالر تک اضافہ کی عکاس ہے جو پہلی سہ ماہی 2020 سے 31% زیادہ ہیں۔ اس سے اسٹیٹ بینک کے زرمبادلہ کے ذخائر کو خانوں کی کوویڈ-19 کی وبا سے قبل کی سطح 12.8 ملین ڈالر کے ذخائر کی سطح تک واپس لانے میں مدد ملی۔ اس کے نتیجے میں، پاکستان کے زرمبادلہ کے ذخائر درآمدی طور کے 3 ماہ کے معیار سے دو بارہ تجاوز کر چکے ہیں، اور روپیہ ڈالر کے مقابلے میں قدرے مستحکم ہوا ہے۔ امکان ہے کہ روڈ ٹریفک کی سطح کا ذخائر غیر ملکی ذخائر کو مزید فروغ دے گا کیونکہ یہ اکاؤنٹس انکون فیئر رہائشی پاکستانیوں کے لئے بینکاری کے جدید عمل پیش کرتے ہیں جو پاکستان میں بینکاری، ادائیگی اور سرمایہ کاری کی سرگرمیاں انجام دینے کے خواہاں ہیں۔

ترقی اور درود گارنٹیز کی پالیسی کی شرح میں کل 625 پائلٹ کی تحفیف سے شرح کے 13.25% سے کم کر کے 7.0% کرنے اور مختلف قرضوں کی سہولیات کی اجازت دینے کے ذریعہ ایک نمایاں حد تک نجی شعبے کے قرضہ جات کی حوصلہ افزائی کی ہے۔ ان سہولیات نے قرضوں کی افزائش اور انتظامیہ سے حلقوں دیگر نگران اقدامات کے ساتھ گھریلو اور کاروباری اداروں کو ضروری نقد زریعتیاتی میں اضافہ کیا ہے جبکہ اس کے باوجود اس عرصے کے دوران نجی شعبے میں قرضوں کی طلب کم رہی اور بینکنگ شعبہ میں قرضوں میں دسمبر 2019 کی سطح سے 2% کی کمی رہی ہے۔ چونکہ ڈپازٹس میں 15% اضافہ ہوا، بینکوں نے سرکاری سیکورٹیز میں سرمایہ کاری کا انتخاب کیا۔ تاہم قرضہ جات کا معیار ایک اہم تشویش کے طور پر ابھرا ہے کیونکہ معاشی سست روی نے قرض لینے والوں کی ادائیگی کی صلاحیت کو نقصان پہنچایا اور اس کے نتیجے میں پورے بینکنگ سسٹم میں NPLs میں اضافہ ہوا۔

وفاقی مرض کے دوران، بینک کی توجہ اپنی آمدنی کے مسئلے کے ساتھ ساتھ اثاثوں کے معیار کو بھی برقرار رکھنا ہے، ساتھ ہی اپنے صارفین کے لئے ٹیکہ لگانی پیکرے تاکہ کمزور دوسروں کو اجرت کی ادائیگی جاری رہے اور کاروبار باقیہ کسی رکاوٹ کے بنا کام جاری رکھیں۔ پاکستان کے مالیاتی نظام میں بینک کے سسٹمی اہم کردار کو دیکھتے ہوئے، بینک کو اس سے اپنی پلگ کو مستحکم کرنے کو یقینی بنانا ہے جبکہ بینک اپنی خدمت کردہ ان کیونٹری خدمت جاری رکھتا ہے۔ ہم نے اعلیٰ سطحی تعرقات کو رکھا ہوا ہے، ہم اپنی پالیسی میں کوئی تبدیلی نہ دینے کے لئے اپنی کمائی کو مختص کرنے کے لئے پُر عزم ہیں۔

مالی کارکردگی کا جائزہ:

مشکل ماحول کے باوجود بنیادی آمدنی میں اضافے کے ساتھ ساتھ بینک نے گزشتہ سال کی اسی مدت کے خالص منافع کے مقابلے میں 60% زیادہ منافع حاصل کرنے کے مستحکم نتائج کی اطلاع دی ہے۔ قبل از قرض منافع قبل از ٹیکس منافع اور ٹیکس کے بعد منافع باقی رہا 62.6 ملین روپے (YoY +64.3%)، 39.3 ملین روپے (YoY +34.6%) اور 26.1 ملین روپے (YoY +60%) پر بند ہوا۔ فی شخص آمدنی 12.28 روپے (ستمبر 2019 7.68 روپے) تک بہتر ہوئی کیونکہ تیسری سہ ماہی 2019 کے اثاثوں پر بعد از ٹیکس آمدنی اور سرمایہ پر آمدنی میں 0.7% اور 14.0% باقی رہا تیسری سہ ماہی 2020 میں 1.2% اور 19.7% تک بہتر ہو گئے یہ قرض کی طلب میں کمی، لاگ ڈائن کی وجہ سے کم معاشی سرگرمی، پورٹ فولیو خرابی پر بینکنگ اخراجات پر افراد کے اثرات سمیت منفی عوامل کے باوجود حاصل کیا گیا۔

مالیاتی کارکردگی (ارب روپے)	ستمبر 2020	ستمبر 2019	بھڑی / (بھڑی)
کل آمدنی	107.57	79.43	28.1 (35.4%)
آپ بیلنگ اور دیگر اخراجات	45.00	41.36	(3.64) (8.8%)
نقی از قرض منافع	62.57	38.07	24.50 (64.4%)
خاص ترسوف	23.30	8.89	(14.41) (162.1%)
نقی از ٹیکس منافع	39.27	29.18	10.09 (34.6%)
بعد از ٹیکس منافع	26.13	16.33	9.8 (60.0%)
مالیاتی حالت (ارب روپے)	ستمبر 2020	دسمبر 2019	بھڑی / (بھڑی)
کل اثاثے	2,783.48	3,124.39	(340.91) (10.9%)
سرمایہ کاری	1,368.39	1,439.16	(70.77) (4.9%)
دیئے گئے قرضے، خاص	892.62	1,008.14	(115.52) (11.5%)
ڈپازٹس	2,174.93	2,198.05	(23.12) (1.1%)
قرضہ جات	142.65	471.76	329.16 (69.8%)
خاص اثاثے	267.20	232.61	34.59 (14.9%)

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020**

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	271,566,562	292,513,379
Balances with other banks	7	14,597,584	13,220,807
Lendings to financial institutions	8	50,281,178	144,140,344
Investments	9	1,368,388,745	1,439,160,062
Advances	10	892,626,890	1,008,139,084
Fixed assets	11	54,497,593	54,303,565
Intangible assets	12	362,914	374,950
Right of use assets	13	6,904,235	7,221,266
Other assets	14	124,251,943	165,315,413
		2,783,477,644	3,124,388,870
LIABILITIES			
Bills payable	15	41,481,492	19,867,424
Borrowings	16	142,595,635	471,757,352
Deposits and other accounts	17	2,174,925,833	2,198,049,281
Lease liability against right of use assets	18	7,794,796	7,640,188
Deferred tax liabilities	19	6,822,937	10,915,802
Other liabilities	20	142,654,206	183,544,990
		2,516,274,899	2,891,775,037
NET ASSETS		267,202,745	232,613,833
REPRESENTED BY			
Share capital		21,275,131	21,275,131
Reserves		57,463,637	52,308,742
Surplus on revaluation of assets	21	76,456,029	70,244,060
Unappropriated profit		112,007,948	88,785,900
		267,202,745	232,613,833

CONTINGENCIES AND COMMITMENTS

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

Zubyr Soomro
Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

		Quarter ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Note		Rupees in '000			
Mark-up / return / interest earned	23	60,771,188	69,697,575	206,029,824	167,387,548
Mark-up / return / interest expensed	24	29,366,140	51,398,066	126,181,247	113,524,522
Net mark-up / return / interest income		31,405,048	18,299,509	79,848,577	53,863,026
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	4,124,102	4,150,160	12,848,025	13,986,121
Dividend income		265,696	669,345	1,298,024	2,398,061
Foreign exchange income		652,439	801,729	3,351,403	4,319,613
Gain on securities - net	26	3,597,642	250,192	6,932,804	592,224
Other income	27	742,582	1,498,175	3,293,130	4,277,300
Total non-mark-up / interest income		9,382,461	7,369,601	27,723,386	25,573,319
Total income		40,787,509	25,669,110	107,571,963	79,436,345
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	15,451,029	13,438,784	44,701,386	41,239,673
Workers welfare fund		-	-	-	-
Other charges	29	4,251	30,924	297,489	122,095
Total non-markup / interest expenses		15,455,280	13,469,708	44,998,875	41,361,768
Profit before provisions		25,332,229	12,199,402	62,573,088	38,074,577
Provisions and write offs - net	30	7,668,269	3,402,275	23,306,701	8,892,275
PROFIT BEFORE TAXATION		17,663,960	8,797,127	39,266,387	29,182,302
Taxation	31	6,720,141	3,567,515	13,132,199	12,851,676
PROFIT AFTER TAXATION		10,943,819	5,229,612	26,134,188	16,330,626
Rupees					
Earnings per share - basic and diluted	32	5.14	2.46	12.28	7.68

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

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	----- Rupees in '000 -----			
Profit after taxation for the period	10,943,819	5,229,612	26,134,188	16,330,626
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Exchange gain on translation of net assets of foreign branches	2,535,365	(376,808)	2,541,476	1,147,262
Movement in surplus / (deficit) on revaluation of investments - net of tax	(5,493,686)	103,459	5,809,702	(3,294,455)
	(2,958,321)	(273,349)	8,351,178	(2,147,193)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement (loss) / gain on defined benefit obligations - net of tax	186,107	(22,978)	(471,505)	(194,660)
Movement in surplus on revaluation of fixed assets - net of tax	-	-	575,051	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	186,107	(22,978)	103,546	(194,660)
Total comprehensive income	8,171,605	4,933,285	34,588,912	13,988,773

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Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Share capital	Reserves						Surplus on revaluation of assets			Unappropriated profit	Total
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total		
Rupees in '000												
Balance as at January 01, 2019	21,275,131	8,916,433	31,490,829	343,802	12,000,000	521,338	53,274,402	16,275,620	43,710,505	59,986,125	72,332,877	206,888,535
Profit after taxation for the nine months period ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income / (loss) - net of tax	-	1,147,262	-	-	-	-	1,147,262	(3,294,455)	-	(3,294,455)	16,330,626	16,330,626
Transfer to statutory reserve	-	-	1,633,063	-	-	-	1,633,063	-	-	-	(184,660)	(2,341,853)
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(179,664)	(179,664)	179,664	-
Transfer to unappropriated profit	-	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2018 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at October 01, 2019	21,275,131	10,065,695	33,123,892	343,802	8,000,000	521,338	52,054,727	12,981,165	43,530,841	56,512,006	91,015,444	220,857,309
Profit after taxation for the three months ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	(520,815)	(520,815)
Other comprehensive income / (loss) - net of tax	-	306,097	-	-	-	-	306,097	12,678,087	1,113,855	13,791,942	(1,820,699)	12,277,340
Transfer to statutory reserve	-	-	(52,082)	-	-	-	(52,082)	-	-	-	52,082	-
Transfer from loss loan reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(59,888)	(59,888)	59,888	-
Balance as at January 01, 2020	21,275,131	10,371,792	33,071,810	343,802	8,000,000	521,338	52,308,742	25,659,252	44,584,808	70,244,060	88,795,900	232,613,833
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	26,134,188	26,134,188
Other comprehensive income / (loss) - net of tax	-	2,541,476	-	-	-	-	2,541,476	5,809,702	975,051	6,384,753	(471,509)	8,454,724
Transfer to statutory reserve	-	-	2,613,419	-	-	-	2,613,419	-	-	-	(2,613,419)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(172,794)	(172,794)	172,784	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	21,275,131	12,913,268	35,685,229	343,802	8,000,000	521,338	57,463,637	31,468,954	44,987,075	76,456,029	112,007,948	267,202,745

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

Zubyr Soomro
Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Inam Bakhsh Baloch
Director

Asif Joona
Director

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

		September 30, 2020	September 30, 2019
	Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		39,266,387	29,182,302
Less: dividend income		(1,298,024)	(2,398,061)
		37,968,363	26,784,241
Adjustments:			
Depreciation on fixed assets		1,877,814	1,855,679
Depreciation on right of use assets		1,389,383	1,407,946
Amortization		113,753	272,128
Provision and write-offs - net	30	23,306,701	8,892,275
Gain on sale of fixed assets		(886)	(9,992)
Financial charges on leased assets		22,342	19,640
Financial charges on right-of-use-assets		569,621	519,090
Unrealized loss on revaluation of investments classified as held-for-trading		23,639	(36,752)
Charge for defined benefit plans - net		5,549,228	5,487,571
		32,851,495	18,407,585
		70,819,858	45,191,826
(Increase) / decrease in operating assets			
Lendings to financial institutions		93,459,166	39,911,329
Held-for-trading securities		(16,893,371)	75,773,340
Advances		90,785,929	(35,731,574)
Other assets (excluding advance taxation)		21,300,302	(3,386,864)
		188,652,026	76,566,231
Increase / (decrease) in operating liabilities			
Bills payable		21,614,068	6,345,027
Borrowings from financial institutions		(291,459,286)	287,918,210
Deposits		(23,123,448)	(73,349,617)
Other liabilities (excluding current taxation)		(44,845,384)	(3,582,009)
		(337,814,050)	217,331,611
Financial charges paid		(591,963)	(538,730)
Income tax paid		-	(5,655,720)
Benefits paid		(1,331,960)	(2,370,185)
Net cash flows generated from operating activities		(80,266,089)	330,525,033
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(36,202,346)	(215,453,745)
Net investments in held-to-maturity securities		132,368,686	(142,101,388)
Dividends received		894,024	2,398,061
Investments in fixed assets		(1,629,634)	(8,294,900)
Proceeds from sale of fixed assets		27,359	70,199
Effect of translation of net investment in foreign branches		2,541,476	1,147,262
Net cash flows (used in) / generated from investing activities		97,999,565	(362,234,511)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease obligations		-	-
Dividend paid		(1,085)	(1,681)
Net cash flow used in financing activities		(1,085)	(1,681)
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		17,732,391	(31,711,159)
Cash and cash equivalents at end of the period	33	263,754,250	227,752,888
		281,486,641	196,041,730

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Imam Bakhsh Baloch
Director

Asif Jooma
Director

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). The registered and head office of the Bank is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (December 31, 2019: 1,509) branches in Pakistan and 21 (December 31, 2019: 21) overseas branches (including the Export Processing Zone branch, Karachi).

2. BASIS OF PRESENTATION

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 for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

2.1.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard 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. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1.3 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

2.1.4 The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5, dated March 22, 2019 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these interim condensed unconsolidated financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2019.

2.1.5 These unconsolidated condensed interim financial statements are separate financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees.

2.1.6 Amendments to approved accounting standards that are not effective in the current period

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2021
- Amendments to IAS 1 Presentation of Financial Statements regarding the definition of material.	January 1, 2022
- Amendments to IFRS 3 'Business Combination' - Reference to the conceptual framework	January 1, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.	January 1, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 1, 2022
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investors to its associates or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

2.1.7 Standards, interpretations of and amendments to approved accounting standards that are effective

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 1, 2020
- IFRS 3 - Business Combinations (Amendments)	January 1, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 1, 2020

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies updated for presentation of these unconsolidated condensed interim financial statements are same as those followed in presentation of the unconsolidated financial statements of the Bank for the year ended December 31, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this unconsolidated condensed interim financial statement is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019.

5. FINANCIAL RISK MANAGEMENT

In order to be more responsive to the changing environment, the Bank reviews / revises its plans / procedures to help remain robust in line with emerging risks.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to September 2020. Other regulatory measures to provide an impetus to economic activity

- 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;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year; and
- Relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures Bank has aligned its policies / procedures and issued instructions. Following is the brief of measures taken by Bank.

5.1 Credit Risk Management

The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. It is expected that credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Bank is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak.

5.2 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and Daily Liquidity Monitoring report is also being prepared to notice the changes in liquidity profile of the Bank. Liquidity buffer currently maintained is sufficient to cater to any adverse movement. Moreover the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realized in case of any adverse liquidity situation.

5.3 Operational Risk Management

The Bank is closely monitoring the situation and has undertaken required actions to ensure the safety and security of Bank staff and maintenance of service to its customers. The Senior Management of the Bank including the Covid Crises Management Team closely monitors the situation, and is taking timely decisions to resolve any concerns.

The Bank has a duly tested Business Continuity Plan (BCP) in place. The Bank has communicated with its customers on how they can connect with the Bank through its digital and online channels. The Bank continues to take measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored, in order for the Bank to meet the expectations of its stakeholders.

The Bank's operations have been stayed highly resilient, almost more than 95% branches remains open to facilitate its customers. Further, the Bank has deployed all necessary measures for the health and safety of its employees to prevent them from this pandemic situation.

5.4 Information Security Risk Management

The COVID-19 pandemic poses heightened cyber security risks. The Bank has taken appropriate actions to monitor and respond to these evolving cyber security risks and adopted a heightened state of cyber security as transitioned employees to remote working option, where required. The associated risks and implications posed by the pandemic have been assessed to protect the Bank's critical information assets from the increasing cyber threats and to ensure compliance with the regulatory controls.

5.5 Capital Adequacy Ratio (CAR)

The Bank has shown improvement in capital adequacy ratio from 15.48% to 20.75%. The main reasons include; relaxation Capital Conversion Buffer (CCB) requirements, and profit for the nine month period ended.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		42,405,522	48,571,567
Foreign currency		6,390,402	4,565,061
		<u>48,795,924</u>	<u>53,136,628</u>
With State Bank of Pakistan in			
Local currency current accounts	6.1	149,367,130	168,326,804
Foreign currency current accounts	6.2	10,294,475	9,116,381
Foreign currency deposit accounts	6.2	21,214,092	27,850,977
Foreign currency collection accounts		1,049,626	1,473,861
		<u>181,925,323</u>	<u>206,768,023</u>
With other central banks in			
Foreign currency current accounts	6.3	34,110,355	25,994,672
Foreign currency deposit accounts	6.3	6,600,762	4,865,977
		<u>40,711,117</u>	<u>30,860,649</u>
Prize bonds		134,198	1,748,079
		<u>271,566,562</u>	<u>292,513,379</u>
6.1	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.		
6.2	These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.		
6.3	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0.00% to 2.96% per annum (December 31, 2019: 0.00% to 2.17% per annum).		

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts	7.1	11,777	5,841
Outside Pakistan			
In current accounts	7.2	8,824,676	6,476,086
In deposit accounts		5,761,131	6,738,880
		<u>14,585,807</u>	<u>13,214,966</u>
		<u>14,597,584</u>	<u>13,220,807</u>

- 7.1 These include various deposits with banks and carry interest at rates ranging from 2.00% to 8.00% per annum (December 31, 2019: 2.50% to 11.25% per annum).
- 7.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0.00% to 3.00% per annum (December 31, 2019: 0.00% to 2.17% per annum).

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

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	8.1	140,800	540,800
Repurchase agreement lendings (reverse repo)	8.2	40,780,044	132,180,048
Bai Muajjal receivables with State Bank of Pakistan	8.3	9,360,334	11,419,496
Letters of placement	8.4	176,150	176,150
	8.5	50,457,328	144,316,494
Less: provision held against lendings to financial institutions	8.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		50,281,178	144,140,344

- 8.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (December 31, 2019: Rs. 40.8 million) which is guaranteed by the SBP.
- 8.2 These carry mark-up at rates ranging from 7.00 % to 7.40 % per annum (December 31, 2019: 13.00% to 13.58% per annum) with maturities ranging from October 01, 2020 to October 16, 2020.
- 8.3 This represents Bai Muajjal agreements entered into with SBP and carries mark-up rate 13.00% per annum (December 31, 2019: 12.78% per annum).
- 8.4 These are overdue placements and full provision has been made against these placements as at September 30, 2020.

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

8.5 Particulars of lending

In local currency	50,457,328	144,316,494
In foreign currencies	-	-
	50,457,328	144,316,494

8.6 Movement in provision held against lendings is as follows:

Opening balance	176,150	176,150
Charge for the period	-	-
Closing balance	176,150	176,150

8.7 Securities held as collateral against lendings to financial institutions

September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000					
6,719,232	-	6,719,232	124,080,048	-	124,080,048
34,060,812	-	34,060,812	6,100,000	-	6,100,000
40,780,044	-	40,780,044	132,180,048	-	132,180,048

Market Treasury Bills
Pakistan Investment Bonds

Total

8.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 40,783 million (December 31, 2019: Rs. 132,453 million).

8.8 Category of classification

September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
Classified Lending	Provision held		Classified Lending	Provision held	
Rupees in '000					
176,150	176,150		176,150	176,150	

Domestic
Loss

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نیشنل بینک آف پاکستان**9. INVESTMENTS****Investments by type:****Held-for-trading securities**

Market Treasury Bills
Pakistan Investment Bonds
Ordinary shares of listed companies

Available-for-sale securities

Pakistan Investment Bonds
Market Treasury Bills
Ijarah Sukuks
Ordinary shares of listed companies
Ordinary shares of unlisted companies
Preference shares
Investments in mutual funds
Ordinary shares of a bank outside Pakistan
Term Finance Certificates / Musharika
Participation Term Certificate and Sukuk Bonds
GoP Foreign Currency Bonds
Foreign Government Securities
Foreign Currency Debt Securities

	445,780,934	-	5,063,584	450,844,518	322,248,605	-	(1,961,853)	320,286,752
	506,759,892	-	3,226,801	509,986,693	593,936,881	-	967,544	594,904,425
	6,000,000	-	21,200	6,021,200	2,000,000	-	(21,200)	1,978,800
	31,930,542	(5,788,151)	19,378,471	45,520,862	29,025,568	(5,723,164)	18,487,730	41,790,134
	2,101,182	(507,573)	-	1,593,609	2,101,182	(507,573)	-	1,593,609
	1,445,308	(539,708)	-	905,600	570,214	(490,826)	-	79,388
	619,646	(41,167)	1,296,228	1,874,707	619,646	(41,167)	1,324,745	1,903,224
	463,294	-	18,323,835	18,787,129	463,294	-	18,368,462	18,831,756
	62,222,568	(5,147,339)	823,878	57,899,107	60,253,886	(4,942,505)	941,278	56,252,659
	10,821,490	-	220,641	11,042,131	21,138,771	-	1,337,759	22,476,530
	3,471,572	-	57,935	3,529,507	3,474,324	-	17,527	3,491,851
	1,827,779	-	1,202	1,828,981	1,408,492	-	13,779	1,422,271
	1,073,443,208	(12,023,937)	48,413,776	1,109,833,045	1,037,240,862	(11,705,235)	39,475,771	1,065,011,399

Held-to-maturity securities

Pakistan Investment Bonds
Market Treasury Bills
Debentures, Bonds, Sukuks, Participation Term
Certificates and Term Finance Certificates
GoP Foreign Currency Bonds
Foreign Government Securities
Foreign Currency Debt Securities

	167,687,574	-	-	167,687,574	184,864,103	-	-	184,864,103
	-	-	-	-	114,091,320	-	-	114,091,320
	414,973	(407,134)	-	7,839	416,707	(407,134)	-	9,573
	-	-	-	-	4,087,591	-	-	4,087,591
	32,588,785	-	-	32,588,785	29,600,343	-	-	29,600,343
	642	-	-	642	596	-	-	596
	200,691,974	(407,134)	-	200,284,840	333,060,660	(407,134)	-	332,653,526
	4,970,863	(4,091,977)	-	878,886	4,970,863	(3,999,416)	-	971,447
	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
	3,906,750	(1,838,263)	-	2,068,487	3,906,750	(1,838,262)	-	2,068,488
	1,338,359,821	(18,361,311)	48,390,237	1,368,388,745	1,417,645,333	(17,950,047)	39,464,775	1,439,160,062

9.1.1 Investments given as collateral

Pakistan Investment Bonds	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Market Treasury Bills	12,296,044	4,150,000
	2,550,000	327,903,770
	14,846,044	332,053,770

9.2 Provision for diminution in value of investments

9.2.1 Opening balance	17,950,047	14,908,363
Charge / reversals	1,019,941	3,425,825
Charge for the period	(608,675)	(384,143)
Reversals for the period	411,266	3,041,882
Closing balance	18,361,313	17,950,047

9.2.2 Particulars of provision against debt securities

Category of classification	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	NPI	Provision
Domestic		NPI
Doubtful	-	426,170
Loss	5,563,234	5,145,314
	5,563,234	5,571,484
	5,564,473	5,349,630

9.3 SBP Wide BPRD Circular Letter No. 13 of 2020 Para 4 (c) of Prudential Regulation R-8: Impairment in Value of Securities has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, a portion of the impairment loss, amounting to Rs. 0.844 million, resulting from the valuation of listed equity securities held under the AFS category as of September 30, 2020 has not been recognized in the unconsolidated condensed interim profit and loss account and has been taken to Surplus on revaluation of available for sale securities as disclosed in note 21 of these unconsolidated condensed interim financial statements.

Had there been no relaxation, there would have had the following effect on these unconsolidated condensed interim financial statements:

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2020
Impact on Unconsolidated Condensed Interim Statement of Financial Position		
- Increase in provision for diminution in value of investments		844
- Increase in surplus on revaluation of Available for sale securities - net of tax		549
- Decrease in Unappropriated Profit		(515)
Impact on Unconsolidated Condensed Interim Profit and Loss account		
- Decrease in Profit after tax		(515)
- Decrease in taxation charge		(329)

Earnings per share for the period ended September 30, 2020 would have been lower by Rs. 0.0002 per share.

9.4 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 208,969 million (December 31, 2019: Rs. 328,496 million).

**NBP**National Bank of Pakistan
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Note	Performing			Non performing		Total	
	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Un-audited) September 30, 2020	(Audited) December 31, 2019	(Un-audited) September 30, 2020	(Audited) December 31, 2019

Loans, cash credits, running finances, etc.

Islamic financing and related assets

Net investment in finance lease

Bills discounted and purchased

Advances - gross

Provision against advances

- Specific

- General

Advances - net of provision

10.1 Net investment in finance lease

September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
Not later than one year	Over five years	Total	Not later than one year	Over five years	Total

Lease rentals receivable

Residual value

Minimum lease payments

Financial charges for future periods

Present value of minimum

lease payments

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favour of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 17.30% (December 31, 2019; 10.19% to 19.46%) per annum.

10.2 Particulars of advances (Gross)

In local currency

In foreign currencies

(Un-audited) September 30, 2020	(Audited) December 31, 2019
989,108,060	1,052,019,665
71,351,021	99,295,385
1,060,459,081	1,151,315,050

10.3 Advances includes Rs. 172,717 million (2019: Rs.148,752 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2020 (Un-		December 31, 2019 (Audited)	
	Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----				
Domestic				
Other assets especially mentioned	4,361,710	146,285	1,290,081	78,430
Substandard	13,562,004	3,211,401	10,292,449	2,550,709
Doubtful	12,558,344	6,270,747	6,439,788	3,207,031
Loss	98,340,147	97,035,070	89,680,047	88,523,275
	128,822,204	106,663,503	107,702,365	94,359,445
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	43,894,515	42,568,899	41,049,352	39,810,571
	43,894,515	42,568,899	41,049,352	39,810,571
Total	172,716,719	149,232,401	148,751,717	134,170,016

10.4 Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Note						
Opening balance	134,170,016	9,005,950	143,175,966	126,266,039	7,207,104	133,473,143
Exchange adjustments	2,880,328	32,451	2,912,779	3,803,802	28,732	3,832,534
Charge for the period / year	15,934,778	9,913,330	25,848,108	11,335,930	2,018,117	13,354,047
Reversals	(3,682,680)	(351,942)	(4,034,622)	(4,681,591)	(248,003)	(4,929,594)
	12,252,098	9,561,388	21,813,486	6,654,339	1,770,114	8,424,453
Amounts written off	(24,127)	-	(24,127)	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	(45,915)	-	(45,915)	(232,480)	-	(232,480)
Amount charged off international branches	-	-	-	(1,776,734)	-	(1,776,734)
Other movement	-	-	-	(511,946)	-	(511,946)
Closing balance	149,232,401	18,599,789	167,832,191	134,170,016	9,005,950	143,175,966

10.4.1 Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	106,663,503	18,358,828	125,022,331	94,359,445	8,550,135	102,909,580
In foreign currencies	42,568,899	240,961	42,809,860	39,810,571	455,815	40,266,386
	149,232,401	18,599,789	167,832,191	134,170,016	9,005,950	143,175,966

- 10.4.2** The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Bank has also maintained general provision in respect of its underperforming portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

- 10.4.3** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019. Bank is following up for its extension.

- 10.4.4** This includes fully provided loans granted outside Pakistan which are charged-off as per local regulations of the host country. Charging-off does not affect the Bank's right to pursue recovery against these loans.

- 10.4.5** State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the period ended September 30, 2020, 81 borrowers having aggregate outstanding exposure of Rs. 27,695 million have availed regulatory relief extended by SBP.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,066,464	2,114,172
Property and equipment		52,431,129	52,189,393
		<u>54,497,593</u>	<u>54,303,565</u>

11.1 Capital work-in-progress

Civil works	1,993,205	1,999,863
Equipment	14,526	15,446
Advances to suppliers and contractors	58,733	58,372
License and implementation fee for core banking software	-	40,491
	<u>2,066,464</u>	<u>2,114,172</u>

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

11.2 Additions to fixed assets

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

Capital work-in-progress	107,974	90,340
Property and equipment		
Building on freehold land	3,622	-
Building on leasehold land	59,728	53,296
Furniture and fixture	628,703	380,013
Computer and peripheral equipment	110,001	149,827
Electrical, office equipment	429,120	495,308
Vehicles	195,700	129,222
	<u>1,426,873</u>	<u>1,207,666</u>
	<u>1,534,846</u>	<u>1,298,006</u>

	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	----- Rupees in '000 -----	
11.3 Disposal of fixed assets		
The net book value of material fixed assets disposed off during the period is as follows:		
Furniture and fixture	1,519	1,310
Computer and peripheral equipment		104
Vehicles	24,898	9,157
	<u>26,418</u>	<u>10,571</u>
	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
12. INTANGIBLE ASSETS		
Computer Software	362,914	374,950
	<u>362,914</u>	<u>374,950</u>
	(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
	----- Rupees in '000 -----	
12.1 Additions to intangible assets		
The following additions have been made to intangible assets during the period:		
Directly purchased	94,788	375,641
	<u>94,788</u>	<u>375,641</u>
	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
13. RIGHT OF USE ASSETS		
The recognized right of use assets relate to the following types of assets:		
Balance as at January 01	7,221,266	7,908,684
Additions during the period	1,072,352	1,185,554
Depreciation charged for the period	1,389,383	1,872,972
Balance as at	<u>6,904,235</u>	<u>7,221,266</u>

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National Bank of Pakistan

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14. OTHER ASSETS

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
Income / return / mark-up accrued in local currency - net of provision		37,803,458	53,660,237
Income / return / mark-up accrued in foreign currency		2,730,144	2,551,275
Advances, deposits, advance rent and other prepayments		4,379,942	7,816,695
Income tax refunds receivable and advance taxation		31,422,959	51,823,127
Compensation for delayed tax refunds		16,819,576	13,722,128
Non-banking assets acquired in satisfaction of claims		3,273,015	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Unrealized gain on forward foreign exchange contracts		12,572	-
Commission receivable on Government treasury transactions		12,263,467	4,065,704
Stationery and stamps on hand		496,602	435,733
Barter trade balances		195,399	195,399
Receivable on account of Government transactions		323,172	323,172
Receivable from Government under VHS scheme		418,834	418,834
Receivable against sale of shares		43,646	310,374
Acceptances		16,720,194	26,934,779
Others		9,423,894	9,941,052
		136,535,297	175,691,785
Less: Provision held against other assets	14.1	12,760,569	10,853,587
Other assets (net of provision)		123,774,728	164,838,198
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		477,215	477,215
Other assets - total		124,251,943	165,315,413

14.1 Provision held against other assets

Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,011,843	2,555,322
Provision against FE-25 loans	1,734,591	1,734,591
Ex-MBL / NDFC - other assets	534,173	534,173
Assets Acquired from CIRC	208,423	208,423
Others	4,247,036	3,796,575
	12,760,569	10,853,587

14.1.1 Movement in provision held against other assets

Opening balance	10,853,587	8,884,661
Charge for the year	930,120	1,589,466
Transfer in	976,862	457,739
Adjustment of compensation claimed by SBP to SBP balances	-	(78,279)
Closing balance	12,760,569	10,853,587

15. BILLS PAYABLE

In Pakistan	40,704,843	19,648,708
Outside Pakistan	776,649	218,716
	41,481,492	19,867,424

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

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme	2,599,394	1,908,291
Under Export Refinance Scheme (New Scheme)	24,048,249	20,687,441
Financing Scheme for Renewable Energy	405,724	236,175
Refinance Facility for Modernization of SMEs	44,654	45,000
Financing Facility for storage of Agriculture Produce (FFSAP)	290,262	284,012
Under Long-Term Financing Facility (LTFF)	15,382,195	8,923,286
Refinance Scheme for Payment of Wages and Salaries	372,371	-
	43,142,849	32,084,205
Repurchase agreement borrowings	14,846,044	332,053,770
Bai Muajjal	79,788,437	59,069,167
	137,777,330	423,207,142

Unsecured

Call borrowings	2,538,424	39,052,969
Overdrawn nostro accounts	2,279,881	3,467,767
Bai Muajjal	-	6,029,474
	4,818,305	48,550,210
	142,595,635	471,757,352

16.1 Particulars of borrowings with respect to currencies

In local currency	142,595,635	432,843,644
In foreign currencies	-	38,913,708
	142,595,635	471,757,352

16.2 Mark-up / interest rates and other terms are as follows:

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3.00% (December 31, 2019: 3.00%).
- Repurchase agreement borrowings carry mark-up ranging from 6.95% to 7.05% per annum (December 31, 2019: 13.20% to 13.32% per annum) having maturity on ranging from October 1, 2020 to October 19, 2020.
- Call borrowings carry interest ranging from 0.00% to 0.77% per annum (December 31, 2019: 1.75% to 4.00% per annum).

16.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

16.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5 -10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 14,846 million (December 31, 2019: Rs. 332,054 million).

17. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits - remunerative	367,972,265	-	367,972,265	320,884,110	-	320,884,110
Current deposits - non-remunerative	419,850,303	125,370,781	545,221,084	387,100,580	138,036,876	525,137,456
Savings deposits	610,900,574	59,801,120	670,701,694	533,399,568	52,363,840	585,763,408
Term deposits	261,616,855	84,966,026	346,582,881	285,062,513	75,428,176	360,490,689
Others	5,039,120	4,080	5,043,200	4,970,352	3,924	4,974,276
	1,665,379,117	270,142,007	1,935,521,124	1,531,417,123	265,832,816	1,797,249,939
Financial Institutions						
Current deposits	218,158,071	1,289,530	219,447,601	357,600,795	1,225,295	358,826,090
Savings deposits	2,418,087	-	2,418,087	4,405,416	2,911,091	7,316,507
Term deposits	7,265,113	7,995,130	15,260,243	21,888,152	5,932,636	27,820,788
Others	1,963,222	315,556	2,278,778	6,549,217	286,740	6,835,957
	229,804,493	9,600,216	239,404,709	390,443,580	10,355,762	400,799,342
	1,895,183,610	279,742,223	2,174,925,833	1,921,860,703	276,188,578	2,198,049,281

17.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,471 million (December 31, 2019: Rs.85,488 million).

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

18. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

Lease liabilities included in the statement of financial position

	7,794,796	7,640,188
Of which are:		
Current lease liability	1,452,665	1,237,717
Non-current lease liability	6,342,132	6,402,471
	7,794,796	7,640,188

Maturity analysis - contractual undiscounted cash flows

Less than one year	3,318,452	1,948,040
One to five years	8,467,299	6,610,167
More than five years	13,848,895	6,652,960
Total undiscounted lease liabilities	25,634,645	15,211,167

(Un-audited) (Audited)
September 30, December 31,
2020 2019

-----Rupees in '000 -----

19. DEFERRED TAX LIABILITIES

Deductible temporary differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Other provisions

(10,705)	(10,705)
(4,106,604)	(3,852,716)
(236,751)	(236,751)
(7,072,096)	(2,625,495)
(115,222)	(115,222)
(105,416)	(105,416)
(11,646,794)	(6,946,305)

Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Other

1,483,470	1,689,317
16,944,822	13,816,519
41,439	41,439
-	2,314,832
18,469,731	17,862,107
6,822,937	10,915,802

20. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	25,182,266	57,027,903
Mark-up / return / interest payable in foreign currencies	280,950	439,959
Unearned commission and income on bills discounted	1,981,449	3,045,278
Accrued expenses	21,439,078	19,000,508
Advance payments	368,827	397,099
Unclaimed dividends	185,583	186,668
Unrealized loss on forward foreign exchange contracts	1,355,892	4,358,883
Unrealized loss on put option	306,339	306,339
Branch adjustment account	422,364	926,311
Employee benefits:		
Pension fund	15,186,478	14,785,647
Post retirement medical benefits	19,548,128	18,333,947
Benevolent fund	2,165,580	1,749,006
Gratuity scheme	2,573,137	2,206,599
Compensated absences	8,758,508	8,344,182
Staff welfare fund	371,257	371,257
Liabilities relating to Barter trade agreements	2,222,303	5,539,436
Provision against off-balance sheet obligations	627,494	627,494
Provision against contingencies	4,368,062	4,629,645
Payable to brokers	194,017	38,667
PIBs short selling	2,331,308	256,284
Acceptances	16,720,194	26,934,779
Others	16,064,992	14,039,099
	142,654,206	183,544,990

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of			
- Available-for-sale securities	9.1	48,413,776	39,475,771
- Fixed assets		44,978,813	44,576,547
- Non-banking assets		2,539,696	2,539,695
		95,932,285	86,592,013
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(16,944,822)	(13,816,519)
- Fixed assets		(2,489,995)	(2,489,995)
- Non-banking assets		(41,439)	(41,439)
		(19,476,256)	(16,347,953)
		76,456,029	70,244,060
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	204,885,284	161,579,745
Commitments	22.2	1,494,742,202	1,761,652,119
Other contingent liabilities	22.3	36,659,571	30,664,297
		1,736,287,058	1,953,896,161
22.1 Guarantees			
Financial guarantees		141,061,399	101,841,274
Performance guarantees		63,823,885	59,738,471
		204,885,284	161,579,745
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,034,836,782	937,616,635
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	458,398,157	801,290,548
- forward government securities transactions	22.2.2	850,000	22,164,581
Commitments for acquisition of:			
- operating fixed assets		657,264	566,855
Other commitments	22.2.3	-	13,500
		1,494,742,202	1,761,652,119
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		306,733,125	478,842,756
Sale		151,665,031	322,447,792
		458,398,157	801,290,548

Commitments for outstanding forward foreign exchange contracts are disclosed in these condensed unconsolidated nine months period financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
22.2.2 Commitments in respect of forward government securities transactions		
Purchase	-	256,814
Sale	850,000	21,907,767
	850,000	22,164,581

Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated condensed interim financial statements at contracted rates.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
22.2.3 Professional services to be received	-	13,500
22.3 Other contingent liabilities		
22.3.1 Claim against the Bank not acknowledged as debt	36,659,571	30,664,297

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (December 31, 2019: Rs.1,597 million).

22.3.2 Taxation

The current status of tax contingencies for the period ended September 30, 2020 is given below:

- Tax returns of the Bank have been filed up to tax year 2019 and amended by tax authorities up to tax year 2018. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2019.
- The matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013 during the year which issue was decided by the learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of contingencies as on September 30, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 18.629 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on September 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1.0 billion and Rs. 1.4 billion respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.

Sindh High Court through interim order has instructed the taxation officer not to take any coercive measures.

Bank's tax advisors expect a favourable decision on this issue from appellate fora.
- The Bank has filed an Appeal before the Appellate Tribunal, Sindh Revenue Board against the Order passed by Commissioner (Appeals) Sindh Revenue Board confirming the levy of Sindh Sales Tax on the services provided by the Bank to State Bank of Pakistan for the tax periods January 2015 to March 2015 amounting to Rs.76.767 million and the rate differential amount of Rs. 11.987 million for the tax periods January 2014 to December 2014 aggregating to Rs. 88.754 million along with the penalties and default surcharge thereon. It is pertinent to mention that the aforesaid differential amount has already been paid by availing the tax amnesty in 2019. Further, no provision has been made for the amount relating to State Bank of Pakistan in these unconsolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.

- e) The Bank filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December -2016 wherein the principal demand of Rs. 386 million was raised.

The Honorable Appellate Tribunal, PRA accepted the appeal and set aside the impugned Order passed by the Commissioner HQ, PRA. No correspondence has been received till date.

22.3.3 Contingencies in respect of employees benefits and related matters

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019, except for the below mentioned updates.

22.3.4.1 Pensionary benefits to retired employees

This has been explained in note 25.3.3.1 to the financial statement of the year ended December 31, 2019. Subsequently, the hearing of the pension case was fixed on March 12, 2020, however the same was adjourned as the counsel for both parties submitted to the Supreme Court of Pakistan ('SCP') that it would be more appropriate if the hearing, of the present case, can be arranged at Karachi. The Review Petition is ongoing and is expected to be listed for hearing soon. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the year ended December 31, 2019 amounted to Rs. 67.1 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2020 onward will also increase by Rs. 7.0 billion due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been considered made in these unconsolidated interim financial statements for the above mentioned amount as the Bank is confident about the favorable outcome of the matter.

22.3.4.2 Post retirement medical facilities

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

22.3.4.3 Restoration of Commuted Pension

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

22.3.4.4 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

22.3.4.5 Golden Handshake (GHS)

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

22.3.4.6 Litigation related to management trainee program

This has been explained in note 25.3.3.6 to the financial statement of the year ended December 31, 2019. Subsequently, the matter of out of court settlements has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these unconsolidated condensed interim financial statements.

22.3.4.7 Foreign Exchange repatriation case

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

22.3.4.8 Compliance and risk matters relating to anti-money laundering

The current status of these contingencies is same as disclosed in the annual financial statements of the bank for the year ended December 31, 2019.

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	Rupees in '000	
23. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		77,998,330	77,568,579
Investments		124,877,180	83,524,273
On securities purchased under resale agreements		1,900,668	4,713,757
Balances with other banks		1,253,646	1,580,939
		<u>206,029,824</u>	<u>167,387,548</u>
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		82,348,030	78,014,089
Borrowings		6,090,877	4,501,937
Cost of foreign currency swaps against foreign currency deposits		6,454,405	4,938,013
Finance charge on lease liability against right of use assets		569,621	519,090
Securities sold under repurchase agreements		30,718,314	25,551,393
		<u>126,181,247</u>	<u>113,524,522</u>
25. FEE AND COMMISSION INCOME			
Branch banking customer fees		976,411	357,476
Consumer finance related fees		497,017	580,357
Card related fees		774,605	521,239
Credit related fees		131,317	184,247
Investment banking fees		428,625	393,621
Commission on trade		2,105,286	3,320,428
Commission on guarantees		303,540	318,531
Commission on cash management		6,173	16,185
Commission on remittances including home remittances		692,007	1,170,737
Commission on bancassurance		190,917	267,469
Commission on government transactions		6,626,430	6,658,586
Others		115,697	197,245
		<u>12,848,025</u>	<u>13,986,121</u>
26. GAIN ON SECURITIES - NET			
Realized	26.1	6,956,343	555,472
Unrealized - held-for-trading	9.1	(23,539)	36,752
		<u>6,932,804</u>	<u>592,224</u>
26.1 Realized gain on			
Federal Government Securities		5,258,905	322,704
Shares		1,018,758	204,305
Ijarah Sukuks		8	28,463
Foreign Securities		678,672	-
		<u>6,956,343</u>	<u>555,472</u>
27. OTHER INCOME			
Rent on property		30,827	37,368
Gain on sale of fixed assets - net		886	9,992
Postal, SWIFT and other charges recovered		-	34,132
Compensation for delayed tax refunds	27.1	3,097,448	4,184,109
Remittances expense reimbursed by SBP		112,861	-
Others		51,108	11,699
		<u>3,293,130</u>	<u>4,277,300</u>

27.1 This represents compensation on delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
----- Rupees in '000 -----	

28. OPERATING EXPENSES

Total compensation expenses	29,884,883	27,047,528
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Property expenses

Rent and taxes	288,108	738,129
Insurance	10,162	8,644
Utilities cost	783,460	828,498
Security (including guards)	1,908,345	1,680,277
Repair and maintenance (including janitorial charges)	849,320	639,439
Depreciation	332,939	350,518
Depreciation on non banking assets	11,838	22,183
Depreciation on Ijarah assets	67,393	128,361
Depreciation on right of use assets	1,389,383	1,407,946
	5,640,948	5,803,995

Information technology expenses

Software maintenance	803,777	601,199
Hardware maintenance	8,897	10,121
Depreciation	196,642	215,037
Amortization	113,753	272,128
Network charges	362,919	344,124
	1,485,988	1,442,609

Other operating expenses

Directors' fees and reimbursement of other expenses	27,839	26,231
Fees and allowances to Shariah Board	6,974	6,930
Legal and professional charges	986,175	492,524
Outsourced services costs	598,230	564,277
Travelling and conveyance	353,786	537,699
NIFT clearing charges	118,074	102,754
Depreciation	1,269,002	1,139,580
Training and development	40,865	81,431
Postage and courier charges	150,982	129,399
Communication	216,787	209,673
Stationery and printing	878,548	678,523
Marketing, advertisement and publicity	118,971	181,046
Contributions for other Corporate and Social Responsibility	85,447	14,962
Auditors' remuneration	263,227	242,934
Entertainment	158,996	203,001
Clearing, verification, license fee charges	215,944	345,443
Brokerage	82,246	57,517
Financial charges on leased assets	22,342	19,640
Insurance	366,599	372,938
Vehicle expenses	105,073	96,203
Repairs and maintenance	259,415	234,833
Deposit premium expense	1,030,977	929,881
Others	333,068	278,122
	7,689,567	6,945,541
	44,701,386	41,239,673

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
Note		Rupees in '000	
29. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		297,404	115,499
Penalties imposed by other regulatory bodies (Central bank of international branches)		85	6,596
		<u>297,489</u>	<u>122,095</u>
30. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	9.2	411,266	2,798,225
Provisions against loans and advances	10.4	21,813,486	5,854,713
Provision against other assets		1,081,949	239,337
		<u>23,306,701</u>	<u>8,892,275</u>
31. TAXATION			
Current		20,135,237	13,778,105
Prior years		-	1,056,841
Deferred		(7,003,038)	(1,983,270)
		<u>13,132,199</u>	<u>12,851,676</u>
32. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the period (Rupees in 000's)		26,134,188	16,330,626
Weighted average number of ordinary shares (in 000's)		2,127,513	2,127,513
Earnings per share - basic and diluted (Rupees)		12.28	7.68
		(Un-audited) September 30, 2020	(Un-audited) September 30, 2019
33. CASH AND CASH EQUIVALENT		Rupees in '000	
Cash and balances with treasury banks		271,566,562	215,143,461
Balances with other banks		14,597,584	21,091,113
Call money lendings		140,800	40,800
Call money borrowings		(2,538,424)	(36,667,032)
Overdrawn nostro		(2,279,881)	(3,566,612)
		<u>281,486,641</u>	<u>196,041,730</u>
34. FAIR VALUE MEASUREMENTS			

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

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

34.1 Fair value of financial assets

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

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

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

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

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:

	At September 30, 2020 (Un-audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	562,606,272	-	562,606,272	-	562,606,272
Pakistan Investment Bonds	451,011,699	-	451,011,699	-	451,011,699
Ijarah Sukuks	6,021,200	-	6,021,200	-	6,021,200
Ordinary shares of listed companies	45,694,156	45,694,156	-	-	45,694,156
Preference shares	905,600	905,600	-	-	905,600
Investments in mutual funds	1,874,707	-	1,874,707	-	1,874,707
Term Finance Certificates / Musharika and Sukuk Bonds	57,899,107	-	57,899,107	-	57,899,107
GoP Foreign Currency Bonds	11,042,131	-	11,042,131	-	11,042,131
Foreign Government Securities	3,529,507	-	3,529,507	-	3,529,507
Foreign Currency Debt Securities	1,828,981	-	1,828,981	-	1,828,981
Ordinary shares of a bank outside Pakistan	18,787,129	18,787,129	-	-	18,787,129
	1,161,200,489	65,386,885	1,095,813,604	-	1,161,200,489
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	271,566,562	-	-	-	-
Balances with other banks	14,597,584	-	-	-	-
Lending to financial instruments	50,281,178	-	-	-	-
Investments					
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Pakistan Investment Bonds	167,687,574	-	-	-	-
Market Treasury Bills	-	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	32,588,785	-	-	-	-
Foreign Currency Debt Securities	642	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,839	-	-	-	-
Advances	892,626,890	-	-	-	-
Other assets	72,962,868	-	-	-	-
	1,503,913,531	-	-	-	-
	2,665,114,020	65,386,885	1,095,813,604	-	1,161,200,489
Off-balance sheet financial instruments - measured at fair value					
Commitments					
Foreign exchange contracts purchase and sale	458,398,157	-	1,355,905	-	1,355,905
Forward government securities transactions	850,000	-	(272)	-	(272)

December 31, 2019 (Audited)

Carrying value	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				

On balance sheet financial instruments

Financial assets - measured at fair value

Investments					
Market Treasury Bills	621,791,597	-	621,791,597	-	621,791,597
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	1,978,800	-	1,978,800	-	1,978,800
Ordinary shares of listed companies	41,863,797	41,863,797	-	-	41,863,797
Preference shares	79,388	35,956	-	43,432	79,388
Investments in mutual funds	1,903,224	-	1,903,224	-	1,903,224
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	3,491,851	-	3,491,851	-	3,491,851
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,099,510,559	69,935,702	1,029,531,425	43,432	1,099,510,559

Financial assets - disclosed but not measured at fair value

Cash and balances with treasury banks	292,513,379	-	-	-	-
Balances with other banks	13,220,807	-	-	-	-
Lending to financial instruments	144,140,344	-	-	-	-
Investments					
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Market Treasury Bills	114,091,320	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	29,600,343	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
Advances	1,008,139,084	-	-	-	-
Other assets	94,348,508	-	-	-	-
	1,886,609,257	-	-	-	-
	2,986,119,816	69,935,702	1,029,531,425	43,432	1,099,510,559

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

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

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Mutual Funds	MUFAP
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

34.2 Fair value of non-financial assets

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

	September 30, 2020 (Un-audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				
Land and building (property and equipment)	52,244,190	-	52,244,190	-	52,244,190
Non-banking assets acquired in satisfaction of claims	3,273,015	-	3,273,015	-	3,273,015
	55,517,205	-	55,517,205	-	55,517,205

	December 31, 2019 (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----				
Land & building (property and equipment)	48,569,603	-	48,569,603	-	48,569,603
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,854,456	-	51,854,456	-	51,854,456

Nine months ended September 30, 2019 (Un-audited) (Restated)

[illegible]

Profit and loss account

Net mark-up / return / interest
income / (expense)
inter segment revenue - net
Non mark-up / return / interest income
Total income

Segment direct expenses
inter segment expense allocation
Total expenses
Provisions and write offs - net
Profit / (loss) before taxation

December 31, 2019 (Audited) - (Restated)						
Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International Fin. Institution & Remittance	Head Office / Others	Total
						Rinees in '000

Statement of financial position

Cash and balances with treasury and other banks	163,574,415	12,045,241	238,501	82,716,513	42,748,449	4,411,067	305,734,186
Investments	-	-	38,801,666	1,316,800,220	61,079,182	22,478,994	1,439,160,082
Net inter segment lending	1,631,300,101	-	-	-	-	138,613,215	1,769,913,316
Lending to financial institutions	-	-	-	-	-	11,422,146	144,140,344
Advances - performing	221,997,792	144,537,546	538,385,369	-	55,382,884	42,259,742	1,002,563,333
- non-performing	3,166,450	17,309,704	32,196,797	-	41,049,352	55,029,414	148,751,717
Provision against Advances	(6,573,731)	(14,087,130)	(23,223,824)	-	(40,266,386)	(59,024,895)	(143,175,966)
Advances - net	218,590,511	147,760,120	547,358,342	-	56,165,805	38,264,261	1,008,139,084
Others	25,307,037	1,853,736	40,745,805	3,971,387	4,014,363	151,322,866	227,215,194
Total assets	2,038,772,064	161,659,097	627,144,315	1,536,206,318	164,007,843	366,512,549	4,894,302,186
Borrowings	1,695,414	-	30,388,706	400,759,524	38,913,708	-	471,757,352
Deposits and other accounts	1,972,722,005	-	76,371,345	-	85,487,723	63,468,208	2,198,049,281
Net inter segment borrowing	-	156,924,272	488,444,930	1,081,180,371	36,248,475	7,115,268	1,769,913,316
Others	64,354,645	4,734,825	31,794,954	17,079,796	1,988,871	102,015,313	221,968,404
Total liabilities	2,038,772,064	161,659,097	626,995,935	1,499,019,691	162,638,771	172,598,789	4,661,688,353
Equity	-	-	144,380	37,186,627	1,369,066	193,913,760	232,613,833
Total equity and liabilities	2,038,772,064	161,659,097	627,144,315	1,536,206,318	164,007,843	366,512,549	4,894,302,186
Contingencies and commitments	833,218,160	-	236,880,686	823,455,129	28,997,140	31,345,046	1,953,896,161

34. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and key management personnel. The details of investment in subsidiary companies, joint venture and associated undertaking and their provisions are stated in note 9 of the financial statement of the Bank.

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

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

	September 30, 2020 (Un-audited)										December 31, 2019 (Audited)									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Fixed Current)	Pension Fund (Fixed N.D.A. Deposit)	President Fund	Other related parties	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Fixed Deposit)	Pension Fund (N.D.A.A)	President Fund	Other related parties			
	Rupees in '000										Rupees in '000									
Balance with other banks	-	-	-	-	2,872	-	-	-	-	-	-	-	-	1,159	-	-	-			
	-	-	-	-	2,872	-	-	-	-	-	-	-	-	1,159	-	-	-			
Advances	-	224,805	414,505	3,050,750	-	-	-	23,386,326	-	222,907	528,138	3,105,907	-	-	-	-	217,080			
	-	64,880	-	-	-	-	-	88,720,074	-	72,615	1,209,307	-	-	-	-	-	11,246,284			
	-	(24,000)	(130,000)	(64,833)	-	-	-	(88,881,018)	-	(22,888)	(1,413,000)	(69,197)	-	-	-	-	(14,869,970)			
	-	11,759	-	-	-	-	-	(23,232,498)	-	(48,809)	-	-	-	-	-	-	28,819,801			
	-	234,886	284,505	2,971,117	-	-	-	-	(7,142)	-	228,805	3,036,750	-	-	-	-	23,386,326			
	-	234,886	284,505	2,972,375	-	-	-	-	-	-	284,505	2,927,975	-	-	-	-	-			
Other Assets	-	-	229,781	1,705,646	-	-	-	-	-	-	204,443	1,710,481	-	-	-	-	-			
	-	-	306,758	1,705,646	-	-	-	-	-	-	283,625	1,710,481	-	-	-	-	-			
Borrowings	-	-	-	-	278,814	-	-	-	-	-	-	-	33,348	-	-	-	-			
	-	-	-	-	(278,814)	-	-	-	-	-	-	-	261,596	-	-	-	-			
	-	-	-	-	8,870	-	-	-	-	-	-	-	279,814	-	-	-	-			
Deposits and other accounts	3,335	94,715	1,522,792	-	-	73	-	1,325,120	40,416,083	15,732	80,688	1,120,190	-	1,085	11,100,000	458,328	12,465,939			
	2,720	2,720	2,720	-	44,831	-	-	44,831	2,720	2,720	44,831	2,720	-	44,831	2,720	2,246,185	273,680,336			
	(6,345)	(988,347)	(146,280)	-	-	(44,328,035)	-	(2,656,548)	(1,512,315)	(664,107)	(22,148)	(351,564)	(448)	(65,333,933)	(11,100,000)	(1,412,241)	(273,407,479)			
	72	1,421	-	-	-	-	-	-	(40,390,350)	(3,005)	(19,840)	-	-	-	-	-	45,155,159			
	4,838	133,671	1,521,234	-	-	36	-	1,445,102	13,699,080	3,005	94,715	1,522,792	-	73	-	1,255,120	13,296,883			
Other Liabilities	-	-	2,879	-	-	-	-	-	-	-	-	7,396	-	-	-	-	-			
	-	-	2,879	-	-	-	-	-	-	-	-	7,396	-	-	-	-	-			
Contingencies and commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,460,086			

* Transfer in / (out) - net due to retirement / appointment of directors and changes in key management executives.


NBP

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September 30, 2020 (Un-audited)						September 30, 2019 (Un-audited)							
Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Others	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Others

Rupees in '000

Income

Mark-up / return / interest earned	-	16,261	-	9	-	-	15,302	-	13,089	-	45,482	-	-	2,659,130
Commission received from subsidiaries	-	683	-	-	-	-	-	-	1,731	-	-	-	-	-
Dividend income	-	27,418	-	-	-	-	-	-	-	-	-	-	-	-
Rent income / lighting and power and bank charges	-	22,182	3,479	-	-	-	14,585	-	26,158	3,479	-	-	-	11,668

Expense

Mark-up / return / interest paid	-	26,908	-	300	108,346	865,880	3,141	-	23,510	-	237	214,424	1,259,478	1,350,561
Remuneration to key management executives including charge for defined benefit plan	375,861	-	-	-	-	-	-	352,909	-	-	-	-	-	-
Commission paid to subsidiaries	-	3,441	-	-	-	-	-	-	1,296	-	-	-	-	-
Annual Subscription and miscellaneous charges	-	-	-	-	-	-	10,712	-	-	-	-	-	-	880
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	1,565	-	-	-	-	-	-	1,565

36.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government 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 service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 6,626 million for the nine months period ended September 30, 2020. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 305,453 million, Rs. 885,491 million and Rs. 993,627 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 28,810 million and Rs. 54,252 million respectively.

37. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
Minimum Capital Requirement		
Paid-up capital	<u>190,746,715</u>	<u>162,369,773</u>
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	<u>168,663,086</u>	<u>142,716,150</u>
Eligible Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>168,663,086</u>	<u>142,716,150</u>
Eligible Tier 2 Capital	<u>54,586,003</u>	<u>39,816,053</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>223,249,089</u>	<u>182,532,203</u>
Risk Weighted Assets		
Credit Risk	<u>807,571,510</u>	<u>913,568,310</u>
Market Risk	<u>94,714,097</u>	<u>91,752,716</u>
Operational Risk	<u>173,619,541</u>	<u>173,619,541</u>
Total	<u>1,075,905,148</u>	<u>1,178,940,567</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>15.68%</u>	<u>12.11%</u>
Tier 1 Capital Adequacy Ratio	<u>15.68%</u>	<u>12.11%</u>
Total Capital Adequacy Ratio	<u>20.75%</u>	<u>15.48%</u>
Leverage Ratio		
Eligible Tier-1 Capital	<u>168,663,086</u>	<u>142,716,150</u>
Total Exposures	<u>4,063,905,144</u>	<u>4,252,343,911</u>
Leverage Ratio	<u>4.15%</u>	<u>3.36%</u>
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	<u>1,098,584,906</u>	<u>890,965,256</u>
Total Net Cash Outflow	<u>604,871,618</u>	<u>603,741,462</u>
Liquidity Coverage Ratio	<u>182%</u>	<u>148%</u>
Net Stable Funding Ratio		
Total Available Stable Funding	<u>2,136,923,678</u>	<u>2,040,913,906</u>
Total Required Stable Funding	<u>813,725,598</u>	<u>875,207,068</u>
Net Stable Funding Ratio	<u>263%</u>	<u>233%</u>

38. ISLAMIC BANKING BUSINESS

The Bank is operating 189 (December 31, 2019: 190) Islamic banking branches and no Islamic banking windows at the end of period September 30, 2020.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note		Rupees in '000	
ASSETS			
		4,647,208	4,405,856
		11,777	5,841
	38.1	9,360,334	11,419,496
	38.2	31,835,743	19,416,280
	38.3	32,534,521	33,880,482
		150,611	174,862
		786,736	861,049
		6,034,233	5,888,864
Total Assets		85,361,163	76,052,730
LIABILITIES			
		497,317	256,804
	38.4	66,572,658	63,285,896
		924,982	943,375
		4,293,251	2,784,801
		7,405,327	3,767,018
		79,693,535	71,037,894
NET ASSETS		5,667,628	5,014,836
REPRESENTED BY			
		3,360,000	2,200,000
		-	-
		685,135	775,696
	38.5	1,622,493	2,039,140
		5,667,628	5,014,836

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

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
Note		Rupees in '000	
	38.6	6,180,566	5,065,725
	38.7	2,748,247	2,339,058
		3,432,319	2,726,667
Other income			
		265,220	273,463
		49,943	55,995
		796	4,705
		315,959	334,163
		3,748,278	3,060,830
Other expenses			
		1,724,149	1,763,770
		2,053	380
		1,726,202	1,764,150
		2,022,076	1,296,680
		399,583	(75,662)
		1,622,493	1,372,342
		-	-
		1,622,493	1,372,342

	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	In local currency	In local currency
	Total	Total
	Rupees in '000	Rupees in '000
Due from Financial Institutions		
Unsecured		
Bai Muajjal Receivable from State Bank of Pakistan	9,360,334	11,419,496
	9,360,334	11,419,496

This represent Bai Muajjal agreement with Government of Pakistan and State Bank of Pakistan which carries profit rate 13.00% per annum. (2019: 12.78%)

	September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
	Cost / amortized cost	Cost / amortized cost
	Provision for diminution	Provision for diminution
	Surplus / (deficit)	Surplus / (deficit)
	Carrying value	Carrying value
	Rupees in '000	Rupees in '000
Federal Government Securities:		
- Ijarah Sukuks	6,000,000	6,021,200
	21,200	2,000,000
	6,021,200	2,000,000
Non Government Debt Securities		
- Listed	4,500,000	4,822,961
- Unlisted	20,781,415	20,991,552
	(130,807)	(130,807)
	25,251,415	25,814,543
Total Investments	31,251,415	31,835,743

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

38.3 Islamic financing and related assets - net

Ijarah	187,062	255,639
Murabaha	3,672,901	1,716,542
Musawama	-	22,243
Diminishing Musharaka	15,395,607	15,869,641
Istisna	864,836	-
Other Islamic Modes (Wakala tul Istisnat)	8,500,000	8,500,000
Advances against Islamic assets (Murabaha, DM, Istisna, Musawama)	3,075,895	7,180,631
Inventory related to Islamic financing (Istisna)	1,441,367	539,349
Gross Islamic financing and related assets	33,137,668	34,094,045
Less: provision against Islamic financings		
- Specific	(602,988)	(203,324)
- General	(159)	(239)
Islamic financing and related assets - net of provision	(603,147)	(203,563)
	32,534,521	33,890,482

**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

38.4 Deposits and other accounts**Customers**

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
Current deposits	21,198,181	20,550,756
Savings deposits	34,534,575	22,671,179
Term deposits	8,588,158	12,720,085
	<u>64,320,914</u>	<u>55,942,020</u>

Financial Institutions

Current deposits	617,280	815,386
Savings deposits	634,464	3,028,490
Term deposits	1,000,000	3,500,000
	<u>2,251,744</u>	<u>7,343,876</u>
	<u>66,572,658</u>	<u>63,285,896</u>

38.5 Unappropriated / unremitted profit

Opening balance	2,039,140	(57,150)
Add: Islamic banking profit for the period	1,622,493	2,039,140
Less: Transferred / remitted to head office	(2,039,140)	57,150
Closing balance	<u>1,622,493</u>	<u>2,039,140</u>

38.6 Profit / return earned

	(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
Profit earned on:		
Financing	3,136,237	2,371,138
Investments	2,075,074	1,703,922
Placements	23,470	131,522
Others (Bai Muajjal)	945,785	859,143
	<u>6,180,566</u>	<u>5,065,725</u>

38.7 Profit / return expensed

Deposits and other accounts	2,339,136	1,945,627
Finance charge on right of use assets	69,081	67,351
Others (General Account)	340,030	326,080
	<u>2,748,247</u>	<u>2,339,058</u>

39. GENERAL

39.1 Figures have been rounded off to the nearest thousand rupees.

40. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated condensed interim financial statements were authorized for issue on October 27, 2020 by the Board of Directors of the Bank.

**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

Consolidated Financial Statements of NBP and its Subsidiary Companies

Directors' Review

Consolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with consolidated interim financial statement of National Bank of Pakistan "the Bank" and its subsidiaries for the nine month period ended September 30, 2020.

Consolidated after-tax profit for the nine month period ended September 30, 2020 amounted to PKR 26.2 billion, being 57.4% higher than PKR 16.6 billion earned for the corresponding nine months of 2019. For the period under review, the Bank's subsidiaries contributed a net profit of PKR 223.8 million (Sep '19: PKR 141.0 million) towards the Group's profitability, and the share of profits/(loss) from associates was PKR 6.6 million (Sep '19: PKR (51.0) million). A loss of PKR 241.4 million was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS stood at Rs. 12.28 as compared to Rs. 7.80 for the corresponding nine month period of the prior year. As of September 30, 2020, consolidated assets of the Bank were 10.9% lower at PKR 2,792.4 billion compared to the September 30, 2019 level of PKR 3,132.4 billion.

Consolidated operating results and appropriation of profits as recommended by the Board are given below:

	(PKR 'Bn)
Profit before tax for the nine month period ended September 30, 2020	39.41
Taxation:	
- Current	20.24
- Prior Year	-
- Deferred	(7.00)
	13.24
Profit after tax for the nine month period ended September 30, 2020	26.17
Unappropriated profit brought forward	93.47
Other comprehensive income- net of tax	(0.47)
Non-controlling interest	(0.06)
Transfer from surplus on revaluation of fixed assets	0.17
Profit available for appropriations	119.28
Appropriation:	
Transfer to Statutory Reserve	(2.61)
Unappropriated profit carried forward	116.67

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Zubyr Soomro
Chairman

Karachi
Date: October 27, 2020

**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

ڈائریکٹرز کا جائزہ**مجموعی مالیاتی گوشوارے**

ہم بورڈ آف ڈائریکٹرز کی طرف سے 30 ستمبر 2020 کو ختم ہونے والی نو ماہ کی مدت کے لیے نیشنل بینک آف پاکستان "دی بینک" اور اس کے ذیلی اداروں کے لیے ڈائریکٹرز کا جائزہ اور عبوری مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

30 ستمبر 2020 کو ختم ہونے والی نو ماہ کی مدت کے لیے ٹیکس کے بعد ہونے والا مجموعی منافع 26.2 ارب روپے رہا جو کہ 2019 کے انہی نو ماہ کے عرصے میں ہونے والے 16.6 ارب روپے کے منافع سے 57.4% زیادہ ہے۔ زیر جائزہ عرصے کے لیے بینک کے ذیلی اداروں نے گروپ کے منافع میں 223.8 ملین روپے کے خالص منافع کا حصہ ڈالا (ستمبر 2019 میں 141.0 ملین روپے) جبکہ شریک اداروں کی جانب سے منافع / نقصان میں حصہ 6.6 ملین روپے (ستمبر 2019 میں 51.0 ملین روپے) تھا۔ تاہم برطانیہ میں واقع مشینز کہ منصوبے UNBL، جس میں بینک کا 45% حصہ ہے، کی وجہ سے 241.4 ملین روپے کا نقصان ریکارڈ کیا گیا اس طرح 30 ستمبر 2020 کو ختم ہونے والے نو ماہ کے لیے مجموعی فی شخص آمدنی (EPS) گزشتہ سال کے انہی نو ماہ کے 7.80 روپے فی شخص سے بڑھ کر 12.28 روپے فی شخص ہو گئی۔ 30 ستمبر 2020 کو بینک کے مجموعی اثاثوں کی مالیت 2,792.4 ارب روپے تھی جو کہ 30 ستمبر 2019 کے بینک کے مجموعی اثاثوں کی مالیت 3,132.4 ارب روپے سے 10.9% کم ہے۔

بورڈ کی سفارشات کے مطابق مجموعی آپریٹنگ نتائج اور منافع کا تعریف ذیل میں دیا جا رہا ہے۔

(ارب روپے)

39.41

30 ستمبر 2020 کو ختم ہونے والے نو ماہ کے لیے قبل از ٹیکس منافع

ٹیکسیشن

20.24

موجودہ

-

گزشتہ سال

(7.00)

موخر شدہ

13.24

30 ستمبر 2020 کو ختم ہونے والے نو ماہ کے لیے بعد از ٹیکس منافع

26.17

غیر تعریف شدہ آگے لایا جانے والا منافع

93.47

دیگر جامع آمدنی۔ بعد از ٹیکس

(0.47)

نان کنٹرولنگ انٹرسٹ

(0.06)

جاہدا اثاثوں کی نظر ثانی شدہ قدر کی وجہ سے ذخائر سے منتقلی

0.17

تعریف کے لیے دستیاب منافع

119.28

تعریف:

(2.61)

قانونی ذخائر میں منتقلی

116.67

غیر تعریف شدہ منافع آگے بڑھانے کے لیے:

زبیر سومرو

چیرمین

عارف بیٹانی

صدر و سہ ماہی

کراچی

تاریخ: 27 اکتوبر، 2020

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020**

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

ASSETS

Cash and balances with treasury banks	6	272,011,923	293,198,090
Balances with other banks	7	15,197,248	13,598,325
Lendings to financial institutions	8	50,281,178	144,140,344
Investments	9	1,371,735,137	1,442,403,957
Advances	10	893,213,205	1,008,398,612
Fixed assets	11	55,172,354	54,919,564
Intangible assets	12	1,058,132	1,070,766
Right of use assets	13	7,309,856	7,447,414
Other assets	14	126,401,160	167,183,196
		2,792,380,193	3,132,360,268

LIABILITIES

Bills payable	15	41,481,492	19,867,424
Borrowings	16	142,595,635	471,757,352
Deposits and other accounts	17	2,174,983,353	2,197,984,573
Liabilities against assets subject to finance lease	18	197,355	194,403
Lease liability against right of use assets	19	8,173,224	7,831,350
Deferred tax liabilities	20	6,778,430	10,869,353
Other liabilities	21	144,090,465	184,633,258
		2,518,299,955	2,893,137,713

NET ASSETS

274,080,238 **239,222,555**

REPRESENTED BY

Share capital		21,275,131	21,275,131
Reserves		58,525,017	53,260,789
Surplus on revaluation of assets	22	76,683,462	70,358,587
Unappropriated profit		116,674,404	93,465,516
		273,158,014	238,360,023
Non-controlling interest		922,224	862,532
		274,080,238	239,222,555

CONTINGENCIES AND COMMITMENTS

23

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

Zubyr Soomro
Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

		Quarter ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Note		Rupees in '000			
Mark-up / return / interest earned	24	60,812,317	69,760,964	206,205,915	167,547,883
Mark-up / return / interest expensed	25	29,363,265	51,393,952	126,171,151	113,509,111
Net mark-up / return / interest income		31,449,052	18,367,012	80,034,764	54,038,772
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	4,394,122	4,418,793	13,707,840	14,983,836
Dividend income		260,850	672,204	1,281,163	2,400,920
Foreign exchange income		721,277	869,188	3,549,299	4,539,883
Gain on securities - net	27	3,615,189	255,028	6,944,056	608,854
Share of loss from joint venture - net of tax		(23,732)	542	(241,355)	(38,649)
Share of (loss) / profit from associates - net of tax		69,588	(21,629)	6,622	(51,000)
Other income	28	746,917	1,511,789	3,291,120	4,329,221
Total non-mark-up / interest income		9,784,211	7,705,915	28,538,745	26,773,065
Total income		41,233,263	26,072,927	108,573,509	80,811,837
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	15,761,532	13,769,792	45,635,096	42,415,301
Workers welfare fund		-	-	-	-
Other charges	30	4,240	31,183	298,692	124,557
Total non-markup / interest expenses		15,765,772	13,800,975	45,933,788	42,539,858
Profit before provisions		25,467,491	12,271,952	62,639,721	38,271,979
Provisions and write offs - net	31	7,644,801	3,418,512	23,226,260	8,678,196
PROFIT BEFORE TAXATION		17,822,690	8,853,440	39,413,461	29,593,783
Taxation	32	6,753,384	3,594,737	13,232,740	12,956,129
PROFIT AFTER TAXATION		11,069,306	5,258,703	26,180,721	16,637,654
Attributable to:					
Shareholders of the Bank		11,054,438	5,248,935	26,121,029	16,601,919
Non-controlling interest		14,868	9,768	59,692	35,735
		11,069,306	5,258,703	26,180,721	16,637,654
----- Rupees -----					
Earnings per share - basic and diluted	33	5.20	2.47	12.28	7.80

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

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Rupees in '000			
Profit after taxation for the period	11,069,306	5,258,703	26,180,721	16,637,654
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	2,523,407	(708,607)	2,650,809	1,711,487
Movement in surplus on revaluation of investments - net of tax	(5,365,753)	175,036	5,907,214	(2,763,317)
	(2,842,346)	(533,571)	8,558,023	(1,051,830)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	186,107	(22,977)	(471,505)	(194,660)
Movement in surplus on revaluation of fixed assets - net of tax	448	-	590,444	-
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	-	-
	186,554	(22,977)	118,939	(194,660)
Total comprehensive income	8,413,514	4,702,155	34,857,683	15,391,164
Total comprehensive income attributable to:				
Shareholders of the Bank	8,398,646	4,692,387	34,797,991	15,355,429
Non-controlling interest	14,868	9,768	59,692	35,735
	8,413,514	4,702,155	34,857,683	15,391,164

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

Zubyr Soomro
Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Share capital	Exchange translation	Reserves			Surplus on evaluation of assets			Unappropriated profit	Sub Total	Non-Controlling Interest	Total	
			Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed non-banking assets					
								Total					
Rupees In '000													
Balance as at January 01, 2019	21,275,131	9,333,431	31,597,874	12,000,000	521,338	53,442,643	15,149,774	44,112,403	59,262,177	210,219,550	841,745	211,061,295	
Profit after taxation for the nine months period ended September 30, 2019	-	-	-	-	-	-	-	-	-	76,239,589	-	-	
Other comprehensive income / (loss) - net of tax	-	1,711,487	-	-	-	1,711,487	(2,763,317)	-	(2,763,317)	16,801,919	35,735	16,837,654	
Transfer from statutory reserve to provision for contingencies	-	-	1,633,063	-	-	1,633,063	-	-	-	(194,660)	-	(124,460)	
Transfer from loss reserve to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(1,933,083)	-	-	
Transfer from loss reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	179,664	-	-	
Transfer from loss loan reserve to unappropriated profit	-	-	-	(4,000,000)	-	(4,000,000)	-	(179,664)	(179,664)	4,000,000	-	-	
Transactions with owners, recorded directly in equity													
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	
Opening Balance as at October 01, 2019	21,275,131	11,944,918	33,320,337	8,000,000	521,338	62,789,193	12,384,456	43,932,741	66,319,198	95,193,469	877,480	226,462,461	
Profit after taxation for the three months period ended December 31, 2019	-	-	-	-	-	-	-	-	-	(19,214)	-	(19,214)	
Other comprehensive income / (loss) - net of tax	-	525,678	-	-	-	525,678	12,866,996	1,232,283	14,699,279	(1,920,689)	28,752	9,338	
Transfer from loss reserve to unappropriated profit	-	(52,062)	-	-	-	-	-	-	-	52,062	-	52,062	
Transfer from loss loan reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(59,888)	59,888	-	-	
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	(43,700)	(43,700)	
Opening Balance as at January 01, 2020	21,275,131	11,970,596	33,188,935	8,000,000	521,338	53,267,789	25,251,452	45,105,135	70,358,587	93,465,516	862,832	239,222,555	
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	26,121,029	-	26,180,721	
Other comprehensive income / (loss) - net of tax	-	2,650,009	-	-	-	2,650,009	5,907,214	590,444	6,497,668	(471,505)	59,662	26,180,721	
Transfer to statutory reserve	-	-	2,613,419	-	-	2,613,419	-	-	-	(2,613,419)	-	-	
Transfer from loss reserve to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	172,784	-	172,784	
Transactions with owners, recorded directly in equity													
Cash dividend paid for the year ended December 31, 2019 (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at September 30, 2020	21,275,131	14,221,405	35,792,274	8,000,000	521,338	58,525,017	31,160,696	45,522,796	76,683,462	116,674,404	922,224	274,980,238	

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

Zubyr Soomro
Chairman

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

	September 30, 2020	September 30, 2019
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	39,413,461	29,593,783
Less dividend income	(1,281,163)	(2,400,920)
	<u>39,132,298</u>	<u>27,192,863</u>
Adjustments:		
Depreciation on fixed assets	1,976,282	1,942,455
Depreciation on right of use assets	1,520,625	1,434,121
Amortization	132,972	276,499
Provision and write-offs - net	23,226,260	8,678,196
Gain on sale of fixed assets	(6,308)	(16,117)
Financial charges on leased assets	33,169	32,776
Financial charges on right-of-use-assets	585,008	526,806
Unrealized loss on revaluation of investments classified as held-for-trading	24,911	(42,308)
Charge for defined benefit plans - net	5,549,228	5,487,571
Share of loss from joint venture - net of tax	241,355	38,649
Share of loss / (gain) from associates - net of tax	(6,622)	51,000
	<u>33,276,881</u>	<u>18,409,648</u>
	71,409,179	45,602,511
(Increase) / decrease in operating assets		
Lendings to financial institutions	93,459,166	39,911,329
Held-for-trading securities	(16,990,790)	75,987,012
Advances	90,496,791	(35,972,431)
Other assets (excluding advance taxation)	20,779,436	(4,122,457)
	<u>187,744,603</u>	<u>75,803,453</u>
Increase/ (decrease) in operating liabilities		
Bills payable	21,614,068	6,345,027
Borrowings from financial institutions	(291,459,286)	287,918,210
Deposits	(23,001,220)	(73,153,550)
Other liabilities (excluding current taxation)	(44,497,393)	(3,495,305)
	<u>(337,343,831)</u>	<u>217,614,382</u>
Financial charges paid	(618,177)	(32,776)
Income tax paid	(173,567)	(5,883,757)
Benefits paid	(1,331,960)	(2,370,185)
Net cash flows generated from operating activities	<u>(80,313,754)</u>	<u>330,733,628</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(36,265,062)	(215,607,060)
Net investments in held-to-maturity securities	132,439,134	(142,601,356)
Dividends received	877,163	2,400,920
Investments in fixed assets	(1,684,097)	(8,810,669)
Proceeds from sale of fixed assets	64,868	111,760
Effect of translation of net investment in foreign branches	2,650,809	1,711,487
Net cash flows (used in) / generated from investing activities	<u>98,082,814</u>	<u>(362,794,918)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(52,789)	(53,585)
Dividend paid	(1,085)	(1,681)
Net cash flow used in financing activities	<u>(53,874)</u>	<u>(55,266)</u>
Increase in cash and cash equivalents	17,715,187	(32,116,556)
Cash and cash equivalents at beginning of the period	264,816,479	228,999,744
Cash and cash equivalents at end of the period	<u>282,531,666</u>	<u>196,883,188</u>

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

Zubyr Soomro
Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- CJSC Subsidiary Bank of NBP in Tajikistan
- NBP Exchange Company Limited, Pakistan
- National Bank Modaraba Management Company Limited, Pakistan
- First National Bank Modaraba, Pakistan
- Taurus Securities Limited, Pakistan
- NBP Fund Management Limited, Pakistan
- Cast-N-Link Products Limited

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the Ultimate Holding Company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset.

The holding company was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). The registered and head office of the Bank is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,509 (December 31, 2019: 1,509) branches in Pakistan and 21 (December 31, 2019: 21) overseas branches (including the Export Processing Zone branch, Karachi).

CJSC Subsidiary Bank of NBP in Kazakhstan, CJSC Subsidiary Bank of NBP in Tajikistan, NBP Exchange Company Limited, National Bank Modaraba Management Company Limited are wholly owned subsidiaries of the holding company while the controlling interest in Taurus Securities Limited is 58.32%, NBP Fund Management Limited is 54%, First National Bank Modaraba 30% and Cast-N-Link Products Limited 76.51%.

1.2 BASIS OF CONSOLIDATION

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

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 for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

2.1.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments (IAS 39): Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular No.4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards IFAS 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I) /2008 dated April 28, 2008, International Financial Reporting Standard 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. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.1.3 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

2.1.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular No. 5, dated March 22, 2019 and International Accounting Standard IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2019.

2.1.5 Amendments to approved accounting standards that are not effective in the current period

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	January 1, 2021
- Amendments to IAS 1 Presentation of Financial Statements regarding the definition of material.	January 1, 2022
- Amendments to IFRS 3 'Business Combination' - Reference to the conceptual framework	January 1, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use.	January 1, 2022

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract January 1, 2022
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investors to its associates or joint venture. Effective date deferred indefinitely. Adoption is still permitted.

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

2.1.6 Standards, interpretations of and amendments to approved accounting standards that are effective

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 1, 2020
- IFRS 3 - Business Combinations (Amendments)	January 1, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 1, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 1, 2020

In addition, there are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adapted for presentation of these consolidated condensed interim financial statements are same as those followed in presentation of the consolidated financial statements of the Group for the year ended December 31, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

5. FINANCIAL RISK MANAGEMENT

In order to be more responsive to the changing environment, the Group reviews/ revises its plans/ procedures to help remain robust in line with emerging risks.

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to September 2020. Other regulatory measures to provide an impetus to economic activity include;

- 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;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year; and
- Relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures Group has aligned its policies / procedures and issued instructions. Following is the brief of measures taken by Group.

5.1 Credit Risk Management

The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe. It is expected that credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. The Risk Management function of the Group is regularly conducting assessments of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Group is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak.

5.2 Liquidity Risk Management

The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and Daily Liquidity Monitoring report is also being prepared to notice the changes in liquidity profile of the Bank. Liquidity buffer currently maintained is sufficient to cater to any adverse movement. Moreover the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realized in case of any adverse liquidity situation.

5.3 Operational Risk Management

The Group is closely monitoring the situation and has undertaken required actions to ensure the safety and security of Group staff and maintenance of service to its customers. The Senior Management of the Group including the Covid Crises Management Team closely monitors the situation, and is takes timely decisions to resolve any concerns.

The Group has a duly tested Business Continuity Plan (BCP) in place. The Group has communicated with its customers on how they can connect with the Group through its digital and online channels. The Group continues to take measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored, in order for the Group to meet the expectations of its stakeholders.

The Group's operations have been stayed highly resilient, almost more than 95% branches remains open to facilitate its customers. Further, the Bank has deployed all necessary measures for the health and safety of its employees to prevent them from this pandemic situation.

5.4 Information Security Risk Management

The COVID-19 pandemic poses heightened cyber security risks. The Group has taken appropriate actions to monitor and respond to these evolving cyber security risks and adopted a heightened state of cyber security as transitioned employees to remote working option, where required. The associated risks and implications posed by the pandemic have been assessed to protect the Bank's critical information assets from the increasing cyber threats and to ensure compliance with the regulatory controls.

5.5 Capital Adequacy Ratio (CAR)

The Group has shown improvement in capital adequacy ratio from 15.82% to 21.09%. The main reasons include; relaxation in Capital Conversion Buffer (CCB) requirements, and profit for the nine months period ended.

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

6. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency	42,603,499	48,684,542
Foreign currency	6,637,005	4,984,290
	49,240,505	53,668,832

With State Bank of Pakistan in

Local currency current accounts	6.1	149,367,910	168,479,311
Foreign currency current accounts	6.2	10,294,475	9,116,381
Foreign currency deposit accounts	6.2	21,214,092	27,850,977
Foreign currency collection accounts		1,049,626	1,473,861
		181,926,103	206,920,530

With other central banks in

Foreign currency current accounts	6.3	34,110,355	25,994,672
Foreign currency deposit accounts	6.3	6,600,762	4,865,977
		40,711,117	30,860,649
Prize bonds		134,198	1,748,079
		272,011,923	293,198,090

- 6.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 6.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 6.3** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0.00% to 2.96% per annum (December 31, 2019: 0.00% to 2.17% per annum).

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

7. BALANCES WITH OTHER BANKS

In Pakistan

In current accounts		38,836	10,446
In deposit accounts	7.1	133,237	178,710
		172,073	189,156

Outside Pakistan

In current accounts		9,139,767	6,670,289
In deposit accounts	7.2	5,885,408	6,738,880
		15,025,174	13,409,169
		15,197,248	13,598,325

- 7.1 These include various deposits with banks and carry interest at rates ranging from 2.00% to 8.00% per annum (December 31, 2019: 2.50% to 11.25% per annum).
- 7.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0.00% to 3.00% per annum (December 31, 2019: 0.00% to 2.17% per annum).

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

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	8.1	140,800	540,800
Repurchase agreement lendings (Reverse Repo)	8.2	40,780,044	132,180,048
Bai Muajjal receivables with State Bank of Pakistan	8.3	9,360,334	11,419,496
Letters of placement	8.4	176,150	176,150
	8.5	50,457,328	144,316,494
Less: provision held against lendings to financial institutions	8.6	(176,150)	(176,150)
Lendings to financial institutions - net of provision		50,281,178	144,140,344

- 8.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (December 31, 2019: Rs. 40.8 million) which is guaranteed by the SBP.
- 8.2 These carry mark-up at rates ranging from 7.00 % to 7.40 % per annum (December 31, 2019: 13.00% to 13.58% per annum) with maturities ranging from October 01, 2020 to October 16, 2020.
- 8.3 This represent Bai Muajjal agreement with Government of Pakistan and State Bank of Pakistan which carries profit rate 13.00% per annum. (December 31, 2019: 12.78%)
- 8.4 These are overdue placements and full provision has been made against these placements as at September 30, 2020.

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

8.5 Particulars of lending

In local currency	50,457,328	144,316,494
In foreign currencies	-	-
	50,457,328	144,316,494

8.6 Movement in provision held against lendings is as follows:

Opening balance	176,150	176,150
Charge for the period	-	-
Closing balance	176,150	176,150



8.7 Securities held as collateral against lendings to financial institutions

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Held by Bank	Further given as collateral	Total	Total
Rupees in '000				
Market Treasury Bills	6,719,232	-	6,719,232	124,080,048
Pakistan Investment Bonds	34,060,812	-	34,060,812	8,100,000
Total	40,780,044	-	40,780,044	132,180,048

8.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 40,783 million (December 31, 2019: Rs. 132,453 million).

8.8 Category of classification

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Classified Lending	Provision held	Classified Lending	Provision held
Rupees in '000				
Domestic				
Loss	176,150	176,150	176,150	176,150

9. INVESTMENTS

Investments by type:

Held-for-trading securities

Market Treasury Bills
Pakistan Investment Bonds
Jarah Sukuks
Ordinary shares of listed companies
Investment in mutual funds
Foreign Government Securities

50,805,291	-	(21,495)	50,783,796	27,007,755	-	(24,649)	26,983,106
2,003,964	-	-	2,003,964	9,116,239	-	15,695	9,131,934
-	-	-	-	71,299	-	-	71,299
318,369	-	(2,044)	316,325	178,596	-	(2,042)	176,554
436,256	-	(1,372)	434,884	138,305	-	48,822	187,127
1,030,587	-	-	1,030,587	1,154,220	-	-	1,154,220

Available-for-sale securities

Market Treasury Bills
Pakistan Investment Bonds
Jarah Sukuks
Ordinary shares of listed companies
Ordinary shares of unlisted companies
Preference shares
Term Finance Certificates / Musharika
Participation Term Certificate and Sukuk Bonds
GoP Foreign Currency Bonds
Foreign Government Securities
Foreign Currency Debt Securities
Investments in mutual funds
Ordinary shares of a bank outside Pakistan

506,853,168	-	3,226,801	510,079,969	503,936,981	-	967,544	504,904,525
445,780,934	-	5,063,584	450,844,518	322,248,605	-	(1,961,853)	320,286,752
6,064,380	-	21,200	6,075,580	2,000,000	-	(21,200)	1,978,800
31,935,694	(5,788,151)	19,400,111	45,547,654	29,062,226	(5,723,164)	18,467,531	41,806,593
2,101,182	(507,573)	-	1,593,609	2,101,182	(507,573)	-	1,593,609
1,445,308	(539,708)	-	905,600	570,214	(490,826)	-	79,388
62,222,568	(5,147,339)	823,878	57,899,107	60,253,886	(4,942,505)	941,278	56,252,659
10,821,490	-	220,641	11,042,131	21,138,771	-	1,337,759	22,476,530
3,471,572	-	57,935	3,529,507	3,474,324	-	17,527	3,491,851
1,827,779	-	1,202	1,828,981	1,408,492	-	13,779	1,422,271
619,646	(41,167)	1,296,228	1,874,707	674,078	(41,167)	1,324,745	1,957,656
463,294	-	18,323,835	18,787,129	463,294	-	18,368,482	18,831,756
1,073,597,015	(12,023,938)	48,435,415	1,110,008,493	1,037,331,953	(11,705,235)	39,455,572	1,065,062,290

Held-to-maturity securities

Market Treasury Bills
Pakistan Investment Bonds
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates
GoP Foreign Currency Bonds
Foreign Government Securities
Foreign Currency Debt Securities

Associates

1,228,704

(826,576)

402,128

1,223,080

(782,251)

-

440,829

Joint Venture

5,845,481

-

-

5,845,481

5,827,985

-

-

5,827,985

Subsidiaries

1,245

(1,245)

-

-

1,245

(1,245)

-

-

-

-

-

-

-

-

-

Total Investments

1,336,583,525

(13,258,894)

48,410,504

1,371,735,137

1,415,806,424

(12,895,866)

39,493,398

1,442,403,957

9.1.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

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

12,296,044
2,550,000
14,846,044
332,053,770

4,150,000
327,903,770

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

Charge / reversals

Charge for the period
Reversals for the period

12,895,866

10,664,680

971,704
(608,675)
363,029

2,615,328
(384,142)
2,231,186

Closing Balance

13,258,894

12,895,866

9.2.2 Particulars of provision against debt securities

Category of classification

Domestic

Doubtful
Loss

September 30, 2020 (Un-audited)	December 31, 2019 (Audited)
NPI	Provision
Rupees in '000	
-	-
5,563,234	5,554,473
5,563,234	5,554,473
426,170	213,085
5,146,314	5,136,554
5,571,484	5,349,639

9.3 SBP vide BPRD Circular Letter No. 13 of 2020 Para 4 (c) of Prudential Regulation R-8: Impairment in Value of Securities has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, a portion of the impairment loss, amounting to Rs. 0.844 million, resulting from the valuation of listed equity securities held under the AFS category as of September 30, 2020 has not been recognized in the consolidated condensed interim profit and loss account and has been taken to 'Surplus on revaluation of available for sale securities' as disclosed in note 22 of these consolidated condensed interim financial statements.

Had there been no relaxation, there would have had the following effect on these consolidated condensed interim financial statements:

Impact on Consolidated Condensed Interim Statement of Financial Position
- Increase in provision for diminution in value of investments
- Increase in surplus on revaluation of Available for sale securities - net of tax
- Decrease in Unappropriated Profit

Impact on Consolidated Condensed Interim Profit and Loss account
- Decrease in Profit after tax
- Decrease in taxation charge

Earnings per share for the period ended September 30, 2020 would have been lower by Rs. 0.0002 per share.

9.4 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 208,989 million (December 31, 2019: Rs. 328,496 million).

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

844
549
(515)
(515)
(329)

10.3 Advances include Rs. 173,311 million (2019: Rs. 149,377 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	4,370,672	146,285	1,299,042	78,430
Substandard	13,562,004	3,211,401	10,292,449	2,550,709
Doubtful	12,607,632	6,270,747	6,489,076	3,207,031
Loss	98,512,908	97,160,809	89,852,808	88,647,897
	129,053,215	106,789,241	107,933,375	94,484,067
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	11,306	3,391	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	44,246,684	42,921,068	41,443,678	40,204,898
	44,257,990	42,924,459	41,443,678	40,204,898
Total	173,311,205	149,713,700	149,377,054	134,688,966

10.4 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	134,688,966	9,005,951	143,694,917	126,969,680	7,207,106	134,176,786
Exchange adjustments	2,875,903	32,451	2,908,354	3,813,805	28,732	3,842,537
Charge for the period / year	15,946,840	9,913,330	25,860,169	11,501,956	2,018,117	13,520,073
Reversals	(3,727,966)	(351,942)	(4,079,908)	(4,730,294)	(248,004)	(4,978,298)
	12,218,874	9,561,388	21,780,261	6,771,662	1,770,113	8,541,775
Amounts written off	(24,127)	-	(24,127)	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	(45,915)	-	(45,915)	(232,480)	-	(232,480)
Amount charged off international branches	-	-	-	(1,776,734)	-	(1,776,734)
Amount charged off international subsidiaries	-	-	-	(91,274)	-	(91,274)
Other adjustments	-	-	-	(220,744)	-	(220,744)
Other movement	-	-	-	(511,946)	-	(511,946)
Closing balance	149,713,700	18,599,789	168,313,489	134,688,966	9,005,951	143,694,917

10.4.1 Particulars of provision against advances

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
In local currency	106,789,241	18,358,828	125,148,069	94,484,067	8,550,136	103,034,203
In foreign currencies	42,924,459	240,961	43,165,420	40,204,898	455,815	40,660,713
	149,713,700	18,599,789	168,313,489	134,688,966	9,005,951	143,694,917

- 10.4.2** The Group maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Group has also maintained general provision in respect of its underperforming portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

- 10.4.3** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019. Bank is following up for its extension.

- 10.4.4** This includes fully provided loans granted outside Pakistan which are charged-off as per local regulations of the host country. Charging-off does not affect the Group's right to pursue recovery against these loans.

- 10.4.5** State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the period ended September 30, 2020, 81 borrowers having aggregate outstanding exposure of Rs. 27,695 million have availed regulatory relief extended by SBP.

	Note	(Un-audited) September 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
11. FIXED ASSETS			
Capital work-in-progress	11.1	2,146,514	2,162,985
Property and equipment		53,025,840	52,756,579
		55,172,354	54,919,564
11.1 Capital work-in-progress			
Civil works		1,993,205	2,001,776
Equipment		14,526	15,446
Advances to suppliers and contractors		58,733	58,372
License and implementation fee for core banking software		-	40,491
Software		80,050	46,900
		2,146,514	2,162,985
11.2 Additions to fixed assets			
The following material additions have been made to fixed assets during the period:			
Capital work-in-progress		107,974	90,340
Property and equipment			
Building on freehold land		3,622	-
Building on leasehold land		60,802	54,986
Furniture and fixture		686,127	410,950
Computer and peripheral equipment		139,171	182,026
Electrical, office equipment		442,825	507,082
Vehicles		196,192	132,562
Assets held under finance lease - Vehicles		55,741	84,887
		1,584,478	1,372,493
Total		1,692,452	1,462,833

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

11.3 Disposal of fixed assets

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

Furniture and fixture	17,396	1,539
Computer and peripheral equipment	4,618	267
Electrical, office equipment	3,322	169
Vehicles	26,465	12,589
Assets held under finance lease - Vehicle	6,651	29,128
Assets held under Ijarah - Machinery	4	454
Assets held under Ijarah - Vehicle	8	1,838
Total	58,505	46,007

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

12. INTANGIBLE ASSETS

Computer Software	495,579	506,181
Goodwill on NBP Fund Acquisition	562,553	562,553
Others	-	2,032
1,058,132	1,070,766	

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

12.1 Additions to intangible assets

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

Directly purchased	116,089	495,710
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(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----	

13. RIGHT-OF-USE ASSETS

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

Balance as at January 01	7,447,414	8,201,792
Additions during the period	1,383,067	1,185,554
Depreciation charged for the period	1,520,625	1,939,932
Balance as at	7,309,856	7,447,414

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

14. OTHER ASSETS

Income / return / mark-up accrued in local currency - net of provision	37,811,183	53,671,771
Income / return / mark-up accrued in foreign currency	2,815,594	2,577,971
Advances, deposits, advance rent and other prepayments	4,622,396	7,989,931
Income tax refunds receivable and advance taxation	31,651,766	51,978,147
Compensation for delayed tax refunds	16,819,576	13,722,128
Non-banking assets acquired in satisfaction of claims	3,273,015	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Unrealized gain on forward foreign exchange contracts	12,572	-
Commission receivable on Government treasury transactions	12,263,467	4,065,704
Stationery and stamps on hand	496,602	435,733
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Receivable against sale / purchase of shares	81,776	492,009
Receivable from Pakistan Stock Exchange	33,014	6,331
Receivable from mutual funds	866,231	791,738
Acceptances	16,720,194	26,934,779
Others	10,081,989	10,462,646
	138,695,203	177,559,569
Less: Provision held against other assets	14.1 12,771,258	10,853,588
Other assets (net of provision)	125,923,945	166,705,981
Deficit surplus on revaluation of non-banking assets acquired in satisfaction of claims	477,215	477,215
Other assets - total	126,401,160	167,183,196

14.1 Provision held against other assets

Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,011,843	2,555,322
Provision against FE-25 loans	1,734,591	1,734,591
Ex-MBL / NDFC - other assets	534,173	534,173
Assets acquired from CIRC	208,423	208,423
Others	4,257,725	3,796,576
	12,771,258	10,853,588

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
14.1.1 Movement in provision held against other assets		
Opening balance	10,853,588	8,884,661
Charge for the year / period	931,140	1,589,466
Transfer in	976,862	457,738
Adjustment of compensation claimed by SBP to SBP balances	-	(78,277)
Other movement	9,669	-
Closing balance	12,771,258	10,853,588
15. BILLS PAYABLE		
In Pakistan	40,704,843	19,648,708
Outside Pakistan	776,649	218,716
	41,481,492	19,867,424
16. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under Export Refinance Scheme	2,599,394	1,908,291
Under Export Refinance Scheme (New Scheme)	24,048,249	20,687,441
Financing Scheme for Renewable Energy	405,724	236,175
Refinance Facility for Modernization of SMEs	44,654	45,000
Financing Facility for storage of Agriculture Produce (FFSAP)	290,262	284,012
Under Long-Term Financing Facility (LTFF)	15,382,195	8,923,286
Refinance Scheme for Payment of Wages and Salaries	372,371	-
	43,142,849	32,084,205
Repurchase agreement borrowings	14,846,044	332,053,770
Bai Muajjal	79,788,437	59,069,167
	137,777,330	423,207,142
Unsecured		
Call borrowings	2,538,424	39,052,969
Overdrawn nostro accounts	2,279,881	3,467,767
Bai Muajjal	-	6,029,474
	4,818,305	48,550,210
	142,595,635	471,757,352
16.1 Particulars of borrowings with respect to currencies		
In local currency	142,595,635	432,843,644
In foreign currencies	-	38,913,708
	142,595,635	471,757,352
16.2 Mark-up / interest rates and other terms are as follows:		
- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3.00% (December 31, 2019: 3.00%).		
- Repurchase agreement borrowings carry mark-up ranging from 6.95% to 7.05% per annum (December 31, 2019: 13.20% to 13.32% per annum) having maturity on ranging from October 01, 2020 to October 19, 2020.		
- Call borrowings carry interest ranging from 0.00% to 0.77% per annum (December 31, 2019: 1.75% to 4.00% per annum).		
16.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.		
16.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 14,846 million (December 31, 2019: Rs. 332,054 million).		

17. DEPOSITS AND OTHER ACCOUNTS

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000 -----						
Customers						
Current deposits - remunerative	367,972,265	-	367,972,265	320,884,110	-	320,884,110
Current deposits - non-remunerative	419,850,303	126,838,595	546,688,898	387,189,069	139,244,567	526,433,636
Savings deposits	610,900,574	59,908,196	670,808,770	533,399,568	52,502,297	585,901,865
Term deposits	261,616,855	84,969,879	346,586,734	285,063,204	75,448,185	360,511,389
Others	5,039,120	4,080	5,043,200	4,970,352	3,924	4,974,276
	1,665,379,117	271,720,750	1,937,099,867	1,531,506,303	267,198,973	1,798,705,276
Financial Institutions						
Current deposits	218,046,654	315,763	218,362,417	357,457,518	375,807	357,833,325
Savings deposits	2,255,456	-	2,255,456	4,405,416	2,911,091	7,316,507
Term deposits	7,265,113	7,721,722	14,986,835	21,655,082	5,638,426	27,293,508
Others	1,963,222	315,556	2,278,778	6,549,217	286,740	6,835,957
	229,530,445	8,353,041	237,883,486	390,067,233	9,212,064	399,279,297
	1,894,909,562	280,073,791	2,174,983,353	1,921,573,536	276,411,037	2,197,984,573

17.1 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,471 million (December 31, 2019: Rs. 85,488 million).

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	September 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
----- Rupees in '000 -----						
Not later than one year	80,674	11,258	69,416	74,023	17,757	56,266
Later than one year and upto five years	134,226	6,287	127,939	151,479	13,342	138,137
Over five years	-	-	-	-	-	-
	214,900	17,545	197,355	225,502	31,099	194,403

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 6M KIBOR + 1.75% per annum (December 31, 2019: 6M KIBOR + 1.75% to 6M KIBOR + 3.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

19. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----		
Lease liabilities included in the statement of financial position	8,173,224	7,831,350
Of which are:		
Current lease liability	1,599,112	1,339,898
Non-current lease liability	6,574,112	6,491,452
	8,173,224	7,831,350
Maturity analysis - contractual undiscounted cash flows		
Less than one year	3,478,582	2,097,191
One to five years	8,784,777	6,753,791
More than five years	13,853,330	6,652,960
Total undiscounted lease liabilities	26,116,689	15,503,942

20. DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Other provisions
- Others

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

(10,705)	(10,705)
(4,177,625)	(3,905,148)
(236,751)	(236,751)
(7,072,096)	(2,625,495)
(115,222)	(115,222)
(105,416)	(105,416)
(3,827)	(3,827)
(11,721,642)	(7,002,564)

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Excess of accounting book value of leased assets over lease liabilities
- Other

1,500,683	1,695,407
16,944,822	13,816,519
41,439	41,439
13,128	3,720
-	2,314,832
18,500,072	17,871,917
6,778,430	10,869,353

21. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency	25,217,844	57,027,903
Mark-up / Return / Interest payable in foreign currencies	280,950	439,959
Unearned commission and income on bills discounted	1,999,487	3,058,753
Accrued expenses	21,536,932	19,037,792
Advance payments	405,606	430,377
Unclaimed dividends	185,583	186,668
Unrealized loss on forward foreign exchange contracts	1,355,892	4,358,883
Unrealized loss on put option	306,339	306,339
Branch adjustment account	422,364	926,311
Employee benefits:		
Pension fund	15,186,478	14,785,647
Post retirement medical benefits	19,548,128	18,333,947
Benevolent fund	2,165,580	1,749,006
Gratuity scheme	2,805,266	2,403,018
Compensated absences	8,758,508	8,344,182
Staff welfare fund	371,257	371,257
Liabilities relating to Barter trade agreements	2,222,303	5,539,436
Provision against off-balance sheet obligations	627,494	627,494
Provision against contingencies	4,368,062	4,629,645
Payable to brokers	194,017	38,667
Payable to customers	210,442	158,180
PIBs short selling	2,331,308	256,284
Acceptances	16,720,194	26,934,779
Others	16,870,431	14,688,731
	144,090,465	184,633,258

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
Note		Rupees in '000	
22. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) on revaluation of			
- Available for sale securities	9.1	48,435,415	39,455,572
- Fixed Assets		45,514,535	45,096,875
- Non-banking assets		2,539,695	2,539,695
- On securities of associates and joint venture		(329,927)	(385,602)
		<u>96,159,718</u>	<u>86,706,540</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(16,944,822)	(13,816,519)
- Fixed Assets		(2,489,995)	(2,489,995)
- Non-banking assets		(41,439)	(41,439)
		<u>(19,476,256)</u>	<u>(16,347,953)</u>
		<u>76,683,462</u>	<u>70,358,587</u>
23. CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	204,885,284	161,579,745
Commitments	23.2	1,494,742,202	1,761,652,119
Other contingent liabilities	23.3	36,659,571	30,664,297
		<u>1,736,287,058</u>	<u>1,953,896,161</u>
23.1 Guarantees:			
Financial guarantees		141,061,399	101,841,274
Performance guarantees		63,823,885	59,738,471
		<u>204,885,284</u>	<u>161,579,745</u>
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,034,836,782	937,616,635
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	458,398,157	801,290,548
- forward government securities transactions	23.2.2	850,000	22,164,581
Commitments for acquisition of:			
- operating fixed assets		657,264	566,855
Other commitments	23.2.3	-	13,500
		<u>1,494,742,202</u>	<u>1,761,652,119</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		306,733,125	478,842,756
Sale		151,665,031	322,447,792
		<u>458,398,157</u>	<u>801,290,548</u>

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated condensed interim financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
23.2.2 Commitments in respect of forward government securities transactions		
Purchase	-	256,814
Sale	<u>850,000</u>	<u>21,907,767</u>
	<u>850,000</u>	<u>22,164,581</u>

Commitments for outstanding forward government securities transactions are disclosed in these consolidated condensed interim financial statements at contracted rates.

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
23.2.3 Professional services to be received	<u>-</u>	<u>13,500</u>
23.3 Other contingent liabilities		
23.3.1 Claim against the Group not acknowledged as debt	<u>36,659,571</u>	<u>30,664,297</u>

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (December 31, 2018: Rs. 1,597 million).

23.3.2 Taxation

The current status of tax contingencies for the period ended September 30, 2020 is given below:

- Tax returns of the Bank have been filed up to tax year 2019 and amended by tax authorities up to tax year 2018. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2019.
- The matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013 during the year which issue was decided by the learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of contingencies as on September 30, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 18.629 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on September 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1.0 billion and Rs. 1.4 billion respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.

Sindh High Court through interim order has instructed the taxation officer not to take any coercive measures.

Bank's tax advisors expect a favourable decision on this issue from appellate fora.

- d) The Bank has filed an Appeal before the Appellate Tribunal, Sindh Revenue Board against the Order passed by Commissioner (Appeals) Sindh Revenue Board confirming the levy of Sindh Sales Tax on the services provided by the Bank to State Bank of Pakistan for the tax periods January 2015 to March 2015 amounting to Rs.76.767 million and the rate differential amount of Rs. 11.987 million for the tax periods January 2014 to December 2014 aggregating to Rs. 88.754 million along with the penalties and default surcharge thereon. It is pertinent to mention that the aforesaid differential amount has already been paid by availing the tax amnesty in 2019. Further, no provision has been made for the amount relating to State Bank of Pakistan in these consolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.
- e) The Bank filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December - 2016 wherein the principal demand of Rs. 386 million was raised.

The Honorable Appellate Tribunal, PRA accepted the appeal and set aside the impugned Order passed by the Commissioner HQ, PRA. No correspondence has been received till date.

23.3.3 Contingencies in respect of employees benefits and related matters

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019, except for the below mentioned updates.

23.3.4.1 Pensionary benefits to retired employees

This has been explained in note 26.3.3.1 to the financial statement of the year ended December 31, 2019. Subsequently, the hearing of the pension case was fixed on March 12, 2020, however the same was adjourned as the counsel for both parties submitted to the Supreme Court of Pakistan ('SCP') that it would be more appropriate if the hearing, of the present case, can be arranged at Karachi. The Review Petition is ongoing and is expected to be listed for hearing soon. The management's estimate of overall increase in pension liability, based on the independent actuarial firm report for the year ended December 31, 2019 amounted to Rs. 67.1 billion, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the pension expense for year 2020 onward will also increase by Rs. 7.0 billion due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been considered made in these consolidated interim financial statements for the above mentioned amount as the Bank is confident about the favorable outcome of the matter.

23.3.4.2 Post retirement medical facilities

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

23.3.4.3 Restoration of Commuted Pension

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

23.3.4.4 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements

The current status of these contingencies is same as disclosed in the annual financial statements of the Bank for the year ended December 31, 2019.

23.3.4.5 Golden Handshake (GHS)

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

23.3.4.6 Litigation related to management trainee program

This has been explained in note 26.3.3.6 to the financial statement of the year ended December 31, 2019. Subsequently, the matter of out of court settlements has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these consolidated condensed interim financial statements.

23.3.4.7 Foreign Exchange repatriation case

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

23.3.4.8 Compliance and risk matters relating to anti-money laundering

The current status of these contingencies is same as disclosed in the annual financial statements of the Group for the year ended December 31, 2019.

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	Rupees in '000	
24. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		78,012,117	77,601,180
Investments		124,953,955	83,569,440
On securities purchased under resale agreements		1,975,718	4,782,282
Balances with other banks		1,264,125	1,594,981
		<u>206,205,915</u>	<u>167,547,883</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		82,322,547	77,990,962
Borrowings		6,090,877	4,501,937
Cost of foreign currency swaps against foreign currency deposits		6,454,405	4,938,013
Finance charge on lease liability against right of use assets		585,008	526,806
Securities sold under repurchase agreements		30,718,314	25,551,393
		<u>126,171,151</u>	<u>113,509,111</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		976,411	357,476
Consumer finance related fees		497,017	580,357
Card related fees		774,605	521,239
Credit related fees		131,317	184,247
Investment banking fees		428,625	393,621
Commission on trade		2,105,286	3,320,428
Commission on guarantees		303,730	318,531
Commission on cash management		6,689	16,185
Commission on remittances including home remittances		720,350	1,195,733
Commission on bancassurance		190,917	267,469
Commission on government transactions		6,626,430	6,658,586
Management fee and sale load		744,774	915,738
Brokerage income		84,646	46,932
Others		117,042	207,293
		<u>13,707,840</u>	<u>14,983,836</u>
27. GAIN ON SECURITIES - NET			
Realised	27.1	6,968,967	566,546
Unrealized - held-for-trading	9.1	(24,911)	42,308
		<u>6,944,056</u>	<u>608,854</u>
27.1 Realised gain on:			
Federal Government Securities		5,258,905	322,704
Shares and mutual funds		1,031,382	215,379
Ijarah Sukuks		8	28,463
Foreign Securities		678,672	-
		<u>6,968,967</u>	<u>566,546</u>
28. OTHER INCOME			
Rent on property		18,581	24,622
Gain on sale of fixed assets - net		6,308	16,117
Postal, SWIFT and other charges recovered		-	34,132
Compensation for delayed tax refunds	28.1	3,097,448	4,184,109
Remittances expense reimbursed by SBP		112,861	-
Digital infrastructure support income		-	33,729
Others		55,923	36,512
		<u>3,291,120</u>	<u>4,329,221</u>

28.1 This represents compensation on delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
----- Rupees in '000 -----	

29. OPERATING EXPENSES

Total compensation expense	30,353,100	27,778,823
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Property expense

Rent and taxes	294,260	833,545
Insurance	17,866	33,243
Utilities cost	790,955	838,111
Security (including guards)	1,944,375	1,705,031
Repair and maintenance (including janitorial charges)	868,146	656,635
Depreciation	333,779	351,230
Depreciation on non banking assets	11,838	22,183
Depreciation on Ijarah assets	67,393	128,361
Depreciation on right of use assets	1,520,625	1,434,121
	5,849,237	6,002,459

Information technology expenses

Software maintenance	805,677	603,006
Hardware maintenance	11,891	13,519
Depreciation	219,839	236,238
Amortization	132,972	276,499
Network charges	362,919	344,124
	1,533,298	1,473,385

Other operating expenses

Directors' fees and reimbursement of other expenses	27,839	26,231
Directors' fees and allowances - subsidiaries	6,990	4,416
Fees and allowances to Shariah Board	6,974	6,930
Legal and professional charges	998,965	508,241
Outsourced services costs	598,230	564,277
Travelling and conveyance	370,069	566,152
NIFT clearing charges	118,074	102,754
Depreciation	1,343,433	1,204,443
Training and development	46,806	87,263
Postage and courier charges	157,519	140,630
Communication	240,655	233,870
Stationery and printing	891,347	692,978
Marketing, advertisement and publicity	120,673	182,946
Donations	100	-
Contributions for other Corporate and Social Responsibility	85,447	14,962
Auditors' Remuneration	269,005	247,185
Financial charges on leased assets	33,169	32,776
Insurance	369,694	372,938
Entertainment	165,098	208,559
Clearing, verification, license fee charges	223,977	351,201
Vehicle Expenses	105,073	96,203
Repairs and maintenance	259,415	234,833
Brokerage	78,876	56,886
Deposit premium expense	1,030,977	929,881
Others	351,058	294,077
	7,899,462	7,160,634
	45,635,096	42,415,301

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	297,404	115,499
Penalties imposed by other regulatory bodies (Central bank of international branches)	85	6,596
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	1,203	2,462
	298,692	124,557

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
	Note	Rupees in '000	
31. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	9.2	363,029	2,544,850
Provisions against loans and advances	10.4	21,780,261	5,894,009
Provision against other assets		1,082,969	239,337
		<u>23,226,260</u>	<u>8,678,196</u>
32. TAXATION			
Current		20,235,017	13,891,040
Prior years		-	1,056,841
Deferred		(7,002,277)	(1,991,752)
		<u>13,232,740</u>	<u>12,956,129</u>
33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the period (Rupees in 000's)		<u>26,121,029</u>	<u>16,601,919</u>
Weighted average number of ordinary shares (000's)		<u>2,127,513</u>	<u>2,127,513</u>
Earnings per share - basic and diluted (Rupees)		<u>12.28</u>	<u>7.80</u>
34. CASH AND CASH EQUIVALENT			
Cash and balances with treasury banks		272,011,923	215,588,505
Balances with other banks		15,197,248	21,487,527
Call money lendings		140,800	40,800
Call money borrowings		(2,538,424)	(36,667,032)
Overdrawn nostro		(2,279,881)	(3,566,612)
		<u>282,531,666</u>	<u>196,883,188</u>

35. FAIR VALUE MEASUREMENTS

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

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

35.1 Fair value of financial assets

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

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

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

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

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

	September 30, 2020 (Un-audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	562,700,548	-	562,700,548	-	562,700,548
Pakistan Investment Bonds	451,011,699	-	451,011,699	-	451,011,699
Ijarah Sukuks	6,075,580	-	6,075,580	-	6,075,580
Ordinary shares of listed companies	45,863,979	45,863,979	-	-	45,863,979
Investment in mutual funds	2,309,591	-	2,309,591	-	2,309,591
Preference shares	905,600	905,600	-	-	905,600
Term Finance Certificates / Musharika and Sukuk Bonds	57,899,107	-	57,899,107	-	57,899,107
GoP Foreign Currency Bonds	11,042,131	-	11,042,131	-	11,042,131
Foreign Government Securities	4,560,094	-	4,560,094	-	4,560,094
Foreign Currency Debt Securities	1,828,981	-	1,828,981	-	1,828,981
Ordinary shares of a bank outside Pakistan	18,787,129	18,787,129	-	-	18,787,129
	1,162,984,440	65,556,709	1,097,427,731	-	1,162,984,439
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	272,011,923	-	-	-	-
Balances with other banks	15,197,248	-	-	-	-
Lendings to financial institutions	50,281,178	-	-	-	-
Investments					
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Market Treasury Bills	245,368	-	-	-	-
Pakistan Investment Bonds	167,687,574	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	45,839	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	32,930,056	-	-	-	-
Foreign Currency Debt Securities	642	-	-	-	-
Advances	893,213,205	-	-	-	-
Other Assets	74,235,871	-	-	-	-
	1,507,442,513	-	-	-	-
	2,670,426,953	65,556,709	1,097,427,731	-	1,162,984,439

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	458,398,157	-	1,355,905	-	1,355,905
Forward government securities transactions	850,000	-	(272)	-	(272)

	December 31, 2019 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	621,887,531	-	621,887,531	-	621,887,531
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	2,050,099	-	2,050,099	-	2,050,099
Ordinary shares of listed companies	41,983,147	41,983,147	-	-	41,983,147
Investments in mutual funds	2,144,783	-	2,144,783	-	2,144,783
Preference shares	79,388	35,956	-	43,432	79,388
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	4,646,071	-	4,646,071	-	4,646,071
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,101,192,921	70,055,052	1,031,094,437	43,432	1,101,192,921

December 31, 2019 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	293,198,090	-	-	-	-
Balances with other banks	13,598,325	-	-	-	-
Lending to financial instruments	144,140,344	-	-	-	-
Investments					
Market Treasury Bills	114,155,009	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Debentures, Bonds, Sukus, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	30,231,741	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Advances	1,008,398,612	-	-	-	-
Other assets	95,539,678	-	-	-	-
	1,889,817,271	-	-	-	-
	2,991,010,192	70,055,052	1,031,094,437	43,432	1,101,192,921

Off-balance sheet financial instruments - measured at fair value

Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

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

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukus	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Mutual Funds	MUFAP
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

35.2 Fair value of non-financial assets

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

September 30, 2020 (Un-audited)					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
Land & building (property and equipment)	52,250,726	-	52,250,726	-	52,250,726
Non-banking assets acquired in satisfaction of claims	3,273,015	-	3,273,015	-	3,273,015
Right-of-use assets	-	-	-	-	-
	55,523,741	-	55,523,741	-	55,523,741
December 31, 2019 (Audited)					
Carrying Value	Level 1	Level 2	Level 3	Total	
Rupees in '000					
Land & building (property and equipment)	48,575,943	-	48,575,943	-	48,575,943
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,860,796	-	51,860,796	-	51,860,796



36. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Nine months ended September 30, 2020 (Un-audited)				
	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance

Profit and loss account

Net mark-up / return / interest income / (expense)	(63,844,298)	11,736,987	36,865,968	88,981,491	2,050,516
Inter segment revenue - net	103,165,286	(10,564,668)	(32,498,318)	(64,047,478)	3,945,178
Non mark-up / return / interest income	9,720,969	435,424	2,071,443	10,344,723	4,347,871
Total income	49,041,957	1,607,744	6,439,093	35,276,736	12,537,148
Segment direct expenses	20,503,170	1,563,638	619,277	264,335	2,989,216
Inter segment expense allocation	-	-	-	-	15,822,890
Total expenses	20,503,170	1,563,638	619,277	264,335	18,812,106
Provisions and write offs - net	457,558	5,988,895	16,179,725	113,869	855,518
Profit / (loss) before taxation	28,081,229	(5,944,790)	(10,359,909)	34,900,531	(7,130,477)
					39,413,461

September 30, 2020 (Un-audited)

	September 30, 2020 (Un-audited)				
	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance

Statement of financial position

Cash and balances with treasury and other banks	81,661,842	5,695,396	251,630	141,645,114	55,205,197
Deposits	-	-	32,071,053	1,252,521,753	48,990,045
Net inter segment lending	1,593,782,230	-	-	-	-
Lendings to financial institutions	-	-	-	40,918,194	9,362,984
Advances - performing	199,746,023	115,153,686	504,242,495	-	25,963,347
- non-performing	3,902,032	24,432,601	45,083,527	-	43,894,515
Provision against advances	(7,071,212)	(20,230,042)	(42,227,065)	-	(42,809,860)
Advances - Net	196,576,844	119,356,245	507,098,958	-	27,048,002
Others	32,955,279	2,249,612	24,435,289	4,386,020	4,595,943
Total Assets	1,904,976,195	127,301,252	563,856,930	1,439,471,081	135,839,187
Borrowings	2,853,112	-	40,072,589	96,914,460	2,538,411
Deposits and other accounts	1,860,324,166	-	171,071,000	-	75,471,348
Net inter segment borrowing	-	124,480,755	315,033,312	1,282,503,649	54,314,312
Others	41,798,917	2,820,497	37,580,086	10,486,016	3,274,128
Total liabilities	1,904,976,195	127,301,252	563,696,987	1,389,904,126	135,598,198
Equity	-	-	159,943	49,566,956	240,989
Total equity and liabilities	1,904,976,195	127,301,252	563,856,930	1,439,471,081	135,839,187
Contingencies and commitments	139,345,882	-	682,988,287	855,625,458	20,907,203
					37,417,228
					1,736,287,058

Profit and loss account

Net mark-up / return / interest income / (expense)
Inter segment revenue - net
Non mark-up / return / interest income
Total Income

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions and write offs - net
Profit / (loss) before taxation

Nine months ended September 30, 2019 (Un-audited) - (Restated)					
Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others
Rupees in '000					
(58,426,762)	10,350,458	38,777,945	56,676,686	2,228,037	4,432,408
105,269,169	(11,242,758)	(38,459,123)	(60,442,025)	-	4,874,737
10,933,031	682,493	1,815,652	6,727,992	1,246,994	5,366,903
57,775,438	(209,807)	2,134,474	2,962,653	3,475,032	14,674,048
21,109,383	1,609,613	598,709	248,967	3,080,333	3,426,474
-	-	-	-	-	12,466,379
21,109,383	1,609,613	598,709	248,967	3,080,333	15,892,853
381,614	610,457	5,877,517	2,143,712	(191,603)	(143,500)
36,284,440	(2,429,877)	(4,341,752)	569,974	586,303	(1,075,305)
					29,593,783

December 31, 2019 (Audited) - (Restated)					
Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Head Office / Others
Rupees in '000					
162,051,623	12,045,241	238,501	82,716,513	42,748,449	6,996,087
-	-	38,801,666	1,316,800,220	61,079,182	25,722,890
1,631,300,100	-	-	-	-	138,613,215
-	-	-	132,718,198	-	11,422,146
221,843,742	144,537,546	538,385,369	-	55,382,884	42,566,934
2,973,437	17,309,704	32,196,797	-	41,049,352	55,847,764
(6,664,995)	(14,087,130)	(23,223,824)	-	(40,266,389)	(59,452,580)
218,152,184	147,760,120	547,358,342	-	56,165,847	38,962,118
25,398,302	1,853,736	40,745,805	3,971,387	4,014,363	154,637,349
2,036,902,209	161,659,097	627,144,314	1,536,206,318	164,007,841	376,353,805
					4,902,273,583

Statement of financial position

Cash and balances with treasury and other banks
Investments
Net inter segment lending
Lendings to financial institutions
Advances - performing
- non-performing
Provision against advances
Advances - net
Others
Total Assets

Borrowings
Deposits and other accounts
Net inter segment borrowing
Others
Total liabilities
Equity
Total equity and liabilities

162,051,623	12,045,241	238,501	82,716,513	42,748,449	6,996,087	306,796,415
-	-	38,801,666	1,316,800,220	61,079,182	25,722,890	1,442,403,957
1,631,300,100	-	-	-	-	138,613,215	1,769,913,315
-	-	-	132,718,198	-	11,422,146	144,140,344
221,843,742	144,537,546	538,385,369	-	55,382,884	42,566,934	1,002,716,475
2,973,437	17,309,704	32,196,797	-	41,049,352	55,847,764	149,377,054
(6,664,995)	(14,087,130)	(23,223,824)	-	(40,266,389)	(59,452,580)	(143,694,917)
218,152,184	147,760,120	547,358,342	-	56,165,847	38,962,118	1,008,398,613
25,398,302	1,853,736	40,745,805	3,971,387	4,014,363	154,637,349	230,620,940
2,036,902,209	161,659,097	627,144,314	1,536,206,318	164,007,841	376,353,805	4,902,273,583

1,348,351	-	30,388,706	400,759,524	38,913,708	347,062	471,757,352
1,971,199,214	-	76,371,345	-	85,487,723	64,926,291	2,197,984,573
156,924,272	488,444,930	1,081,180,371	36,248,475	7,115,268	1,769,913,315	7,115,268
64,354,645	4,734,824	31,794,954	17,079,796	1,988,871	103,442,698	223,395,788
2,036,902,210	161,659,096	626,999,935	1,499,019,691	162,638,777	175,831,319	4,663,051,028
-	-	144,380	37,186,627	1,369,066	200,522,487	239,222,555
2,036,902,209	161,659,097	627,144,314	1,536,206,318	164,007,841	376,353,805	4,902,273,583

833,218,160	-	236,880,686	823,455,129	28,997,140	31,345,046	1,953,896,161
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Contingencies and commitments

337. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and key management personnel. The details of investment in subsidiary companies, joint venture and associated undertaking and their provisions are stated in note 9 of the financial statement of the Group.

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

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

September 30, 2020 (Un-audited)										December 31, 2019 (Audited)					
Director s	Key management-personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund Fixed Deposit	(N.I.D.A Ac)	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund Fixed Deposit	Pension Fund (N.I.D.A Ac)	Other related parties
Rupees in '000															
Balances with other banks															
-	-	-	2,872	-	-	-	-	-	-	-	1,159	-	-	-	-
				- 2,872											
Advances															
-	228,808	3,014,760	-	-	-	-	23,306,325	-	222,867	3,105,907	-	-	-	-	217,083
-	64,450	-	-	-	-	-	89,720,074	-	74,615	-	-	-	-	-	11,240,254
-	(26,403)	(66,633)	-	-	-	-	(89,884,101)	-	(22,588)	(66,197)	-	-	-	-	(14,890,973)
-	(8,259)	-	-	-	-	-	(23,232,488)	-	(63,889)	-	-	-	-	-	26,919,881
-	289,638	2,947,117	-	-	-	-	(1,112)	-	228,603	3,038,710	-	-	-	-	23,989,223
				- Closing balance											
				- 2,827,375											
Provisions against loans															
				- 2,827,375											
Other Assets															
-	-	1,705,416	-	-	-	-	-	-	-	1,710,481	-	-	-	-	-
				- 1,705,416											
Borrowings															
-	-	-	278,814	-	-	-	-	-	-	-	38,248	-	-	-	-
-	-	-	(270,944)	-	-	-	-	-	-	-	241,566	-	-	-	-
				- 278,814											
				- 8,879											
Deposits and other accounts															
3,835	94,716	-	-	73	1,335,130	13,266,883	48,414,093	10,732	80,688	-	-	1,085	11,100,000	458,328	12,465,939
7,076	533,683	-	-	-	2,583,027	1,274,512	656,409	23,314	626,431	-	-	-	45,832,581	-	273,669,395
(6,345)	(498,347)	-	-	-	(46,329,035)	(864,197)	(1,512,315)	(22,146)	(591,564)	-	-	-	(11,008,400)	(1,415,241)	(278,409,470)
72	1,421	-	-	-	-	-	(40,250,295)	(8,959)	(19,840)	-	-	-	-	-	45,195,158
4,638	132,471	-	-	36	1,482,102	13,089,680	111,091	3,633	94,715	-	-	73	-	1,285,120	13,298,883
				- Closing balance											
				- 40,418,083											
Contingencies and commitments															
				- 1,483,095											

* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

September 30, 2020 (Un-audited)						September 30, 2019 (Un-audited)					
Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Others
Rupees in '000						Rupees in '000					

Income

Mark-up / return / interest earned	-	-	9	-	-	15,302	-	-	45,482	-	-	2,659,130
Rent income / lighting and power and bank charges	-	3,479	-	-	-	14,585	-	3,479	-	-	-	11,668

Expense

Mark-up / return / interest paid	-	-	300	108,346	865,880	3,141	-	-	237	214,424	1,259,478	1,350,561
Remuneration to key management executives including charge for defined benefit plan	375,861	-	-	-	-	-	352,909	-	-	-	-	-
Annual Subscription and miscellaneous charges	-	-	-	-	-	10,712	-	-	-	-	-	890
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	1,565	-	-	-	-	-	1,565

37.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government 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 service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 6,626 million for the nine months period ended September 30, 2020. As at the Statement of Financial Position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 305,453 million, Rs. 885,491 million and Rs. 993,627 million respectively and income earned on advances and profit paid on deposits amounted to Rs. 28,810 million and Rs. 54,252 million respectively.

38. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-audited) September 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000-----	
Minimum Capital Requirement		
Paid-up capital	<u>196,474,551</u>	<u>168,001,436</u>
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	<u>172,576,945</u>	<u>146,628,152</u>
Eligible Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Total Eligible Tier 1 Capital	<u>172,576,945</u>	<u>146,628,152</u>
Eligible Tier 2 Capital	<u>56,092,837</u>	<u>41,295,951</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>228,669,782</u>	<u>187,924,103</u>
Risk Weighted Assets		
Credit Risk	<u>813,064,114</u>	<u>918,174,576</u>
Market Risk	<u>94,714,097</u>	<u>93,146,479</u>
Operational Risk	<u>176,625,691</u>	<u>176,625,691</u>
Total	<u>1,084,403,902</u>	<u>1,187,946,746</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>15.91%</u>	<u>12.34%</u>
Tier 1 Capital Adequacy Ratio	<u>15.91%</u>	<u>12.34%</u>
Total Capital Adequacy Ratio	<u>21.09%</u>	<u>15.82%</u>
Leverage Ratio		
Tier-1 Capital	<u>172,576,945</u>	<u>146,628,152</u>
Total Exposures	<u>4,072,807,693</u>	<u>4,260,315,310</u>
Leverage Ratio	<u>4.24%</u>	<u>3.44%</u>
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	<u>1,098,584,906</u>	<u>890,965,256</u>
Total Net Cash Outflow	<u>604,871,618</u>	<u>603,741,462</u>
Liquidity Coverage Ratio	<u>182%</u>	<u>148%</u>
Net Stable Funding Ratio		
Total Available Stable Funding	<u>2,136,923,678</u>	<u>2,040,913,906</u>
Total Required Stable Funding	<u>813,725,598</u>	<u>875,207,068</u>
Net Stable Funding Ratio	<u>263%</u>	<u>233%</u>

39. ISLAMIC BANKING BUSINESS

The bank is operating 189 (December 31, 2019: 190) Islamic banking branches and no Islamic banking windows at the end of nine months period ended September 30, 2020.

		(Un-audited) September 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks		4,647,208	4,405,856
Balances with other banks		11,777	5,841
Due from financial institutions	39.1	9,360,334	11,419,496
Investments	39.2	31,835,743	19,416,280
Islamic financing and related assets - net	39.3	32,534,521	33,880,482
Fixed assets		150,611	174,862
Right of use assets		786,736	861,049
Other assets		6,034,233	5,888,864
Total Assets		85,361,163	76,052,730
LIABILITIES			
Bills payable		497,317	256,804
Deposits and other accounts	39.4	66,572,658	63,285,896
Lease liability against right of use assets		924,982	943,375
Due to Head Office		4,293,251	2,784,801
Other liabilities		7,405,327	3,767,018
		79,693,535	71,037,894
NET ASSETS		5,667,628	5,014,836
REPRESENTED BY			
Islamic Banking Fund		3,360,000	2,200,000
Reserves		-	-
Surplus on revaluation of assets		685,135	775,696
Unappropriated / unremitted profit	39.5	1,622,493	2,039,140
		5,667,628	5,014,836

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

		(Un-audited) Nine months ended September 30, 2020	(Un-audited) Nine months ended September 30, 2019
		Rupees in '000	
Profit / return earned	39.6	6,180,566	5,065,725
Profit / return expensed	39.7	2,748,247	2,339,058
Net Profit / return		3,432,319	2,726,667
Other income			
Fee and commission income		265,220	273,463
Foreign exchange income		49,943	55,995
Other income		796	4,705
Total other income		315,959	334,163
Total Income		3,748,278	3,060,830
Other expenses			
Operating expenses		1,724,149	1,763,770
Other charges		2,053	380
		1,726,202	1,764,150
Profit before provisions		2,022,076	1,296,680
Provisions charge / (reversal) and write offs - net		399,583	(75,662)
Profit before taxation		1,622,493	1,372,342
Taxation		-	-
Profit after taxation		1,622,493	1,372,342

39.1 Due from Financial Institutions

Unsecured

Bai Muajjal Receivable from State Bank of Pakistan

	September 30, 2020 (Un-audited)		December 31, 2019 (Audited)	
	In Local Currency	In Foreign currencies Rupees in '000	In Local Currency	In Foreign currencies Rupees in '000
	9,360,334	-	9,360,334	-
	9,360,334	-	9,360,334	-
			11,419,496	-
			11,419,496	-

This represent Bai Muajjal agreement with Government of Pakistan and State Bank of Pakistan which carries profit rate 13.00% per annum. (December 31, 2019: 12.78%)

39.2 Investments by segments:

Federal Government Securities:

-Ijarah Sukuks

6,000,000	21,200	6,021,200	2,000,000	(21,200)	1,978,800
6,000,000	21,200	6,021,200	2,000,000	(21,200)	1,978,800

Non Government Debt Securities

-Listed

-Unlisted

4,500,000	322,961	4,822,961	4,400,000	602,100	5,002,100
20,781,415	340,974	20,991,582	12,371,391	194,796	12,435,380
25,281,415	(130,807)	25,814,543	(130,807)	796,896	17,437,480
31,281,415	(130,807)	31,835,743	18,771,391	775,686	19,416,280

Total Investments

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

39.3 Islamic financing and related assets - net

Ijarah

Murabaha

Musawama

Diminishing Musharaka

Istisna

Other Islamic Modes (Wakala tul Istismar)

Advances against Islamic assets (Ijarah, Murabaha, DM, Istisna)

Inventory related to Islamic financing (Istisna)

Gross Islamic financing and related assets

Less: provision against Islamic financings

- Specific

- General

187,062	255,639
3,672,901	1,716,542
-	22,243
15,395,607	15,869,641
864,836	-
8,500,000	8,500,000
3,075,895	7,180,631
1,441,367	539,349
33,137,668	34,084,045
(602,988)	(203,324)
(159)	(239)
(603,147)	(203,563)
32,534,521	33,880,482

Islamic financing and related assets - net of provision

39.4 Deposits

Customers

Current deposits	21,198,181	20,550,756
Savings deposits	34,534,575	22,671,179
Term deposits	8,588,158	12,720,085
	64,320,914	55,942,020

Financial Institutions

Current deposits	617,280	815,386
Savings deposits	634,464	3,028,490
Term deposits	1,000,000	3,500,000
	2,251,744	7,343,876
	66,572,658	63,285,896

39.5 Unappropriated/ Unremitted profit / (loss)

Opening Balance	2,039,140	(57,150)
Add: Islamic banking profit / (loss) for the period	1,622,493	2,039,140
Less: Transferred / remitted to head office	(2,039,140)	57,150
Closing balance	1,622,493	2,039,140

39.6 Profit / return earned

Profit earned on:

Financing	3,136,237	2,371,138
Investments	2,075,074	1,703,922
Placements	23,470	131,522
Others (Bai Muajjal)	945,785	859,143
	6,180,566	5,065,725

39.7 Profit / return expensed

Deposits and other accounts	2,339,136	1,945,627
Finance charge on right of use assets	69,081	67,351
Others (General Account)	340,030	326,080
	2,748,247	2,339,058

**NBP**

National Bank of Pakistan

نیشنل بینک آف پاکستان

40. GENERAL

40.1 Figures have been rounded off to the nearest thousand rupees.

41. DATE OF AUTHORIZATION FOR ISSUE

The consolidated condensed interim financial statements were authorized for issue on October 27, 2020 by the Board of Directors of the Bank.

Zubyr Soomro
Chairman

Arif Usmani
President / CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

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