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# Condensed Interim Unconsolidated Financial Statements

## For the half year ended June 30, 2021

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2021**

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| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | 9 | 54,908,437 | 59,881,289 |
| Balances with other banks | 10 | 6,407,854 | 2,878,547 |
| Lendings to financial institutions | 11 | 7,500,000 | 2,985,000 |
| Investments | 12 | 327,546,728 | 276,929,792 |
| Advances | 13 | 343,686,928 | 318,179,878 |
| Fixed assets | 14 | 24,089,253 | 24,038,885 |
| Intangible assets | 15 | 1,597,310 | 1,540,779 |
| Deferred tax assets | 20 | - | - |
| Other assets | 16 | 20,444,678 | 23,523,784 |
| | | 786,181,188 | 709,957,954 |
| **LIABILITIES** | | | |
| Bills payable | 17 | 13,915,475 | 13,543,270 |
| Borrowings | 18 | 84,133,494 | 58,446,516 |
| Deposits and other accounts | 19 | 591,850,409 | 540,635,833 |
| Liabilities against assets subject to finance lease | | - | - |
| Subordinated debt | | - | - |
| Deferred tax liabilities | 20 | 1,464,190 | 1,591,769 |
| Other liabilities | 21 | 30,933,073 | 35,633,134 |
| | | 722,296,641 | 649,850,522 |
| **NET ASSETS** | | 63,884,547 | 60,107,432 |
| **REPRESENTED BY** | | | |
| Share capital | | 15,176,965 | 15,176,965 |
| Reserves | | 11,007,600 | 11,032,647 |
| Surplus on revaluation of assets - net | 22 | 8,569,163 | 9,027,473 |
| Unappropriated profit | | 29,130,819 | 24,870,347 |
| | | 63,884,547 | 60,107,432 |
| **CONTINGENCIES AND COMMITMENTS** | 23 | | |

The annexed notes 1 to 42 form an integral part of these condensed interim unconsolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
**FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021**

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| | Note | Quarter ended | | Half year ended | |
|---|---|---|---|---|---|
| | | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | | Rupees '000 | | | |
| Mark-up / return / interest earned | 25 | 12,471,899 | 14,755,093 | 24,493,924 | 31,956,993 |
| Mark-up / return / interest expensed | 26 | 5,995,174 | 8,063,786 | 12,578,303 | 18,739,738 |
| Net mark-up / interest income | | 6,476,725 | 6,691,307 | 11,915,621 | 13,217,255 |
| **NON MARK-UP / INTEREST INCOME** | | | | | |
| Fee and commission income | 27 | 1,290,839 | 622,064 | 2,432,150 | 1,654,841 |
| Dividend income | | 154,707 | 171,352 | 243,834 | 231,580 |
| Foreign exchange income | | 513,720 | 596,353 | 1,025,768 | 928,564 |
| (Loss) / income from derivatives | | (13,438) | 10,508 | (44,875) | 101,043 |
| Gain on securities | 28 | 38,176 | 542,464 | 450,243 | 1,015,175 |
| Other income | 29 | 65,151 | 46,894 | 167,778 | 12,076 |
| Total non mark-up / interest income | | 2,049,155 | 1,989,635 | 4,274,898 | 3,943,279 |
| Total income | | 8,525,880 | 8,680,942 | 16,190,519 | 17,160,534 |
| **NON MARK-UP / INTEREST EXPENSES** | | | | | |
| Operating expenses | 30 | 4,910,305 | 4,484,501 | 9,518,540 | 9,114,816 |
| Workers Welfare Fund | | 57,555 | 73,528 | 133,812 | 148,127 |
| Other charges | 31 | 4,136 | 105 | 4,141 | 108,012 |
| Total non mark-up / interest expenses | | 4,971,996 | 4,558,134 | 9,656,493 | 9,370,955 |
| Profit before provisions | | 3,553,884 | 4,122,808 | 6,534,026 | 7,789,579 |
| Provisions and write-offs - net | 32 | 521,180 | 1,245,045 | (11,548) | 1,464,808 |
| Extra ordinary / unusual items | | - | - | - | - |
| **PROFIT BEFORE TAXATION** | | 3,032,704 | 2,877,763 | 6,545,574 | 6,324,771 |
| Taxation | 33 | 1,116,122 | 1,147,996 | 2,525,752 | 2,514,822 |
| **PROFIT AFTER TAXATION** | | 1,916,582 | 1,729,767 | 4,019,822 | 3,809,949 |
| | | Rupees | | | |
| **Basic / diluted earnings per share** | 34 | 1.26 | 1.14 | 2.65 | 2.51 |

The annexed notes 1 to 42 form an integral part of these condensed interim unconsolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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**FAYSAL BANK LIMITED**

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**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
**FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021**

| | Quarter ended | | Half year ended | |
|---|---|---|---|---|
| | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | ---------- Rupees '000 ---------- | | | |
| Profit after taxation for the period | 1,916,582 | 1,729,767 | 4,019,822 | 3,809,949 |
| **Other comprehensive income / (loss)** | | | | |
| ***Items that may be reclassified to the profit and loss account in subsequent periods:*** | | | | |
| - Movement in surplus on revaluation of investments - net of tax | 331,977 | (910,305) | (217,660) | (985,421) |
| **Total comprehensive income** | 2,248,559 | 819,462 | 3,802,162 | 2,824,528 |

The annexed notes 1 to 42 form an integral part of these condensed interim unconsolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF YEAR ENDED JUNE 30, 2021**

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| | Share capital | Reserves | | | | | Surplus / (deficit) on revaluation of | | | Unappro-priated profit | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserves | | | Statutory reserve | Total | Invest-ments | Fixed assets / non-banking assets | Total | | |
| | | Share premium | Non-distri-butable capital reserve (NCR) - gain on bargain purchase | Reserve arising on amal-gamation | | | | | | | |
| | Rupees '000 | | | | | | | | | | |
| **Balance as at January 1, 2020 (audited)** | 15,176,965 | 10,131 | 475,930 | 23,952 | 9,320,945 | 9,830,958 | 3,383,915 | 7,364,165 | 10,748,080 | 19,507,870 | 55,263,873 |
| Profit after taxation for the half year ended June 30, 2020 | - | - | - | - | - | - | - | - | - | 3,809,949 | 3,809,949 |
| Other comprehensive loss - net of tax | - | - | - | - | - | - | (985,421) | - | (985,421) | - | (985,421) |
| Total comprehensive (loss) / income | - | - | - | - | - | - | (985,421) | - | (985,421) | 3,809,949 | 2,824,528 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | - | (57,707) | (57,707) | 57,707 | - |
| Amortisation of intangible assets - customer relationship - net of tax | - | - | (58,591) | - | - | (58,591) | - | - | - | - | (58,591) |
| **Balance as at June 30, 2020 (un-audited)** | 15,176,965 | 10,131 | 417,339 | 23,952 | 9,320,945 | 9,772,367 | 2,398,494 | 7,306,458 | 9,704,952 | 23,375,526 | 58,029,810 |
| Profit after taxation for the period from July 1, 2020 to December 31, 2020 | - | - | - | - | - | - | - | - | - | 2,700,556 | 2,700,556 |
| Other comprehensive (loss) / income - net of tax | - | - | - | - | - | - | (619,769) | - | (619,769) | 38,656 | (581,113) |
| Total comprehensive (loss) / income | - | - | - | - | - | - | (619,769) | - | (619,769) | 2,739,212 | 2,119,443 |
| Transfer to statutory reserve | - | - | - | - | 1,302,101 | 1,302,101 | - | - | - | (1,302,101) | - |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | - | (57,710) | (57,710) | 57,710 | - |
| Amortisation of intangible assets - customer relationship - net of tax | - | - | (41,821) | - | - | (41,821) | - | - | - | - | (41,821) |
| **Balance as at December 31, 2020 (audited)** | 15,176,965 | 10,131 | 375,518 | 23,952 | 10,623,046 | 11,032,647 | 1,778,725 | 7,248,748 | 9,027,473 | 24,870,347 | 60,107,432 |
| Profit after taxation for the half year ended June 30, 2021 | - | - | - | - | - | - | - | - | - | 4,019,822 | 4,019,822 |
| Other comprehensive loss - net of tax | - | - | - | - | - | - | (217,660) | - | (217,660) | - | (217,660) |
| Total comprehensive (loss) / income | - | - | - | - | - | - | (217,660) | - | (217,660) | 4,019,822 | 3,802,162 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | - | (58,112) | (58,112) | 58,112 | - |
| Transfer from surplus on revaluation of non-banking assets - net of tax | - | - | - | - | - | - | - | (182,538) | (182,538) | 182,538 | - |
| Amortisation of intangible assets - customer relationship - net of tax | - | - | (25,047) | - | - | (25,047) | - | - | - | - | (25,047) |
| **Balance as at June 30, 2021 (un-audited)** | 15,176,965 | 10,131 | 350,471 | 23,952 | 10,623,046 | 11,007,600 | 1,561,065 | 7,008,098 | 8,569,163 | 29,130,819 | 63,884,547 |

The annexed notes 1 to 42 form an integral part of these condensed interim unconsolidated financial statements.

**President & CEO** **Chief Financial Officer** **Chairman** **Director** **Director**

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)**
**FOR THE HALF YEAR ENDED JUNE 30, 2021**

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| | Note | June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 6,545,574 | 6,324,771 |
| Less: dividend income | | (243,834) | (231,580) |
| | | 6,301,740 | 6,093,191 |
| **Adjustments:** | | | |
| Depreciation on owned fixed assets | 30 | 677,158 | 641,894 |
| Amortisation of intangible assets | 30 | 63,180 | 97,842 |
| Depreciation on right-of-use assets | 30 | 766,439 | 735,055 |
| Depreciation on non-banking assets | 30 | 2,483 | 3,408 |
| Workers Welfare Fund | | 133,812 | 148,127 |
| Provision against loans and advances - net | 32 | 506,889 | 1,450,453 |
| (Reversal of provision) / provision for diminution in value of investments - net | 32 | (316,391) | 35,054 |
| Reversal of provision against off balance sheet obligations - net | 32 | (22,645) | (880) |
| Unrealised loss / (gain) on securities - held for trading - net | | 24,373 | (51,337) |
| Gain on sale of fixed assets - net | 29 | (14,131) | (5,475) |
| Gain on sale of non-banking assets - net | 29 | (47,487) | - |
| Charge for defined benefit plan | | 105,429 | 59,406 |
| Loss / (income) from derivative contracts - net | | 44,875 | (101,043) |
| Mark-up / return / interest expensed - lease liability against right-of-use assets | 26 | 716,959 | 505,778 |
| Bad debts written off directly | 32 | 18,548 | 4,078 |
| | | 2,659,491 | 3,522,360 |
| | | 8,961,231 | 9,615,551 |
| **(Increase) / decrease in operating assets** | | | |
| Lendings to financial institutions | | (4,515,000) | (6,893,000) |
| Held-for-trading securities | | (49,705,537) | 5,979,070 |
| Advances | | (26,032,487) | 7,288,149 |
| Others assets | | 2,680,009 | (4,720,787) |
| | | (77,573,015) | 1,653,432 |
| **Increase / (decrease) in operating liabilities** | | | |
| Bills payable | | 372,205 | 3,629,738 |
| Borrowings from financial institutions | | 25,012,152 | (23,479,605) |
| Deposits | | 51,214,576 | 38,578,190 |
| Other liabilities (excluding current taxation) | | (5,195,067) | 3,940,785 |
| | | 71,403,866 | 22,669,108 |
| Income tax paid | | (2,617,748) | (942,611) |
| Contribution to gratuity fund | | (105,429) | (91,958) |
| **Net cash generated from operating activities** | | 68,905 | 32,903,522 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net investment in available-for-sale securities | | (2,196,203) | (37,774,160) |
| Net divestment in associates | | 200,000 | - |
| Net divestment in held-to-maturity securities | | 1,020,002 | 1,037,650 |
| Dividends received | | 174,223 | 103,517 |
| Investment in operating fixed assets | | (841,098) | (737,739) |
| Investment in intangible assets | | (160,774) | (74,109) |
| Proceeds from sale of fixed assets | | 15,266 | 5,687 |
| Proceeds from sale of non-banking assets | | 468,837 | - |
| **Net cash used in investing activities** | | (1,319,747) | (37,439,154) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment of lease liability against right-of-use assets | | (867,504) | (912,012) |
| Dividend paid | | (25) | (18) |
| **Net cash used in financing activities** | | (867,529) | (912,030) |
| **Decrease in cash and cash equivalents during the period** | | (2,118,371) | (5,447,662) |
| Cash and cash equivalents at the beginning of the period | | 61,126,505 | 62,765,265 |
| **Cash and cash equivalents at the end of the period** | | 59,008,134 | 57,317,603 |

The annexed notes 1 to 42 form an integral part of these condensed interim unconsolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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## 1 STATUS AND NATURE OF BUSINESS

**1.1** Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are listed on the Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank is operating through 575 branches (December 31, 2020: 575 branches) and 1 sub-branch (December 31, 2020: 1 sub-branch). Out of these, 500 (December 31, 2020: 500) are Islamic banking branches and 76 (December 31, 2020: 76) are conventional banking branches.

The registered office of the Bank is located at Faysal House, ST-02, Shahra-e-Faisal, Karachi.

Ithmaar Bank B.S.C (closed), a fully owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2020: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMIT), ultimate parent of the Bank, is the holding company of Ithmaar Holdings B.S.C.

**1.2** The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' (December 31, 2020: 'AA') and the short term rating as 'A1+' (December 31, 2020: 'A1+') on June 30, 2021 and June 26, 2021 respectively.

## 2 BASIS OF PRESENTATION

**2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim unconsolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

**2.2** The financial results of the Islamic banking branches have been consolidated in these condensed interim unconsolidated financial statements for reporting purposes after eliminating inter branch transactions and balances. The financial results of all the Islamic banking branches are disclosed in note 39 to these condensed interim unconsolidated financial statements.

**2.3** The Bank has controlling interest in Faysal Asset Management Limited (FAML) and is required to prepare consolidated financial statements under the provisions of the Companies Act, 2017. These condensed interim financial statements represent the unconsolidated results of the Bank and a separate set of condensed interim consolidated financial statements are also being presented by the Bank.

## 3 STATEMENT OF COMPLIANCE

**3.1** These condensed interim unconsolidated 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 of:

- 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).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

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**3.2** As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as Non-distributable Capital Reserve (NCR). The SBP allowed the Bank to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets identified as a result of such acquisition. Accordingly, during the period ended June 30, 2021, the Bank has adjusted amortisation of intangible assets net of tax amounting to Rs. 25.047 (June 30, 2020: Rs. 58.591 million) from the NCR.

**3.3** These condensed interim unconsolidated financial statements do not include all the information and disclosures required in the annual audited unconsolidated financial statements, and are limited based on the format prescribed by the State Bank of Pakistan through BPRD Circular Letter No. 05 dated March 22, 2019 and IAS 34, and should be read in conjunction with the annual audited unconsolidated financial statements for the year ended December 31, 2020.

**3.4 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current period:**

**3.4.1** There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

**3.5 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective:**

**3.5.1** The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

| Standards, interpretations or amendments | Effective date (annual periods beginning on or after) |
|---|---|
| - IFRS 9 - 'Financial instruments' | January 1, 2022* |
| - IAS 1 - 'Presentation of financial statements' (amendments) | January 1, 2022 |
| - IAS 16 - 'Property, plant and equipment' (amendments) | January 1, 2022 |
| - IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments) | January 1, 2022 |
| - IFRS 3 - 'Business combinations' (amendments) | January 1, 2022 |

The management is in the process of assessing the impact of these standards and amendments on the condensed interim unconsolidated financial statements of the Bank.

* The SBP vide its BPRD Circular Letter No. 24 dated July 5, 2021 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2022. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has an impact on all the assets of the Bank which are exposed to credit risk.

**3.5.2** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or will not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim unconsolidated financial statements are the same as applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2020.

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## 5 BASIS OF MEASUREMENT

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except for certain fixed assets and non-banking assets acquired in satisfaction of claims which have been carried at revalued amounts, certain investments and derivative contracts which have been marked to market and are carried at fair value, obligations in respect of staff retirement benefits and lease liabilities which have been carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liabilities (adjusted for any lease payments and certain specified costs) and depreciated over the respective lease terms.

## 6 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these condensed interim unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. These condensed interim unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

## 7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements is the same as that applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2020, except for a change in the accounting estimate for useful lives of certain categories of fixed assets, as disclosed in more details in note 14.4 to these condensed interim unconsolidated financial statements.

## 8 FINANCIAL RISK MANAGEMENT

**8.1** The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual audited unconsolidated financial statements for the year ended December 31, 2020.

**8.2** COVID-19 has impacted banks in Pakistan on a number of fronts including increase mainly in credit risk pertaining to the loans and advances portfolio, continuity of business operations and managing cybersecurity threat as an ever increasing number of customers are being encouraged to use digital channels. Major aspects of COVID-19 on the Bank's risk management policies in the areas of credit risk, liquidity risk, market risk and operational risk have been discussed below.

The risk management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. During the year ended 2020, the SBP had responded to the crisis and took regulatory measures to provide an impetus to economic activity. During 2020, the SBP, amongst other reliefs, allowed the banks to defer borrowers' principal loan repayments by one year and / or restructure / reschedule loans for borrowers who required relief of principal repayments exceeding one year and / or mark-up with no reflection on credit history. The Bank had provided few reliefs, deferred certain borrowers' principal loan repayments and restructured / rescheduled loans as per the SBP directives. At present there is no major impact on loans where reliefs were provided on principal loan repayments deferred last year that are due for repayments during the half year ended June 30, 2021. In addition, during the year ended December 31, 2020, the management of the Bank exercised prudence and recognised a general provision in addition to the requirements of the Prudential Regulations amounting to Rs 250 million against its performing consumer portfolio keeping in view the impacts of COVID-19. The management of the Bank has maintained this provision in these condensed interim unconsolidated financial statements. The Bank is also closely monitoring the deferred / restructured protfolio as the deferment period is going to be expired in the near future.

With regards to the liquidity risk, the Bank remains confident that the liquidity buffer currently maintained is sufficient to cater any adverse movement in cash flow maturity profile, having liquidity coverage ratio (LCR) at 222.6% (December 31, 2020: 211%) and net stable funding ratio (NSFR) at 164.18% (December 31, 2020: 169.28%) as at June 30, 2021.

Moreover, the Pakistan Stock Exchange has shown a positive trend in the current period reflecting increasing stability of the industries operating in the country. As a result, no impairment loss is required to be recognised on the available-for-sale listed equity securities by the Bank in these condensed interim unconsolidated financial statements (June 30, 2020: Rs 379.63 million).

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With regards to the operational risk, the Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of the its staff and uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | ---------- Rupees '000 ---------- | |
| **9 CASH AND BALANCES WITH TREASURY BANKS** | | |
| In hand | | |
| - local currency | 12,533,737 | 13,650,095 |
| - foreign currencies | 1,002,559 | 6,147,826 |
| | 13,536,296 | 19,797,921 |
| With State Bank of Pakistan in | | |
| - local currency current accounts | 25,209,163 | 25,323,730 |
| - foreign currency current accounts | 2,032,314 | 2,121,802 |
| - foreign currency deposit accounts | 3,790,308 | 3,860,816 |
| | 31,031,785 | 31,306,348 |
| With National Bank of Pakistan in | | |
| - local currency current accounts | 8,223,269 | 8,202,707 |
| Prize bonds | 2,117,087 | 574,313 |
| | 54,908,437 | 59,881,289 |
| **10 BALANCES WITH OTHER BANKS** | | |
| In Pakistan | | |
| - in current accounts | 1,146,926 | 645,262 |
| Outside Pakistan | | |
| - in current accounts | 5,260,928 | 2,233,285 |
| | 6,407,854 | 2,878,547 |
| **11 LENDINGS TO FINANCIAL INSTITUTIONS** | | |
| Call money lendings | 7,500,000 | - |
| Repurchase agreement lendings (reverse repo) | - | 2,985,000 |
| | 7,500,000 | 2,985,000 |

**11.1 Securities held as collateral against lendings to financial institutions**

| | Un-audited | | | Audited | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 | | | December 31, 2020 | | |
| | Held by Bank | Further given as collateral | Total | Held by Bank | Further given as collateral | Total |
| | ---------- Rupees '000 ---------- | | | | | |
| Pakistan Investment Bonds | - | - | - | 2,985,000 | - | 2,985,000 |
| | - | - | - | 2,985,000 | - | 2,985,000 |

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## 12 INVESTMENTS

### 12.1 Investments by type:

| | Note | Un-audited June 30, 2021 Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying value | Audited December 31, 2020 Cost / Amortised cost | Provision for diminution | Surplus | Carrying value |
|---|---|---|---|---|---|---|---|---|---|
| | | ---------- Rupees '000 ---------- | | | | | | | |
| **Held-for-trading securities** | | | | | | | | | |
| Federal Government securities | | 55,595,744 | - | 2,220 | 55,597,964 | 6,534,053 | - | 418 | 6,534,471 |
| Shares | | 643,846 | - | (26,175) | 617,671 | - | - | - | - |
| | | 56,239,590 | - | (23,955) | 56,215,635 | 6,534,053 | - | 418 | 6,534,471 |
| **Available-for-sale securities** | | | | | | | | | |
| Federal Government securities | 12.3 | 198,348,914 | - | 169,000 | 198,517,914 | 195,466,018 | - | 15,838 | 195,481,856 |
| Shares | | 8,182,346 | 1,379,215 | (70,981) | 6,732,150 | 8,421,544 | 1,688,885 | 376,325 | 7,108,984 |
| Non Government debt securities | | 51,191,340 | 559,787 | 2,461,104 | 53,092,657 | 51,638,835 | 559,787 | 2,523,780 | 53,602,828 |
| | | 257,722,600 | 1,939,002 | 2,559,123 | 258,342,721 | 255,526,397 | 2,248,672 | 2,915,943 | 256,193,668 |
| **Held-to-maturity securities** | | | | | | | | | |
| Federal Government securities | 12.2 | 1,597,048 | - | - | 1,597,048 | 1,597,048 | - | - | 1,597,048 |
| Non Government debt securities | 12.5 | 10,811,454 | 1,521,895 | - | 9,289,559 | 11,831,456 | 1,528,616 | - | 10,302,840 |
| | | 12,408,502 | 1,521,895 | - | 10,886,607 | 13,428,504 | 1,528,616 | - | 11,899,888 |
| **Associates *** | 12.6 | | | | | | | | |
| Faysal Income & Growth Fund | | 268,625 | - | - | 268,625 | 268,625 | - | - | 268,625 |
| Faysal Islamic Stock Fund | | - | - | - | - | 200,000 | - | - | 200,000 |
| Faysal Savings Growth Fund | | 693,247 | - | - | 693,247 | 693,247 | - | - | 693,247 |
| | | 961,872 | - | - | 961,872 | 1,161,872 | - | - | 1,161,872 |
| **Subsidiary *** | | | | | | | | | |
| Faysal Asset Management Limited | 12.6 | 1,139,893 | - | - | 1,139,893 | 1,139,893 | - | - | 1,139,893 |
| **Total Investments - net** | | 328,472,457 | 3,460,897 | 2,535,168 | 327,546,728 | 277,790,719 | 3,777,288 | 2,916,361 | 276,929,792 |

* related parties

| | | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | --------- Rupees '000 --------- | |
| **12.2** | Bai Muajjal - gross | 2,212,625 | 2,212,625 |
| | Less: deferred income | (93,236) | (194,895) |
| | Less: profit receivable shown in other assets | (522,341) | (420,682) |
| | Bai Muajjal - net | 1,597,048 | 1,597,048 |

This represents Bai Muajjal with Government of Pakistan carrying profit at the rate of 12.84% per annum (December 31, 2020: 12.84%) maturing in December, 2021.

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | --------- Rupees '000 --------- | |
| **12.3 Investments given as collateral** | | |
| - Market treasury bills | 11,500,000 | - |

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| | Un-audited June 30, 2021 | Audited December 31 2020 |
|---|---|---|
| **12.4 Provision for diminution in value of investments** | --------- Rupees '000 --------- | |
| **12.4.1** Opening balance | 3,777,288 | 3,849,281 |
| Charge / (reversals) | | |
| Charge for the period / year | - | 379,785 |
| Reversals for the period / year | (6,721) | (14,982) |
| Reversals on disposals for the period / year | (309,670) | (436,796) |
| | (316,391) | (71,993) |
| Closing balance | 3,460,897 | 3,777,288 |

**12.4.2 Particulars of provision against debt securities**

| Category of classification | Un-audited June 30, 2021 Non-performing investments | Un-audited June 30, 2021 Provision | Audited December 31, 2020 Non-performing investments | Audited December 31, 2020 Provision |
|---|---|---|---|---|
| | ---------- Rupees '000 ---------- | | | |
| **Domestic** | | | | |
| - Loss | 2,081,682 | 2,081,682 | 2,088,403 | 2,088,403 |

**12.5** The market value of non government debt securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 9,392.586 million (December 31, 2020: Rs. 10,029.170 million).

**12.6 Investment in subsidiary and associates**

| | Note | Country of incorporation | % Holding | As at June 30, 2021 Assets | As at June 30, 2021 Liabilities | For the half year ended June 30, 2021 Revenue | For the half year ended June 30, 2021 Profit | For the half year ended June 30, 2021 Total comprehensive income |
|---|---|---|---|---|---|---|---|---|
| | | | | ---------- Rupees '000 ---------- | | | | |
| **Associates** | | | | | | | | |
| Faysal Income & Growth Fund | | Pakistan | 23.42% | 1,135,244 | 34,520 | 37,590 | 26,991 | 26,991 |
| Faysal Savings Growth Fund | | Pakistan | 27.38% | 2,532,685 | 101,799 | 99,703 | 70,673 | 70,673 |
| **Subsidiary** | | | | | | | | |
| Faysal Asset Management Limited | 12.6.1 | Pakistan | 99.99% | 1,168,160 | 123,952 | 267,013 | 115,447 | 115,447 |

| | Country of incorporation | % Holding | As at December 31, 2020 Assets | As at December 31, 2020 Liabilities | For the half year ended June 30, 2020 Revenue | For the half year ended June 30, 2020 Profit / (loss) | For the half year ended June 30, 2020 Total comprehensive income / (loss) |
|---|---|---|---|---|---|---|---|
| | | | ---------- Rupees '000 ---------- | | | | |
| **Associates** | | | | | | | |
| Faysal Income & Growth Fund | Pakistan | 40.67% | 672,056 | 15,337 | 48,656 | 35,409 | 35,409 |
| Faysal Islamic Stock Fund | Pakistan | 37.64% | 646,596 | 17,356 | - | - | - |
| Faysal Savings Growth Fund | Pakistan | 21.54% | 3,232,073 | 44,947 | 118,353 | 99,254 | 99,254 |
| **Subsidiary** | | | | | | | |
| Faysal Asset Management Limited | Pakistan | 99.99% | 1,062,615 | 133,622 | 80,983 | (15,928) | (15,928) |

**12.6.1** Faysal Asset Management Limited (the Company) was incorporated in Pakistan under the provisions of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) on August 6, 2003 as an unlisted public limited company. The Company commenced its operations on November 14, 2003. The Company is a Non-Banking Finance Company (NBFC). The Company has obtained a license to carry out asset management and investment advisory services under the requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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## 13 ADVANCES

| | Note | Performing | | Non-performing | | Total | |
|---|---|---|---|---|---|---|---|
| | | Un-audited June 30, 2021 | Audited December 31, 2020 | Un-audited June 30, 2021 | Audited December 31, 2020 | Un-audited June 30, 2021 | Audited December 31, 2020 |
| | | Rupees '000 | | | | | |
| Loans, cash credits, running finances, etc. | | 85,625,827 | 119,418,082 | 20,075,203 | 22,406,562 | 105,701,030 | 141,824,644 |
| Islamic financing and related assets | | 254,264,691 | 189,951,257 | 3,199,169 | 3,294,935 | 257,463,860 | 193,246,192 |
| Bills discounted and purchased | | 354,240 | 4,150,522 | 423,629 | 523,928 | 777,869 | 4,674,450 |
| Advances - gross | | 340,244,758 | 313,519,861 | 23,698,001 | 26,225,425 | 363,942,759 | 339,745,286 |
| Provision against advances | 13.3 | | | | | | |
| - specific | | - | - | (19,377,700) | (20,649,632) | (19,377,700) | (20,649,632) |
| - general | | (878,131) | (915,776) | - | - | (878,131) | (915,776) |
| | | (878,131) | (915,776) | (19,377,700) | (20,649,632) | (20,255,831) | (21,565,408) |
| Advances - net of provision | | 339,366,627 | 312,604,085 | 4,320,301 | 5,575,793 | 343,686,928 | 318,179,878 |

### 13.1 Particulars of advances (gross)

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | Rupees '000 | |
| - in local currency | 362,105,189 | 339,106,568 |
| - in foreign currency | 1,837,570 | 638,718 |
| | 363,942,759 | 339,745,286 |

**13.2** Advances include Rs. 23,698.001 million (December 31, 2020: Rs. 26,225.425 million) which have been placed under non-performing status as detailed below:-

| Category of classification | Un-audited June 30, 2021 | | Audited December 31, 2020 | |
|---|---|---|---|---|
| | Non-performing loans | Provision | Non-performing loans | Provision |
| | Rupees '000 | | | |
| **Domestic** | | | | |
| - other assets especially mentioned | 239,467 | 69 | 204,782 | - |
| - substandard | 1,081,282 | 95,848 | 2,727,006 | 541,529 |
| - doubtful | 790,299 | 218,648 | 900,979 | 237,209 |
| - loss | 21,586,953 | 19,063,135 | 22,392,658 | 19,870,894 |
| Total | 23,698,001 | 19,377,700 | 26,225,425 | 20,649,632 |

### 13.3 Particulars of provision against advances

| | Un-audited June 30, 2021 | | | Audited December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Specific | General | Total | Specific | General | Total |
| | Rupees '000 | | | | | |
| Opening balance | 20,649,632 | 915,776 | 21,565,408 | 23,475,724 | 761,951 | 24,237,675 |
| Exchange adjustments | (21,567) | - | (21,567) | 25,095 | - | 25,095 |
| Charge for the period / year | 1,650,615 | - | 1,650,615 | 3,610,762 | 250,000 | 3,860,762 |
| Reversals during the period / year | (1,106,081) | (37,645) | (1,143,726) | (1,485,958) | (96,175) | (1,582,133) |
| | 544,534 | (37,645) | 506,889 | 2,124,804 | 153,825 | 2,278,629 |
| Amounts written off | (1,794,899) | - | (1,794,899) | (4,975,991) | - | (4,975,991) |
| Closing balance | 19,377,700 | 878,131 | 20,255,831 | 20,649,632 | 915,776 | 21,565,408 |

**13.3.1** As per the Prudential Regulations, the SBP has specified that general provision against consumer financing should be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

The Bank also maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Housing Finance issued by the SBP. The provision ranges between 0.5% to 1.5% based on the non-performing loan ratio present in the portfolio.

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The Bank is also required to maintain a general reserve of 1% against un-secured small enterprise financing portfolio as per the applicable requirements of the Prudential Regulations issued by the SBP.

In addition to the requirements of the Prudential Regulations, the management has exercised prudence and recognised a general provision amounting to Rs. 250 million keeping in view the impacts of COVID-19.

**13.3.2** As allowed by the SBP, the Bank has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,581.515 million (December 31, 2020: Rs 2,632.364 million) relating to advances while determining the provisioning requirement against non-performing financing as at June 30, 2021. The additional profit arising from availing the FSV benefit (net of tax) as at June 30, 2021 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,574.724 million (December 31, 2020: Rs 1,605.742 million).

**13.3.3** Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loans, however, the Bank still holds enforceable collateral against certain non-performing loans in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

| | | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|---|
| **14** | **FIXED ASSETS** | | ------- Rupees '000 ------- | |
| | Capital work-in-progress | 14.1 | 957,677 | 833,461 |
| | Property and equipment | | 23,131,576 | 23,205,424 |
| | | | 24,089,253 | 24,038,885 |
| **14.1** | **Capital work-in-progress** | | | |
| | Civil works | | 176,714 | 225,737 |
| | Equipment | | 476,956 | 561,044 |
| | Furniture and fixture | | 40,056 | 18,838 |
| | Vehicles | | - | 42 |
| | Land and building | | 263,951 | 27,800 |
| | | | 957,677 | 833,461 |

| | | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| **14.2** | **Additions to fixed assets** | ---------- Rupees '000 ---------- | |
| | The following additions have been made to fixed assets during the period: | | |
| | **Capital work-in-progress** | 841,084 | 701,663 |
| | **Property and equipment** | | |
| | Building on freehold land | - | 36,075 |
| | Furniture and fixture | 6,680 | 97,986 |
| | Electrical, office and computer equipment | 505,620 | 378,582 |
| | Vehicles | 16,470 | 58,765 |
| | Right-of-use assets - land and building | 654,002 | 655,444 |
| | Others | 188,112 | 445,791 |
| | | 1,370,884 | 1,672,643 |
| | **Total** | 2,211,968 | 2,374,306 |

| | | | |
|---|---|---|---|
| **14.3** | **Disposal of fixed assets** | | |
| | The net book value of fixed assets disposed of during the period is as follows: | | |
| | Furniture and fixture | 49 | 3 |
| | Electrical, office and computer equipment | 1,013 | 171 |
| | Vehicles | 9 | 38 |
| | Others | 64 | - |
| | **Total** | 1,135 | 212 |

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### 14.4 Change in accounting estimate

With effect from January 1, 2021, the management of the Bank has revised its estimate of the useful lives of core banking software and automated teller machines (ATMs) from 5 years to 7 years whereas the useful lives of other softwares and hardware projects have been revised from 3 years to 5 years. This revision has been made to make the useful lives of these assets more reflective of their consumption pattern.

The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. Had the revision in useful lives of these assets not been made, the depreciation expense for the period would have been higher by Rs 86.176 million and consequently profit before tax would have been lower by the same amount.

| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| **15 INTANGIBLE ASSETS** | | ---------- Rupees '000 ---------- | |
| Capital work-in-progress | 15.1 | 499,053 | 567,658 |
| Computer softwares | | 523,715 | 357,516 |
| Customer relationship | | 574,542 | 615,605 |
| | | 1,098,257 | 973,121 |
| **Total** | | 1,597,310 | 1,540,779 |

### 15.1 Capital work-in-progress

| | | |
|---|---|---|
| Computer softwares | 499,053 | 567,658 |

### 15.2 Additions to intangible assets

| | Un-audited For the half year ended June 30, 2021 | Un-audited For the half year ended June 30, 2020 |
|---|---|---|
| | ---------- Rupees '000 ---------- | |
| The following additions have been made to intangible assets during the period: | | |
| Computer softwares - directly purchased | 229,379 | 242,742 |

| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| **16 OTHER ASSETS** | | ---------- Rupees '000 ---------- | |
| Income / mark-up accrued in local currency - net of provision | | 8,698,976 | 7,291,340 |
| Income / mark-up accrued in foreign currencies - net of provision | | 4,779 | 1,314 |
| Advances, deposits, advance rent and other prepayments | | 1,089,367 | 788,518 |
| Non-banking assets acquired in satisfaction of claims | | 988,126 | 1,229,421 |
| Mark to market gain on forward foreign exchange contracts | | 702,744 | 649,361 |
| Fair value of derivative contracts | | 88,404 | 190,130 |
| Acceptances | 21 | 6,219,529 | 10,726,305 |
| Credit cards and other products fee receivable | | 472,699 | 369,968 |
| Receivable from brokers against sale of shares | | 112,566 | 20,241 |
| Dividend receivable | | 154,243 | 84,632 |
| Receivable from 1Link (Private) Limited | | 446,350 | 515,944 |
| Rent and amenities receivable | | 11,291 | 33,159 |
| Rebate receivable - net | | 79,402 | 87,632 |
| Defined benefit plan asset | | 64,205 | 64,205 |
| Others | | 366,581 | 343,660 |
| | | 19,499,262 | 22,395,830 |
| Less: provision held against other assets | 16.1 | (325,832) | (325,832) |
| Other assets - net of provision | | 19,173,430 | 22,069,998 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net | | 1,271,248 | 1,453,786 |
| Other assets - total | | 20,444,678 | 23,523,784 |

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| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| **16.1 Provision held against other assets** | ---------- Rupees '000 ---------- | |
| Dividend receivable | 75,348 | 75,348 |
| SBP penalties | 51,050 | 51,050 |
| Fraud forgery theft and account receivable | 20,867 | 20,867 |
| Security deposits | 22,994 | 22,994 |
| Others | 155,573 | 155,573 |
| | 325,832 | 325,832 |
| **16.1.1 Movement in provision held against other assets** | | |
| Opening balance | 325,832 | 252,176 |
| Charge for the period / year | - | 74,536 |
| Reversals during the period / year | - | (795) |
| | - | 73,741 |
| Amounts written off | - | (85) |
| Closing balance | 325,832 | 325,832 |
| **17 BILLS PAYABLE** | | |
| In Pakistan | 13,915,475 | 13,543,270 |
| **18 BORROWINGS** | | |
| **Secured** | | |
| Borrowings from the State Bank of Pakistan (SBP) | | |
| - under export refinance scheme - part I and II | 3,711,352 | 8,623,400 |
| - under long term financing facility | 1,148,210 | 1,246,164 |
| - under long term financing facility for renewable power energy (RPE) | 764,372 | 809,662 |
| - under scheme of financing facility for storage of agricultural produce | 38,843 | 53,129 |
| - under Islamic export refinance scheme | 25,032,101 | 19,400,601 |
| - under refinance scheme for payment of wages and salaries | 10,571,487 | 12,932,302 |
| - under Islamic financing for renewable energy | 2,310,421 | 1,400,274 |
| - under Islamic long term financing facility | 5,847,842 | 3,599,252 |
| - under Islamic temporary economic refinance scheme | 12,762,500 | 3,807,141 |
| - under Islamic refinance facility for combating COVID-19 | 322,800 | 35,400 |
| - under Islamic financing facility for storage of agricultural produce | 24,377 | - |
| | 62,534,305 | 51,907,325 |
| Repurchase agreement borrowings | 11,402,607 | - |
| Borrowing from other financial institution | 483,871 | 500,000 |
| **Total secured** | 74,420,783 | 52,407,325 |
| **Unsecured** | | |
| Overdrawn nostro accounts | 2,308,157 | 1,633,331 |
| Musharaka acceptances | - | 410,000 |
| Other borrowings | 7,404,554 | 3,995,860 |
| **Total unsecured** | 9,712,711 | 6,039,191 |
| | 84,133,494 | 58,446,516 |

**19 DEPOSITS AND OTHER ACCOUNTS**

| | Un-audited | | | Audited | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 | | | December 31, 2020 | | |
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| | ---------- Rupees '000 ---------- | | | | | |
| **Customers** | | | | | | |
| Current deposits | 188,547,115 | 21,521,120 | 210,068,235 | 144,344,241 | 20,813,651 | 165,157,892 |
| Savings deposits | 193,848,126 | 17,201,039 | 211,049,165 | 184,980,930 | 17,643,501 | 202,624,431 |
| Term deposits | 133,187,670 | 2,069,911 | 135,257,581 | 143,287,216 | 3,141,533 | 146,428,749 |
| Margin deposits | 2,856,818 | 7,903 | 2,864,721 | 3,341,663 | 15,132 | 3,356,795 |
| | 518,439,729 | 40,799,973 | 559,239,702 | 475,954,050 | 41,613,817 | 517,567,867 |
| **Financial institutions** | | | | | | |
| Current deposits | 1,617,772 | 34,959 | 1,652,731 | 813,493 | 49,245 | 862,738 |
| Savings deposits | 23,921,126 | - | 23,921,126 | 15,880,218 | - | 15,880,218 |
| Term deposits | 7,036,850 | - | 7,036,850 | 6,325,010 | - | 6,325,010 |
| | 32,575,748 | 34,959 | 32,610,707 | 23,018,721 | 49,245 | 23,067,966 |
| | 551,015,477 | 40,834,932 | 591,850,409 | 498,972,771 | 41,663,062 | 540,635,833 |

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| | | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|---|
| | | | ---------- Rupees '000 ---------- | |
| **20** | **DEFERRED TAX (LIABILITIES) / ASSETS** | | | |
| | **Deductible temporary differences on** | | | |
| | - provision for diminution in the value of investments | | 41,250 | 155,137 |
| | - provision against advances, off balance sheet, etc. | | 1,184,573 | 1,215,623 |
| | - provision against other assets | | 128,462 | 128,462 |
| | | | 1,354,285 | 1,499,222 |
| | **Taxable temporary differences on** | | | |
| | - surplus on revaluation of fixed assets | | (1,565,092) | (1,602,246) |
| | - surplus on revaluation of non-banking assets | | (14,113) | (14,113) |
| | - surplus on revaluation of investments | | (998,058) | (1,137,218) |
| | - fair value adjustment relating to net assets acquired upon amalgamation | | (224,071) | (240,087) |
| | - accelerated tax depreciation | | (17,141) | (97,327) |
| | | | (2,818,475) | (3,090,991) |
| | | | (1,464,190) | (1,591,769) |
| **21** | **OTHER LIABILITIES** | | | |
| | Mark-up / return / interest payable in local currency | | 2,183,035 | 3,792,193 |
| | Mark-up / return / interest payable in foreign currencies | | 10,559 | 6,344 |
| | Unearned commission and income on bills discounted | | 837,706 | 968,302 |
| | Accrued expenses | | 1,772,987 | 2,484,143 |
| | Acceptances | 16 | 6,219,529 | 10,726,305 |
| | Unclaimed dividends | | 45,013 | 45,038 |
| | Mark to market loss on forward foreign exchange contracts | | 1,357,139 | 1,907,030 |
| | Current taxation (provision less payments) | | 72,888 | 58,669 |
| | Charity fund balance | | 1,050 | 1,070 |
| | Provision against off-balance sheet obligations | 21.1 | 104,924 | 127,569 |
| | Security deposits against leases | | 341,503 | 586,301 |
| | Withholding tax payable | | 158,533 | 165,433 |
| | Federal excise duty payable | | 48,788 | 67,402 |
| | Payable to brokers against purchase of shares | | 165,558 | 35,001 |
| | Fair value of derivative contracts | | 681,052 | 964,671 |
| | Payable related to credit cards and other products | | 197,081 | 1,146,914 |
| | Lease liability against right-of-use assets | | 9,034,350 | 8,530,893 |
| | Advance against disposal of assets | | 12,130 | 459,467 |
| | Funds held as security | | 261,055 | 242,227 |
| | Payable to 1Link (Private) Limited | | 150,548 | 154,308 |
| | Insurance payable | | 104,334 | 115,600 |
| | Clearing and settlement accounts | | 6,618,109 | 2,706,765 |
| | Others | | 555,202 | 341,489 |
| | | | 30,933,073 | 35,633,134 |
| **21.1** | **Provision against off-balance sheet obligations** | | | |
| | Opening balance | | 127,569 | 113,676 |
| | Charge for the period / year | | 1,262 | 25,132 |
| | Reversals during the period / year | | (23,907) | (11,239) |
| | | | (22,645) | 13,893 |
| | Closing balance | | 104,924 | 127,569 |
| **22** | **SURPLUS ON REVALUATION OF ASSETS - NET OF TAX** | | | |
| | Surplus on revaluation of: | | | |
| | - available for sale securities | | 2,559,123 | 2,915,943 |
| | - fixed assets | | 7,316,055 | 7,411,321 |
| | - non-banking assets acquired in satisfaction of claims | | 1,271,248 | 1,453,786 |
| | | | 11,146,426 | 11,781,050 |
| | Deferred tax on surplus on revaluation of: | | | |
| | - available for sale securities | | (998,058) | (1,137,218) |
| | - fixed assets | | (1,565,092) | (1,602,246) |
| | - non-banking assets acquired in satisfaction of claims | | (14,113) | (14,113) |
| | | | (2,577,263) | (2,753,577) |
| | | | 8,569,163 | 9,027,473 |

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| | | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|---|
| **23** | **CONTINGENCIES AND COMMITMENTS** | | ---------- Rupees '000 ---------- | |
| | Guarantees | 23.1 | 32,931,164 | 29,202,222 |
| | Commitments | 23.2 | 226,573,249 | 183,850,529 |
| | Other contingent liabilities | 23.3 | 4,122,244 | 4,122,244 |
| | | | 263,626,657 | 217,174,995 |
| **23.1** | **Guarantees:** | | | |
| | Financial guarantees | | 6,697,064 | 7,810,863 |
| | Performance guarantees | | 7,941,513 | 5,662,415 |
| | Other guarantees | | 18,292,587 | 15,728,944 |
| | | | 32,931,164 | 29,202,222 |
| **23.2** | **Commitments:** | | | |
| | Documentary credits and short-term trade-related transactions | | | |
| | - letters of credit | | 75,739,365 | 50,571,999 |
| | Commitments in respect of: | | | |
| | - forward foreign exchange contracts | 23.2.1 | 105,603,260 | 93,025,986 |
| | - forward government securities transactions | 23.2.2 | 11,407,050 | 2,989,036 |
| | - derivatives - cross currency and interest rate swaps (notional principal) | 23.2.3 | 6,698,587 | 8,272,187 |
| | - extending credit (irrevocable) | 23.5 | 26,946,615 | 28,859,840 |
| | Commitments for acquisition of: | | | |
| | - operating fixed assets | | 50,006 | 49,303 |
| | - intangible assets | | 128,366 | 82,178 |
| | | | 226,573,249 | 183,850,529 |
| **23.2.1** | **Commitments in respect of forward foreign exchange contracts** | | | |
| | Purchase | | 73,272,270 | 66,134,904 |
| | Sale | | 32,330,990 | 26,891,082 |
| | | | 105,603,260 | 93,025,986 |
| **23.2.2** | **Commitments in respect of forward government securities transactions** | | | |
| | Purchase | | 11,407,050 | - |
| | Sale | | - | 2,989,036 |
| | | | 11,407,050 | 2,989,036 |
| **23.2.3** | **Commitments in respect of derivatives** | | | |
| | Sale | 24 | 6,698,587 | 8,272,187 |
| **23.3** | **Other contingent liabilities** | | | |
| | Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case | | 2,510,000 | 2,510,000 |
| | Indemnity issued favouring the Honorable High Court in one of the cases | | 457,543 | 457,543 |
| | Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan | 23.3.1 | 1,154,701 | 1,154,701 |
| | | | 4,122,244 | 4,122,244 |

**23.3.1** Income tax assessments of the Bank have been finalised upto the tax year 2019 (accounting year 2018) and tax return for the tax year 2020 (accounting year 2019) has already been filed. Income tax return for the tax year 2021 (accounting year 2020) will be filed within stipulated timeline.

The department and the Bank has disagreement on a matter relating to taxability of gain on bargain purchase on the acquisition of ex-RBS Pakistan. The additional tax liability on the matter amounts to Rs. 1,154.701 million (December 31, 2020: Rs. 1,154.701 million). The Commissioner Inland Revenue (Appeals) [(CIR(A)] had deleted the said additional tax liability, however the income tax department had filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR(A). During the current period, the ATIR has passed an order and maintained the decision of the CIR(A) in favour of the Bank. The management of the Bank is confident that in case an appeal is filed by the department against the order of the ATIR, the matter will be decided in the Bank's favour and accordingly, no provision has been recorded in these condensed interim unconsolidated financial statements in respect of this matter.

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**23.4** There are certain claims against the Bank not acknowledged as debt amounting to Rs 33,864 million (December 31, 2020: Rs 31,374 million). These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing, certain cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment and cases for damages towards opportunity losses suffered by the customers due to non-disbursements of running finance facility as per the agreed terms. The above also includes an amount of Rs 25,299 million (December 31, 2020: 25,299 million) in respect of a suit filed against the Bank for declaration, recovery of monies, release of securities, rendition of account and damages.

Based on legal advices and / or internal assessments, the management is confident that the above matters will be decided in the Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these condensed interim unconsolidated financial statements.

**23.5 Commitments to extend credits**

The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facilities are unilaterally withdrawn except for Rs. 26,947 million (December 2020: Rs. 28,860 million) which are irrevocable in nature.

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| **24 DERIVATIVE INSTRUMENTS** | ---------- Rupees '000 ---------- | |
| Cross currency swaps (notional principal) | 6,462,271 | 7,792,684 |
| Interest rate swap (notional principal) | 236,316 | 479,503 |

**24.1 Product analysis**

| Counterparties | June 30, 2021 (Un-audited) | | | |
|---|---|---|---|---|
| | Cross currency swaps | | Interest rate swaps | |
| | Notional principal | Mark to market gain / (loss) | Notional principal | Mark to market gain |
| | ---------- Rupees '000 ---------- | | | |
| **With banks for** | | | | |
| Hedging | - | - | - | - |
| Market making | 2,651,948 | 35,423 | 236,316 | 3,904 |
| **With other entities for** | | | | |
| Hedging | - | - | - | - |
| Market making | 3,810,323 | (631,975) | - | - |
| **Total** | | | | |
| Hedging | - | - | - | - |
| Market making | 6,462,271 | (596,552) | 236,316 | 3,904 |

| Counterparties | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|
| | Cross currency swaps | | Interest rate swaps | |
| | Notional principal | Mark to market gain / (loss) | Notional principal | Mark to market gain |
| | ---------- Rupees '000 ---------- | | | |
| **With banks for** | | | | |
| Hedging | - | - | - | - |
| Market making | 3,218,043 | 62,289 | 479,503 | 7,048 |
| **With other entities for** | | | | |
| Hedging | - | - | - | - |
| Market making | 4,574,641 | (843,878) | - | - |
| **Total** | | | | |
| Hedging | - | - | - | - |
| Market making | 7,792,684 | (781,589) | 479,503 | 7,048 |

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| | Note | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **25 MARK-UP / RETURN / INTEREST EARNED** | | | |
| On: | | | |
| Loans and advances | | 13,417,488 | 19,410,561 |
| Investments | | 10,804,559 | 11,775,254 |
| Lendings to financial institutions | | 196,184 | 32,331 |
| Balances with banks | | 143 | 14,525 |
| Securities purchased under resale agreements | | 75,550 | 724,322 |
| | | 24,493,924 | 31,956,993 |
| **26 MARK-UP / RETURN / INTEREST EXPENSED** | | | |
| On: | | | |
| Deposits | | 9,541,351 | 14,890,009 |
| Securities sold under repurchase agreements | | 462,408 | 109,358 |
| Other short term borrowings | | 24,763 | 18,078 |
| SBP borrowings | | 461,870 | 281,259 |
| Short sale of Pakistan Investment Bonds | | - | 42,219 |
| Bai Muajjal | | - | 163,004 |
| Musharaka acceptances | | 99,952 | 578,818 |
| Lease liability against right-of-use assets | | 716,959 | 505,778 |
| Cost of foreign currency swaps against foreign currency deposits / borrowings | | 1,271,000 | 2,151,215 |
| | | 12,578,303 | 18,739,738 |
| **27 FEE AND COMMISSION INCOME** | | | |
| Branch banking customer fees | | 391,631 | 224,217 |
| Consumer finance related fees | | 249,999 | 140,439 |
| Card related fees (debit and credit cards) | | 907,927 | 686,403 |
| Credit related fees | | 16,980 | 29,051 |
| Investment banking fees | | 126,265 | 60,516 |
| Commission on trade | | 188,293 | 130,388 |
| Commission on guarantees | | 67,148 | 37,721 |
| Commission on cash management | | 37,914 | 30,107 |
| Commission on remittances including home remittances | | 166,898 | 97,284 |
| Commission on bancassurance | | 143,238 | 146,606 |
| Commission on sale of funds unit | | 98,832 | 43,304 |
| Others | | 37,025 | 28,805 |
| | | 2,432,150 | 1,654,841 |
| **28 GAIN ON SECURITIES** | | | |
| Realised - net | 28.1 | 474,616 | 963,838 |
| Unrealised - held for trading - net | | (24,373) | 51,337 |
| | | 450,243 | 1,015,175 |
| **28.1** Realised gain on: | | | |
| Federal Government securities | | 245,979 | 742,809 |
| Shares | | 147,445 | 194,918 |
| Open end mutual funds | | 19,672 | 26,111 |
| Associates | | 61,520 | - |
| | | 474,616 | 963,838 |
| **29 OTHER INCOME** | | | |
| Rent on property | | 103,031 | 91,079 |
| Gain on sale of fixed assets - net | | 14,131 | 5,475 |
| Gain on sale of non-banking assets - net | | 47,487 | - |
| Loss on short sale of Pakistan Investment Bonds (PIBs) | | - | (88,139) |
| Notice pay | | 221 | 2,442 |
| Scrap income | | 2,635 | 838 |
| Others | | 273 | 381 |
| | | 167,778 | 12,076 |

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| | Note | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| **30 OPERATING EXPENSES** | | ---------- Rupees '000 ---------- | |
| **Total compensation expense** | | 3,877,834 | 3,526,673 |
| **Property expense** | | | |
| Rent and taxes | | 214,333 | 86,745 |
| Insurance | | 24,679 | 25,254 |
| Utilities cost | | 302,628 | 288,918 |
| Security (including guards) | | 361,147 | 379,386 |
| Repair and maintenance (including janitorial charges) | | 266,344 | 229,005 |
| Depreciation on owned fixed assets | | 264,314 | 254,657 |
| Depreciation on non-banking assets | | 2,483 | 3,408 |
| Depreciation on right-of-use assets | | 766,439 | 735,055 |
| Others | | 41,143 | 34,965 |
| | | 2,243,510 | 2,037,393 |
| **Information technology expenses** | | | |
| Software maintenance | | 604,328 | 837,206 |
| Hardware maintenance | | 114,385 | 152,759 |
| Depreciation on owned fixed assets | | 173,718 | 185,009 |
| Amortisation | | 63,180 | 97,842 |
| Network charges | | 116,945 | 128,855 |
| Others | | 304 | 2,025 |
| | | 1,072,860 | 1,403,696 |
| **Other operating expenses** | | | |
| Directors' fees and allowances | | 50,160 | 82,541 |
| Legal and professional charges | | 48,800 | 32,435 |
| Outsourced services costs - staff | | 206,738 | 180,002 |
| Travelling and conveyance | | 36,769 | 41,593 |
| NIFT clearing charges | | 24,775 | 23,332 |
| Depreciation on owned fixed assets | | 239,126 | 202,228 |
| Training and development | | 9,175 | 13,571 |
| Postage and courier charges | | 59,237 | 75,158 |
| Communication | | 90,002 | 69,747 |
| Marketing, advertisement and publicity | | 129,043 | 220,583 |
| Donations | | 79,917 | 77,424 |
| Auditors remuneration | | 12,045 | 8,217 |
| Insurance | | 450,501 | 347,940 |
| Stationery and printing | | 161,742 | 180,940 |
| Bank fees and charges | | 90,419 | 63,077 |
| Brokerage and commission | | 50,918 | 30,907 |
| Deposit protection premium | | 260,117 | 195,328 |
| Credit card bonus points redemption | | 90,402 | 84,735 |
| Others | | 234,450 | 217,296 |
| | | 2,324,336 | 2,147,054 |
| | | 9,518,540 | 9,114,816 |
| **31 OTHER CHARGES** | | | |
| Penalties imposed by the State Bank of Pakistan | | 4,141 | 108,012 |
| **32 PROVISIONS AND WRITE-OFFS - NET** | | | |
| (Reversal of provision) / provision for diminution in value of investments | 12.4 | (316,391) | 35,054 |
| Provision against loans and advances | 13.3 | 506,889 | 1,450,453 |
| Bad debts written-off directly | | 18,548 | 4,078 |
| Recoveries of written-off / charged-off bad debts | | (197,949) | (23,897) |
| Reversal of provision against off balance sheet obligations | 21.1 | (22,645) | (880) |
| | | (11,548) | 1,464,808 |

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## 33 TAXATION

| | Un-audited | |
|---|---|---|
| | For the half year ended | |
| | June 30, 2021 | June 30, 2020 |
| | ---------- Rupees '000 ---------- | |
| Current | 2,458,155 | 2,836,640 |
| Prior periods | 40,000 | 60,000 |
| Deferred | 27,597 | (381,818) |
| | 2,525,752 | 2,514,822 |

## 34 BASIC / DILUTED EARNINGS PER SHARE

| | Un-audited | | | |
|---|---|---|---|---|
| | For the quarter ended | | For the half year ended | |
| | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | ---------- Rupees '000 ---------- | | | |
| Profit after tax for the period | 1,916,582 | 1,729,767 | 4,019,822 | 3,809,949 |
| | ---------- Number of shares in thousands ---------- | | | |
| Weighted average number of ordinary shares | 1,517,697 | 1,517,697 | 1,517,697 | 1,517,697 |
| | ---------- Rupees ---------- | | | |
| Basic earnings per share | 1.26 | 1.14 | 2.65 | 2.51 |

**34.1** Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at June 30, 2021 and June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

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

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

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

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

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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:

| | June 30, 2021 (Un-audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **On-balance sheet financial instruments** | ---------- Rupees '000 ---------- | | | |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal Government securities | - | 254,115,878 | - | 254,115,878 |
| Shares | 5,923,133 | 1,426,688 | - | 7,349,821 |
| Non-Government debt securities | 47,442,500 | 5,650,157 | - | 53,092,657 |
| **Financial assets - disclosed but not measured at fair value** | | | | |
| Investments | | | | |
| Non-Government debt securities | - | 9,392,586 | - | 9,392,586 |
| **Non-financial assets - measured at fair value** | | | | |
| Fixed assets (land and buildings) | - | - | 11,259,060 | 11,259,060 |
| Non-banking assets acquired in satisfaction of claims | - | - | 2,259,374 | 2,259,374 |
| **Off-balance sheet financial instruments - measured at fair value** | | | | |
| Forward purchase of foreign exchange | - | 72,726,671 | - | 72,726,671 |
| Forward sale of foreign exchange | - | 32,439,785 | - | 32,439,785 |
| Derivatives sales | - | 6,698,587 | - | 6,698,587 |

| | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **On-balance sheet financial instruments** | ---------- Rupees '000 ---------- | | | |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal Government securities | - | 202,016,327 | - | 202,016,327 |
| Shares | 5,631,735 | 1,477,249 | - | 7,108,984 |
| Non-Government debt securities | 47,510,000 | 6,092,828 | - | 53,602,828 |
| **Financial assets - disclosed but not measured at fair value** | | | | |
| Investments | | | | |
| Non-Government debt securities | - | 10,029,170 | - | 10,029,170 |
| **Non-financial assets - measured at fair value** | | | | |
| Fixed assets (land and buildings) | - | - | 11,259,060 | 11,259,060 |
| Non-banking assets acquired in satisfaction of claims | - | - | 2,683,207 | 2,683,207 |
| **Off-balance sheet financial instruments - measured at fair value** | | | | |
| Forward purchase of foreign exchange | - | 64,514,335 | - | 64,514,335 |
| Forward sale of foreign exchange | - | 26,528,182 | - | 26,528,182 |
| Derivatives sales | - | 8,272,187 | - | 8,272,187 |

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date when the event or change in circumstances require the Bank to exercise such transfers.

**Valuation techniques used in determination of fair values within level 2**

| Item | Valuation approach and input used |
|---|---|
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV / PKFRV rates. |
| Ijara Sukuk | Fair values of GoP Ijara Sukuk are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different pre-defined / approved dealers / brokers. |
| Unlisted ordinary shares | Break-up value determined on the basis of the NAV of the company using the latest available audited financial statements. |
| Term Finance Certificates (TFCs) and Sukuk Certificates | Fair values of TFCs and Sukuk certificates are determined using the MUFAP rates. |

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| Item | Valuation approach and input used |
|---|---|
| Forward foreign exchange contracts | The valuation has been determined by interpolating the mark-to-market currency rates announced by the State Bank of Pakistan. |
| Derivative instruments | The Bank enters into derivative contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. |
| Mutual funds | Units of mutual funds are valued using the net asset value (NAV) announced by the Mutual Funds Association of Pakistan (MUFAP). |

**Valuation techniques used in determination of fair values within level 3**

| Item | Valuation approach and input used |
|---|---|
| Fixed assets (land and buildings) | Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. These were last revalued on December 31, 2019. |
| Non-banking assets acquired in satisfaction of claims | Non-banking assets acquired in satisfaction of claims are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. These were last revalued on December 31, 2019. |

The valuations, mentioned above, are conducted by the valuation experts appointed by the Bank which are also on the panel of the Pakistan Banks' Association (PBA). The valuation experts use a market based approach to arrive at the fair value of the Bank's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial statements.

## 36 SEGMENT INFORMATION

### 36.1 Segment details with respect to business activities

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | CIBG | Treasury | SAM | Others | Total |
| | Rupees '000 | | | | | |
| **Profit and loss account for the half year ended June 30, 2021 (un-audited)** | | | | | | |
| Net mark-up / return / profit | (5,143,131) | 8,465,912 | 8,634,986 | 142,697 | (184,843) | 11,915,621 |
| Inter segment revenue - net | 13,566,060 | (6,913,745) | (7,881,363) | (86,120) | 1,315,168 | - |
| Non mark-up / return / interest income | 2,324,200 | 705,391 | 1,561,038 | 18,985 | (334,716) | 4,274,898 |
| Total income | 10,747,129 | 2,257,558 | 2,314,661 | 75,562 | 795,609 | 16,190,519 |
| Segment direct expenses | 5,731,061 | 171,723 | 147,960 | 72,167 | 3,533,582 | 9,656,493 |
| Inter segment expense allocation | 3,159,036 | 301,067 | 69,574 | 60,178 | (3,589,855) | - |
| Total expenses | 8,890,097 | 472,790 | 217,534 | 132,345 | (56,273) | 9,656,493 |
| Provisions | (81,330) | 1,117,315 | (309,670) | (752,633) | 14,770 | (11,548) |
| Profit before tax | 1,938,362 | 667,453 | 2,406,797 | 695,850 | 837,112 | 6,545,574 |
| **Statement of financial position as at June 30, 2021 (un-audited)** | | | | | | |
| Cash and bank balances | 23,382,381 | - | 37,933,910 | - | - | 61,316,291 |
| Lendings to financial institutions | - | - | 7,500,000 | - | - | 7,500,000 |
| Investments | - | 14,968,227 | 311,600,685 | 3,298,820 | 1,139,893 | 331,007,625 |
| - Investment provision | - | - | (1,379,215) | (2,081,682) | - | (3,460,897) |
| Net inter segment lending | 466,069,372 | - | - | - | (466,069,372) | - |
| Advances - performing | 71,301,005 | 263,928,442 | - | - | 5,015,311 | 340,244,758 |
| Advances - non-performing | 3,916,037 | 4,825,038 | - | 14,922,035 | 34,891 | 23,698,001 |
| - Advances - provisions | (3,196,980) | (3,564,600) | - | (13,226,805) | (267,446) | (20,255,831) |
| Others | 12,222,215 | 3,831,879 | 1,981,888 | (1,885,234) | 29,980,493 | 46,131,241 |
| **Total assets** | 573,694,030 | 283,988,986 | 357,637,268 | 1,027,134 | (430,166,230) | 786,181,188 |

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| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | CIBG | Treasury | SAM | Others | Total |
| | Rupees '000 | | | | | |
| Borrowings | 7,831,420 | 54,520,674 | 21,781,400 | - | - | 84,133,494 |
| Subordinated debt | - | - | - | - | - | - |
| Deposits and other accounts | 548,693,031 | 41,593,377 | - | 263,479 | 1,300,522 | 591,850,409 |
| Net inter segment borrowing | - | 186,272,515 | 333,619,654 | 753,499 | (520,645,668) | - |
| Others | 17,169,579 | 1,602,420 | 675,148 | 10,156 | 26,855,435 | 46,312,738 |
| **Total liabilities** | 573,694,030 | 283,988,986 | 356,076,202 | 1,027,134 | (492,489,711) | 722,296,641 |
| Equity | - | - | 1,561,066 | - | 62,323,481 | 63,884,547 |
| **Total equity and liabilities** | 573,694,030 | 283,988,986 | 357,637,268 | 1,027,134 | (430,166,230) | 786,181,188 |
| **Contingencies and commitments** | 16,630,945 | 91,345,291 | - | 1,151,836 | - | 109,128,072 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | CIBG | Treasury | SAM | Others | Total |
| | Rupees '000 | | | | | |
| **Profit and loss account for the half year ended June 30, 2020 (un-audited)** | | | | | | |
| Net mark-up / return / profit | (9,709,329) | 14,547,573 | 8,158,787 | 219,256 | 968 | 13,217,255 |
| Inter segment revenue - net | 17,493,775 | (12,262,006) | (7,668,700) | (154,638) | 2,591,569 | - |
| Non mark-up / return / interest income | 1,715,248 | 472,736 | 2,018,991 | 1,895 | (265,591) | 3,943,279 |
| Total income | 9,499,694 | 2,758,303 | 2,509,078 | 66,513 | 2,326,946 | 17,160,534 |
| Segment direct expenses | 5,436,867 | 263,079 | 165,083 | 57,527 | 3,448,399 | 9,370,955 |
| Inter segment expense allocation | 2,979,425 | 342,267 | 68,112 | 61,725 | (3,451,529) | - |
| Total expenses | 8,416,292 | 605,346 | 233,195 | 119,252 | (3,130) | 9,370,955 |
| Provisions | 378,461 | 1,007,879 | 35,054 | 25,019 | 18,395 | 1,464,808 |
| Profit before tax | 704,941 | 1,145,078 | 2,240,829 | (77,758) | 2,311,681 | 6,324,771 |
| **Statement of financial position as at December 31, 2020 (audited)** | | | | | | |
| Cash and bank balances | 29,219,828 | - | 33,540,008 | - | - | 62,759,836 |
| Lendings to financial institutions | - | - | 2,985,000 | - | - | 2,985,000 |
| Investments | - | 16,430,902 | 259,865,978 | 3,298,820 | 1,111,380 | 280,707,080 |
| - Investment provision | - | - | (1,688,885) | (2,088,403) | - | (3,777,288) |
| Net inter segment lending | 412,879,111 | - | - | - | (412,879,111) | - |
| Advances - performing | 64,171,608 | 245,899,442 | - | - | 3,448,811 | 313,519,861 |
| Advances - non-performing | 6,647,456 | 3,489,249 | - | 16,049,685 | 39,035 | 26,225,425 |
| - Advances - provisions | (5,245,632) | (2,755,805) | - | (13,299,212) | (264,759) | (21,565,408) |
| Others | 10,290,418 | 3,793,772 | 4,945,294 | (1,881,285) | 31,955,249 | 49,103,448 |
| **Total assets** | 517,962,789 | 266,857,560 | 299,647,395 | 2,079,605 | (376,589,395) | 709,957,954 |
| Borrowings | 5,488,813 | 46,412,012 | 6,545,691 | - | - | 58,446,516 |
| Subordinated debt | - | - | - | - | - | - |
| Deposits and other accounts | 494,881,273 | 44,326,035 | - | 201,771 | 1,226,754 | 540,635,833 |
| Net inter segment borrowing | - | 175,499,595 | 289,997,780 | 1,871,334 | (467,368,709) | - |
| Others | 17,592,703 | 619,918 | 331,518 | 6,500 | 32,217,534 | 50,768,173 |
| **Total liabilities** | 517,962,789 | 266,857,560 | 296,874,989 | 2,079,605 | (433,924,421) | 649,850,522 |
| Equity | - | - | 2,772,406 | - | 57,335,026 | 60,107,432 |
| **Total equity and liabilities** | 517,962,789 | 266,857,560 | 299,647,395 | 2,079,605 | (376,589,395) | 709,957,954 |
| **Contingencies and commitments** | 14,672,741 | 64,309,145 | - | 1,249,878 | - | 80,231,764 |

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## 37 RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with persons 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 condensed interim unconsolidated financial statements, are as follows:

| | June 30, 2021 (Un-audited) | | | | | | December 31, 2020 (Audited) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Parent | Directors | Key management personnel | Subsidiary | Associates | Other related parties | Parent | Directors | Key management personnel | Subsidiary | Associates | Other related parties |
| | Rupees '000 | | | | | | | | | | | |
| **Investments** | | | | | | | | | | | | |
| Opening balance | - | - | - | 1,139,893 | 1,161,872 | 3,495,158 | - | - | - | 639,893 | 961,872 | 3,614,956 |
| Investment made during the period / year | - | - | - | - | - | 7,950,000 | - | - | - | 500,000 | 200,000 | 21,245,000 |
| Investment redeemed / sold during the period / year | - | - | - | - | (200,000) | (7,858,482) | - | - | - | - | - | (21,364,798) |
| Closing balance | - | - | - | 1,139,893 | 961,872 | 3,586,676 | - | - | - | 1,139,893 | 1,161,872 | 3,495,158 |
| Provision for diminution in value of investments | - | - | - | - | | 2,039,337 | - | - | - | - | - | 2,041,899 |
| **Advances** | | | | | | | | | | | | |
| Opening balance | - | - | 255,772 | - | - | 1,799,681 | - | - | 226,887 | - | - | 9,441,893 |
| Addition during the period / year | - | - | 91,328 | - | - | - | - | - | 78,407 | - | - | 6,496 |
| Repaid during the period / year | - | - | (27,830) | - | - | - | - | - | (49,522) | - | - | (5,296,772) |
| Written off during the period / year | - | - | - | - | - | - | - | - | - | - | - | (2,351,936) |
| Closing balance | - | - | 319,270 | - | - | 1,799,681 | - | - | 255,772 | - | - | 1,799,681 |
| Provision held against advances | - | - | - | - | - | 511,816 | - | - | - | - | - | 511,816 |
| **Fixed assets - right-of-use assets** | | | | | | | | | | | | |
| Opening balance | - | - | - | 7,814 | - | - | - | - | - | 12,750 | - | - |
| Addition during the period / year | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation for the period / year | - | - | - | (2,468) | - | - | - | - | - | (4,936) | - | - |
| Closing balance | - | - | - | 5,346 | - | - | - | - | - | 7,814 | - | - |
| Accumulated depreciation | - | - | - | 9,460 | - | - | - | - | - | 6,992 | - | - |

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| | June 30, 2021 (Un-audited) | | | | | | December 31, 2020 (Audited) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Parent | Directors | Key management personnel | Subsidiary | Associates | Other related parties | Parent | Directors | Key management personnel | Subsidiary | Associates | Other related parties |
| | Rupees '000 | | | | | | | | | | | |
| **Other assets** | | | | | | | | | | | | |
| Interest / mark-up accrued | - | - | 386 | - | - | 62,917 | - | - | 345 | - | - | 58,469 |
| Commission income receivable | - | - | - | - | - | 26,629 | - | - | - | - | 72 | 36,391 |
| Defined benefit plan asset | - | - | - | - | - | 64,205 | - | - | - | - | - | 64,205 |
| Maintenance receivable | - | - | - | - | - | - | - | - | - | 1,751 | - | - |
| Rent receivable | - | - | - | - | - | - | - | - | - | 6,467 | - | - |
| Dividend receivable | - | - | - | - | 57,867 | 15,823 | - | - | - | - | - | 1,398 |
| Others | - | - | - | - | - | 446,350 | - | - | - | - | - | 515,944 |
| | - | - | 386 | - | 57,867 | 615,924 | - | - | 345 | 8,218 | 72 | 676,407 |
| **Deposits and other accounts** | | | | | | | | | | | | |
| Opening balance | 182 | 44,456 | 139,814 | 4,244 | 14,910 | 10,509,734 | 182 | 37,985 | 156,482 | 5,469 | - | 3,074,185 |
| Received during the period / year | 377,444 | 60,938 | 957,091 | 14,464,091 | 248,309 | 206,610,135 | - | 46,969 | 1,723,877 | 33,796,467 | 1,178,039 | 235,409,751 |
| Withdrawn during the period / year | (377,444) | (58,515) | (908,725) | (14,429,853) | (250,832) | (203,193,475) | - | (40,498) | (1,740,545) | (33,797,692) | (1,163,129) | (227,974,202) |
| Transfer in/ (out) during the period / year | - | - | - | - | (2,041) | 2,041 | - | - | - | - | - | - |
| Closing balance | 182 | 46,879 | 188,180 | 38,482 | 10,346 | 13,928,435 | 182 | 44,456 | 139,814 | 4,244 | 14,910 | 10,509,734 |
| **Other liabilities** | | | | | | | | | | | | |
| Interest / mark-up payable | - | 151 | 129 | - | - | 59,184 | - | 129 | 217 | - | 11 | 38,703 |
| Lease liability against right-of-use asset | - | - | - | 6,044 | - | - | - | - | - | 5,640 | - | - |
| Other liabilities | - | - | - | 11,062 | - | 150,548 | - | - | - | - | - | 154,308 |
| | - | 151 | 129 | 17,106 | - | 209,732 | - | 129 | 217 | 5,640 | 11 | 193,011 |
| **Contingencies and commitments** | | | | | | | | | | | | |
| Guarantees issued favouring related parties or on their behalf * | - | - | - | - | - | 6,603 | - | - | - | - | - | 4,397 |
| Trade related commitments | - | - | - | - | - | 41,083 | - | - | - | - | - | 90,506 |
| | - | - | - | - | - | 47,685 | - | - | - | - | - | 94,903 |

* represents outstanding guarantee

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

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**37.2** The Bank has entered into a lease arrangement with the subsidiary company. The office premises leased is used for training purposes. The term for the said lease is of 3 years which is further extendable by 3 years.

**RELATED PARTY TRANSACTIONS**

| | June 30, 2021 (Un-audited) | | | | | | June 30, 2020 (Un-audited) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Parent | Directors | Key management personnel | Subsidiary | Associates | Other related parties | Parent | Directors | Key management personnel | Subsidiary | Associates | Other related parties |
| | Rupees '000 | | | | | | | | | | | |
| **Income** | | | | | | | | | | | | |
| Mark-up / return / interest earned | - | - | 7,664 | - | - | 49,667 | - | - | 6,189 | - | - | 95,990 |
| Fee and commission income | - | 98 | 95 | 90 | 87 | 104,672 | - | 15 | 78 | 22 | - | 61,971 |
| Dividend income | - | - | - | - | 57,867 | 33,253 | - | - | - | - | - | 128,063 |
| Net gain on sale of securities | - | - | 3 | 17 | 61,520 | 19,752 | - | - | - | - | - | 26,111 |
| Gain on sale of fixed assets | - | - | 8 | - | - | - | - | - | 11 | - | - | - |
| Maintenance income | - | - | - | 3,503 | - | - | - | - | - | 3,904 | - | - |
| Occupancy and conservancy income | - | - | - | 12,933 | - | - | - | - | - | 12,419 | - | - |
| Other income | - | - | - | 568 | - | - | - | - | - | 600 | - | - |
| **Expense** | | | | | | | | | | | | |
| Mark-up / return / interest paid | - | 807 | 1,953 | 902 | 421 | 304,306 | - | 1,463 | 5,538 | 864 | - | 146,471 |
| Interest expense on lease liability | - | - | - | 404 | - | - | - | - | - | 726 | - | - |
| Director's fee and other expenses | - | 50,160 | - | - | - | - | - | 82,541 | - | - | - | - |
| Remuneration | - | - | 328,612 | - | - | 980 | - | - | 300,969 | - | - | 912 |
| Consultancy fee | - | - | - | - | - | 4,297 | - | - | - | - | - | - |
| Commission expense | - | - | - | 11,062 | - | - | - | - | - | - | - | - |
| Charge for defined benefit plan | - | - | - | - | - | 105,429 | - | - | - | - | - | 59,406 |
| Contribution to defined contribution plan | - | - | - | - | - | 124,413 | - | - | - | - | - | 109,307 |
| **Others** | | | | | | | | | | | | |
| Shares / units purchased during the period | - | - | - | - | - | 7,950,000 | - | - | - | - | - | 9,050,000 |
| Shares / units sold during the period | - | - | - | - | 261,520 | 7,878,154 | - | - | - | - | - | 8,700,000 |
| Government securities purchased during the period | - | - | 293,862 | - | - | 3,317,609 | - | - | 375,119 | - | - | 4,847,959 |
| Government securities sold during the period | - | - | 329,626 | 495,847 | - | 3,952,459 | - | - | 393,235 | - | - | 5,231,821 |
| Contribution to defined benefit plan | - | - | - | - | - | 105,429 | - | - | - | - | - | 91,958 |
| Sale proceeds from disposal of fixed assets | - | - | 22 | - | - | - | - | - | 11 | - | - | - |

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| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | ---------- Rupees '000 ---------- | |

## 38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

| | | |
|---|---|---|
| **Minimum capital requirement (MCR):** | | |
| Paid-up capital (net of losses) | 15,176,965 | 15,176,965 |
| **Capital adequacy ratio (CAR):** | | |
| Eligible common equity tier 1 (CET 1) capital | 53,928,653 | 49,714,043 |
| Eligible additional tier 1 (ADT 1) capital | - | - |
| Total eligible tier 1 capital | 53,928,653 | 49,714,043 |
| Eligible tier 2 capital | 8,190,160 | 8,503,577 |
| Total eligible capital (tier 1 + tier 2) | 62,118,813 | 58,217,620 |
| Risk weighted assets (RWAs): | | |
| Credit risk | 254,747,273 | 238,337,872 |
| Market risk | 23,436,969 | 21,979,018 |
| Operational risk | 51,445,036 | 51,445,036 |
| Total | 329,629,278 | 311,761,926 |
| **Common equity tier 1 capital adequacy ratio (in %)** | 16.36% | 15.95% |
| **Tier 1 Capital adequacy ratio (in %)** | 16.36% | 15.95% |
| **Total Capital adequacy ratio (in %)** | 18.85% | 18.67% |
| **Leverage ratio (LR):** | | |
| Eligible tier-1 capital | 53,928,653 | 49,714,043 |
| Total exposures | 950,013,587 | 833,578,134 |
| Leverage ratio (in %) | 5.68% | 5.96% |
| **Liquidity coverage ratio (LCR):** | | |
| Total high quality liquid assets | 315,223,748 | 265,715,345 |
| Total net cash outflow | 141,596,395 | 125,951,241 |
| Liquidity coverage ratio (Ratio) | 2.226 | 2.110 |
| **Net stable funding ratio (NSFR):** | | |
| Total available stable funding | 544,204,756 | 493,425,675 |
| Total required stable funding | 331,458,987 | 291,491,198 |
| Net stable funding ratio (in %) | 164.18% | 169.28% |

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## 39 ISLAMIC BANKING BUSINESS

The Bank is operating 500 Islamic banking branches (December 31, 2020: 500) including 1 Islamic sub-branch (December 31, 2020: 1). The statement of financial position and profit and loss account of these branches for the period ended June 30, 2021 are as follows:

| Statement of financial position | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | | 23,706,574 | 21,763,033 |
| Balances with other banks | | 4,887,818 | 1,929,779 |
| Due from financial institutions | 39.1 | 35,850,000 | 28,000,000 |
| Investments | 39.2 | 67,612,461 | 67,554,233 |
| Islamic financing and related assets - net | 39.3 | 254,755,941 | 189,941,639 |
| Fixed assets | | 13,520,878 | 14,904,507 |
| Intangible assets | | 179,192 | 136,688 |
| Other assets | | 11,203,362 | 6,278,487 |
| | | 411,716,226 | 330,508,366 |
| **LIABILITIES** | | | |
| Bills payable | | 7,076,251 | 6,029,790 |
| Due to financial institutions | | 57,364,636 | 47,086,694 |
| Deposits and other accounts | 39.4 | 291,086,991 | 248,090,892 |
| Due to head office | | 273,514 | 2,328,964 |
| Other liabilities | | 30,949,196 | 11,198,497 |
| | | 386,750,588 | 314,734,837 |
| **NET ASSETS** | | 24,965,638 | 15,773,529 |
| **REPRESENTED BY** | | | |
| Islamic banking fund | | 17,180,000 | 9,180,000 |
| Surplus on revaluation of assets - net of tax | | 1,485,117 | 1,468,656 |
| Unappropriated profit | 39.5 | 6,300,521 | 5,124,873 |
| | | 24,965,638 | 15,773,529 |
| **CONTINGENCIES AND COMMITMENTS** | 39.6 | | |

| Profit and loss account | | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| Profit / return earned | 39.7 | 11,542,456 | 10,060,235 |
| Profit / return expensed | 39.8 | 4,567,514 | 4,950,082 |
| **Net profit / return** | | 6,974,942 | 5,110,153 |
| **Other income** | | | |
| Fee and commission income | | 812,210 | 338,176 |
| Foreign exchange income | | 174,023 | 73,764 |
| Gain on securities | | 16,372 | - |
| Others | | 68,197 | 3,136 |
| Total other income | | 1,070,802 | 415,076 |
| **Total income** | | 8,045,744 | 5,525,229 |
| **Other expenses** | | | |
| Operating expenses | | 4,667,175 | 2,955,710 |
| Other charges | | 5 | 47,012 |
| Total other expenses | | 4,667,180 | 3,002,722 |
| Profit before provisions | | 3,378,564 | 2,522,507 |
| Provisions and write offs - net | | 1,451,272 | 56,049 |
| **Profit before taxation** | | 1,927,292 | 2,466,458 |
| Taxation | | 751,644 | 961,919 |
| **Profit after taxation** | | 1,175,648 | 1,504,539 |

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## 39.1 Due from financial institutions

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | ---------- Rupees '000 ---------- | |
| Musharaka placement | 35,850,000 | 28,000,000 |

## 39.2 Investments by segments:

| | Un-audited | | | | Audited | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | | | December 31, 2020 | | | |
| | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| | ---------- Rupees '000 ---------- | | | | | | | |
| **Federal Government securities:** | | | | | | | | |
| - Ijarah Sukuks | 34,691,128 | - | 207,703 | 34,898,831 | 34,434,037 | - | (27,948) | 34,406,089 |
| - Bai Muajjal Government of Pakistan | 1,597,048 | - | - | 1,597,048 | 1,597,048 | - | - | 1,597,048 |
| - Other Federal Government securities | 1,138,895 | - | - | 1,138,895 | 466,435 | - | - | 466,435 |
| | 37,427,071 | - | 207,703 | 37,634,774 | 36,497,520 | - | (27,948) | 36,469,572 |
| **Shares** | | | | | | | | |
| - Listed companies | 100,000 | - | - | 100,000 | - | - | - | - |
| **Non Government Debt securities:** | | | | | | | | |
| - Listed | 15,000,000 | - | 18,079 | 15,018,079 | 15,000,000 | - | 410,000 | 15,410,000 |
| - Unlisted | 14,442,108 | - | 417,500 | 14,859,608 | 15,663,124 | - | 11,537 | 15,674,661 |
| | 29,442,108 | - | 435,579 | 29,877,687 | 30,663,124 | - | 421,537 | 31,084,661 |
| **Total investments** | 66,969,179 | - | 643,282 | 67,612,461 | 67,160,644 | - | 393,589 | 67,554,233 |

## 39.3 Islamic financing and related assets - net

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | --------- Rupees '000 --------- | |
| Murabaha | 6,061,640 | 2,802,616 |
| Musharaka | 7,164 | 7,194 |
| Diminishing Musharaka | 127,115,944 | 102,902,725 |
| Istisna | 22,003,660 | 17,760,768 |
| Tawwaruq | 1,375,449 | 55,002 |
| Running Musharaka | 47,605,956 | 37,086,503 |
| Fixed assets Ijarah financing - net | 69,715 | 78,056 |
| Tijarah | 124,898 | 232,113 |
| Advance against Murabaha financing | 1,827,983 | 1,267,610 |
| Advanced against Diminishing Musharaka | 25,977,904 | 16,552,367 |
| Advance against Ijarah | 624,922 | 937,383 |
| Advance against Istisna | 12,053,322 | 6,890,624 |
| Advance against Islamic export refinance | 5,682,287 | 2,650,700 |
| Advance against Tijarah | 101,896 | - |
| Advance against Tawwaruq | 33,285 | - |
| Musawamah | 53,175 | - |
| Bai salam | 209,110 | - |
| Salam | 110,000 | - |
| Inventory related to Islamic financing | 6,425,550 | 1,974,625 |
| Gross Islamic financing and related assets | 257,463,860 | 191,198,286 |
| Less: provision against Islamic financings | | |
| - specific | (2,502,107) | (1,094,130) |
| - general | (205,812) | (162,517) |
| | (2,707,919) | (1,256,647) |
| Islamic financing and related assets - net of provision | 254,755,941 | 189,941,639 |

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## 39.4 Deposits

| | Un-audited | | | Audited | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 | | | December 31, 2020 | | |
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| | Rupees '000 | | | | | |
| **Customers** | | | | | | |
| Current deposits | 122,143,120 | 9,955,747 | 132,098,867 | 82,149,540 | 8,463,757 | 90,613,297 |
| Savings deposits | 101,048,702 | 6,406,649 | 107,455,351 | 95,053,032 | 6,078,395 | 101,131,427 |
| Term deposits | 30,460,975 | 182,111 | 30,643,086 | 45,612,885 | 245,025 | 45,857,910 |
| | 253,652,797 | 16,544,507 | 270,197,304 | 222,815,457 | 14,787,177 | 237,602,634 |
| **Financial institutions** | | | | | | |
| Current deposits | 232,078 | 7,614 | 239,692 | 171,270 | 78 | 171,348 |
| Savings deposits | 15,056,445 | - | 15,056,445 | 8,426,214 | 7,646 | 8,433,860 |
| Term deposits | 5,593,550 | - | 5,593,550 | 1,883,050 | - | 1,883,050 |
| | 20,882,073 | 7,614 | 20,889,687 | 10,480,534 | 7,724 | 10,488,258 |
| | 274,534,870 | 16,552,121 | 291,086,991 | 233,295,991 | 14,794,901 | 248,090,892 |

## 39.5 Islamic banking business unappropriated profit

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | Rupees '000 | |
| Opening balance | 5,124,873 | 2,794,403 |
| Add: Islamic Banking profit for the period / year | 1,927,292 | 3,820,444 |
| Less: taxation | (751,644) | (1,489,974) |
| Closing balance | 6,300,521 | 5,124,873 |

## 39.6 Contingencies and commitments

| | | |
|---|---|---|
| Guarantees | 20,174,555 | 12,003,581 |
| Commitments | 62,182,341 | 50,760,337 |
| | 82,356,896 | 62,763,918 |

## 39.7 Profit / return earned of financing, investments and placement

| | Un-audited For the half year ended | |
|---|---|---|
| | June 30, 2021 | June 30, 2020 |
| | Rupees '000 | |
| **Profit earned on:** | | |
| Financing | 7,872,142 | 8,106,768 |
| Investments | 3,670,314 | 1,953,467 |
| | 11,542,456 | 10,060,235 |

## 39.8 Profit on deposits and other dues expensed

| | | |
|---|---|---|
| Deposits and other accounts | 3,262,817 | 3,038,293 |
| Other short term borrowings | 869,369 | 1,551,136 |
| Lease liability against right-of-use assets | 435,328 | 360,653 |
| | 4,567,514 | 4,950,082 |

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## 40 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim unconsolidated financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There have been no significant reclassifications during the period.

## 41 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on August 26, 2021 has declared an interim cash dividend of Rs 0.5 per share i.e. 5% (June 30, 2020: Nil). The condensed interim unconsolidated financial statements for the half year ended June 30, 2021 do not include the effect of this appropriation which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2021.

## 42 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on August 26, 2021 by the Board of Directors of the Bank.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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# Condensed Interim Consolidated Financial Statements

## For the half year ended June 30, 2021

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT JUNE 30, 2021**

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| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | 10 | 54,908,463 | 59,881,290 |
| Balances with other banks | 11 | 6,407,933 | 2,878,630 |
| Lendings to financial institutions | 12 | 7,500,000 | 2,985,000 |
| Investments | 13 | 327,104,994 | 276,469,824 |
| Advances | 14 | 343,686,928 | 318,179,878 |
| Fixed assets | 15 | 24,159,536 | 24,102,155 |
| Intangible assets | 16 | 1,950,676 | 1,894,204 |
| Deferred tax assets | 21 | - | - |
| Other assets | 17 | 20,605,231 | 23,673,221 |
| | | 786,323,761 | 710,064,202 |
| **LIABILITIES** | | | |
| Bills payable | 18 | 13,915,475 | 13,543,270 |
| Borrowings | 19 | 84,133,494 | 58,446,516 |
| Deposits and other accounts | 20 | 591,816,574 | 540,632,217 |
| Liabilities against assets subject to finance lease | | - | - |
| Subordinated debt | | - | - |
| Deferred tax liabilities | 21 | 1,473,115 | 1,582,351 |
| Other liabilities | 22 | 30,941,452 | 35,641,746 |
| | | 722,280,110 | 649,846,100 |
| **NET ASSETS** | | 64,043,651 | 60,218,102 |
| **REPRESENTED BY** | | | |
| Share capital | | 15,176,965 | 15,176,965 |
| Reserves | | 11,007,600 | 11,032,647 |
| Surplus on revaluation of assets - net | 23 | 8,569,163 | 9,027,473 |
| Unappropriated profit | | 29,289,893 | 24,981,002 |
| Total equity attributable to the equity holders of the Bank | | 64,043,621 | 60,218,087 |
| Non-controlling interest | | 30 | 15 |
| | | 64,043,651 | 60,218,102 |
| **CONTINGENCIES AND COMMITMENTS** | 24 | | |

The annexed notes 1 to 43 form an integral part of these condensed interim consolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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**FAYSAL BANK LIMITED**

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**CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)**
**FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021**

| | Note | Quarter ended | | Half year ended | |
|---|---|---|---|---|---|
| | | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | | ---------- Rupees '000 ---------- | | ---------- Rupees '000 ---------- | |
| Mark-up / return / interest earned | 26 | 12,468,250 | 14,755,131 | 24,497,196 | 31,957,073 |
| Mark-up / return / interest expensed | 27 | 5,993,485 | 8,063,562 | 12,574,396 | 18,738,842 |
| Net mark-up / interest income | | 6,474,765 | 6,691,569 | 11,922,800 | 13,218,231 |
| **NON MARK-UP / INTEREST INCOME** | | | | | |
| Fee and commission income | 28 | 1,438,558 | 653,934 | 2,654,068 | 1,714,253 |
| Dividend income | | 105,172 | 179,546 | 188,017 | 239,888 |
| Foreign exchange income | | 513,720 | 596,353 | 1,025,768 | 928,564 |
| (Loss) / Income from derivatives | | (13,438) | 10,508 | (44,875) | 101,043 |
| Gain on securities | 29 | 47,627 | 552,500 | 398,602 | 1,023,946 |
| Other income / (loss) | 30 | 58,684 | 43,662 | 154,845 | (9,265) |
| Total non mark-up / interest income | | 2,150,323 | 2,036,503 | 4,376,425 | 3,998,429 |
| Total income | | 8,625,088 | 8,728,072 | 16,299,225 | 17,216,660 |
| **NON MARK-UP / INTEREST EXPENSES** | | | | | |
| Operating expenses | 31 | 4,960,122 | 4,516,661 | 9,602,102 | 9,179,312 |
| Workers Welfare Fund | | 57,555 | 73,528 | 133,812 | 148,127 |
| Other charges | 32 | 4,136 | 105 | 4,141 | 108,012 |
| Total non mark-up / interest expenses | | 5,021,813 | 4,590,294 | 9,740,055 | 9,435,451 |
| Share of profit of associates | 13.6 | 15,672 | - | 67,387 | - |
| Profit before provisions | | 3,618,947 | 4,137,778 | 6,626,557 | 7,781,209 |
| Provisions and write-offs - net | 33 | 521,180 | 1,245,045 | (11,548) | 1,464,808 |
| Extra ordinary / unusual items | | - | - | - | - |
| **PROFIT BEFORE TAXATION** | | 3,097,767 | 2,892,733 | 6,638,105 | 6,316,401 |
| Taxation | 34 | 1,144,723 | 1,153,303 | 2,569,849 | 2,522,380 |
| **PROFIT AFTER TAXATION** | | 1,953,044 | 1,739,430 | 4,068,256 | 3,794,021 |
| **Attributable to:** | | | | | |
| Equity holders of the Bank | | 1,953,034 | 1,739,432 | 4,068,241 | 3,794,023 |
| Non-controlling interest | | 10 | (2) | 15 | (2) |
| | | 1,953,044 | 1,739,430 | 4,068,256 | 3,794,021 |
| | | ---------- Rupees ---------- | | | |
| **Basic / diluted earnings per share** | 35 | 1.29 | 1.15 | 2.68 | 2.50 |

The annexed notes 1 to 43 form an integral part of these condensed interim consolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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**FAYSAL BANK LIMITED**

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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
**FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021**

| | Qurter ended | | Half year ended | |
|---|---|---|---|---|
| | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | --------- Rupees '000 --------- | | --------- Rupees '000 --------- | |
| Profit after taxation for the period | 1,953,044 | 1,739,430 | 4,068,256 | 3,794,021 |
| **Other comprehensive income / (loss)** | | | | |
| ***Items that may be reclassified to the profit and loss account in subsequent periods:*** | | | | |
| - Movement in surplus on revaluation of investments - net of tax | 331,977 | (910,305) | (217,660) | (985,421) |
| **Total comprehensive income** | 2,285,021 | 829,125 | 3,850,596 | 2,808,600 |
| **Attributable to:** | | | | |
| Equity holders of the Bank | 2,285,011 | 829,127 | 3,850,581 | 2,808,602 |
| Non-controlling interest | 10 | (2) | 15 | (2) |
| | 2,285,021 | 829,125 | 3,850,596 | 2,808,600 |

The annexed notes 1 to 43 form an integral part of these condensed interim consolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF YEAR ENDED JUNE 30, 2021**

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| | Share capital | Reserves | | | | | Surplus / (deficit) on revaluation of | | | Unappro-priated profit | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserves | | | Statutory reserve | Total | | | | | | |
| | | Share premium | Non-distri-butable capital reserve (NCR) - gain on bargain purchase | Reserve arising on amal-gamation | | | Invest-ments | Fixed assets / non-banking assets | Total | | | |
| | Rupees '000 | | | | | | | | | | | |
| **Balance as at January 1, 2020 (audited)** | 15,176,965 | 10,131 | 475,930 | 23,952 | 9,320,945 | 9,830,958 | 3,383,915 | 7,364,165 | 10,748,080 | 19,449,413 | 11 | 55,205,427 |
| Profit after taxation for the half year ended June 31, 2020 | - | - | - | - | - | - | - | - | - | 3,794,023 | (2) | 3,794,021 |
| Other comprehensive loss - net of tax | - | - | - | - | - | - | (985,421) | - | (985,421) | - | - | (985,421) |
| Total comprehensive (loss) / income | - | - | - | - | - | - | (985,421) | - | (985,421) | 3,794,023 | (2) | 2,808,600 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | - | (57,707) | (57,707) | 57,707 | - | - |
| Amortisation of intangible assets - customer relationship - net of tax | - | - | (58,591) | - | - | (58,591) | - | - | - | - | - | (58,591) |
| **Balance as at June 30, 2020 (un-audited)** | 15,176,965 | 10,131 | 417,339 | 23,952 | 9,320,945 | 9,772,367 | 2,398,494 | 7,306,458 | 9,704,952 | 23,301,143 | 9 | 57,955,436 |
| Profit after taxation for the period from July 1, 2020 to December 31, 2020 | - | - | - | - | - | - | - | - | - | 2,886,594 | 6 | 2,886,600 |
| Other comprehensive (loss) / income - net of tax | - | - | - | - | - | - | (619,769) | - | (619,769) | 37,656 | - | (582,113) |
| Total comprehensive (loss) / income | - | - | - | - | - | - | (619,769) | - | (619,769) | 2,924,250 | 6 | 2,304,487 |
| Transfer to statutory reserve | - | - | - | - | 1,302,101 | 1,302,101 | - | - | - | (1,302,101) | - | - |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | - | (57,710) | (57,710) | 57,710 | - | - |
| Amortisation of intangible assets - customer relationship - net of tax | - | - | (41,821) | - | - | (41,821) | - | - | - | - | - | (41,821) |
| **Balance as at December 31, 2020 (audited)** | 15,176,965 | 10,131 | 375,518 | 23,952 | 10,623,046 | 11,032,647 | 1,778,725 | 7,248,748 | 9,027,473 | 24,981,002 | 15 | 60,218,102 |
| Profit after taxation for the half year ended June 30, 2021 | - | - | - | - | - | - | - | - | - | 4,068,241 | 15 | 4,068,256 |
| Other comprehensive loss - net of tax | - | - | - | - | - | - | (217,660) | - | (217,660) | - | - | (217,660) |
| Total comprehensive (loss) / income | - | - | - | - | - | - | (217,660) | - | (217,660) | 4,068,241 | 15 | 3,850,596 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | - | (58,112) | (58,112) | 58,112 | - | - |
| Transfer from surplus on revaluation of non-banking assets - net of tax | - | - | - | - | - | - | - | (182,538) | (182,538) | 182,538 | - | - |
| Amortisation of intangible assets - customer relationship - net of tax | - | - | (25,047) | - | - | (25,047) | - | - | - | - | - | (25,047) |
| **Balance as at June 30, 2021 (un-audited)** | 15,176,965 | 10,131 | 350,471 | 23,952 | 10,623,046 | 11,007,600 | 1,561,065 | 7,008,098 | 8,569,163 | 29,289,893 | 30 | 64,043,651 |

The annexed notes 1 to 43 form an integral part of these condensed interim consolidated financial statements.

**President & CEO** **Chief Financial Officer** **Chairman** **Director** **Director**

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**FAYSAL BANK LIMITED**
**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)**
**FOR THE HALF YEAR ENDED JUNE 30, 2021**

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| | Note | For the half year ended June 30, 2021 | For the half year ended June 30, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 6,638,105 | 6,316,401 |
| Less: dividend income | | (188,017) | (239,888) |
| Less: share of profit of associates | | (67,387) | - |
| | | 6,382,701 | 6,076,513 |
| **Adjustments:** | | | |
| Depreciation on owned fixed assets | 31 | 678,488 | 642,733 |
| Amortisation of intangible assets | 31 | 63,242 | 97,842 |
| Depreciation on right-of-use assets | 31 | 763,971 | 735,055 |
| Depreciation on non-banking assets | 31 | 2,483 | 3,408 |
| Workers Welfare Fund | | 133,812 | 148,127 |
| Provision against loans and advances - net | 33 | 506,889 | 1,450,453 |
| (Reversal of provision) / provision for diminution in value of investments - net | 33 | (316,391) | 35,054 |
| Reversal of provision against off balance sheet obligations - net | 33 | (22,645) | (880) |
| Unrealised loss / (gain) on securities - held for trading - net | | 19,022 | (52,555) |
| Gain on sale of fixed assets - net | 30 | (14,131) | (5,744) |
| Gain on sale of non-banking assets - net | 30 | (47,487) | - |
| Charge for defined benefit plan | | 108,079 | 60,625 |
| Loss / (income) from derivative contracts - net | | 44,875 | (101,043) |
| Mark-up / return / interest expensed - leased liability against right-of-use assets | 27 | 713,954 | 505,745 |
| Bad debts written off directly | 33 | 18,548 | 4,078 |
| | | 2,652,709 | 3,522,898 |
| | | 9,035,410 | 9,599,411 |
| **(Increase) / decrease in operating assets** | | | |
| Lendings to financial institutions | | (4,515,000) | (6,893,000) |
| Held-for-trading securities | | (49,198,460) | 5,518,572 |
| Advances | | (26,032,487) | 7,288,149 |
| Others assets | | 2,641,345 | (4,763,335) |
| | | (77,104,602) | 1,150,386 |
| **Increase / (decrease) in operating liabilities** | | | |
| Bills payable | | 372,205 | 3,629,738 |
| Borrowings from financial institutions | | 25,012,152 | (23,479,605) |
| Deposits | | 51,184,357 | 38,580,667 |
| Other liabilities (excluding current taxation) | | (5,195,472) | 3,950,540 |
| | | 71,373,242 | 22,681,340 |
| Income tax paid | | (2,612,033) | (943,054) |
| Contribution to gratuity fund | | (105,832) | (93,094) |
| **Net cash generated from operating activities** | | 586,185 | 32,394,989 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net investment in available for sale securities | | (2,196,203) | (37,274,160) |
| Net (investment) / divestment in associates | | (252,573) | 1,037,650 |
| Net divestment in held to maturity securities | | 1,020,002 | - |
| Dividends received | | 118,406 | 111,825 |
| Investment in operating fixed assets | | (846,973) | (738,129) |
| Investment in intangible assets | | (160,777) | (74,109) |
| Proceeds from sale of fixed assets | | 15,266 | 6,346 |
| Proceeds from sale of non-banking assets | | 468,837 | - |
| **Net cash used in investing activities** | | (1,834,015) | (36,930,577) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment of lease liability against right-of-use assets | | (870,494) | (912,011) |
| Dividend paid | | (26) | (19) |
| **Net cash used in financing activities** | | (870,520) | (912,030) |
| **Decrease in cash and cash equivalents during the period** | | (2,118,350) | (5,447,618) |
| Cash and cash equivalents at the beginning of the period | | 61,126,589 | 62,765,354 |
| **Cash and cash equivalents at the end of the period** | | 59,008,239 | 57,317,736 |

The annexed notes 1 to 43 form an integral part of these condensed interim consolidated financial statements.

| President & CEO | Chief Financial Officer | Chairman | Director | Director |
|---|---|---|---|---|

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## 1 STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

(i) Faysal Bank Limited - Holding Company
(ii) Faysal Asset Management Limited - Subsidiary Company

### 1.1.1 Holding Company - Faysal Bank Limited

Faysal Bank Limited (the Bank or the Holding Company) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are listed on the Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank is operating through 575 branches (December 31, 2020: 554 branches) and 1 sub-branch (December 31, 2020: 1 sub-branch). Out of these, 500 (December 31, 2020: 414) are Islamic banking branches and 76 (December 31, 2020: 141) are conventional banking branches.

The registered office of the Bank is located at Faysal House, ST-02, Shahra-e-Faisal, Karachi.

Ithmaar Bank B.S.C (closed), a wholly owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2020: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMIT), ultimate parent of the Bank, is the holding company of Ithmaar Holdings B.S.C.

The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' (December 31, 2020: 'AA') and the short term rating as 'A1+' (December 31, 2020: 'A1+') on June 30, 2021 and June 26, 2021 respectively.

### 1.1.2 Subsidiary Company - Faysal Asset Management Limited

| | Percentage of holding | |
|---|---|---|
| | June 30, 2021 | December 31, 2020 |
| Faysal Asset Management Limited - Subsidiary | 99.99% | 99.99% |

Faysal Asset Management Limited (the Subsidiary Company) was incorporated in Pakistan under the provisions of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on August 6, 2003 as an unlisted public limited company. The Subsidiary Company commenced its operations on November 14, 2003. The registered office of the Subsidiary Company is located at 7th Floor, West Wing, Faysal House, ST-02, Shahra-e-Faisal, Karachi.

The Subsidiary Company is a Non-Banking Finance Company (NBFC), licensed to carry out asset management and investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).

VIS Credit Rating Company Limited has assigned Asset Management rating of AM2 as at June 30, 2021 (December 31, 2020: AM2).

## 2 BASIS OF PRESENTATION

**2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

**2.2** The financial results of the Islamic banking branches have been consolidated in these condensed interim consolidated financial statements for reporting purposes after eliminating inter branch transactions and balances. The financial results of all the Islamic banking branches are disclosed in note 40 to these condensed interim consolidated financial statements.

## 3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and the financial statements of the Subsidiary Company from the date from which control of the Subsidiary Company by the Group commences until the date on which control ceases. The financial statements of the Subsidiary Company are incorporated on a line-by-line basis and the investment held by the Bank is eliminated against the corresponding share capital and pre-acquisition reserve of the Subsidiary Company in the consolidated financial statements.

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The financial statements of the Subsidiary Company are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company.

Material intra-group balances and transactions are eliminated.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement. Associates and joint ventures are accounted for using the equity method.

## 4 STATEMENT OF COMPLIANCE

**4.1** These condensed interim consolidated 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 of:

- 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).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

**4.2** As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as Non-distributable Capital Reserve (NCR). The SBP allowed the Holding Company to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets identified as a result of such acquisition. Accordingly, during the period ended June 30, 2021, the Group has adjusted amortisation of intangible assets net of tax amounting to Rs. 25.047 (June 30, 2020: Rs. 58.591 million) from the NCR.

**4.3** These condensed interim consolidated financial statements do not include all the information and disclosures required in the audited annual consolidated financial statements, and are limited based on the format prescribed by the State Bank of Pakistan through BPRD Circular Letter No. 05 dated March 22, 2019 and IAS 34, and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020.

**4.4 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current period:**

**4.4.1** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2021 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 condensed interim consolidated financial statements.

**4.5 Standards, interpretations of and amendments to the published accounting and reporting standards that are not yet effective:**

**4.5.1** The following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

| Standards, interpretations or amendments | Effective date (annual periods beginning on or after) |
|---|---|
| - IFRS 9 - 'Financial instruments' | January 1, 2022* |
| - IAS 1 - 'Presentation of financial statements' (amendments) | January 1, 2022 |
| - IAS 16 - 'Property, plant and equipment' (amendments) | January 1, 2022 |
| - IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments) | January 1, 2022 |
| - IFRS 3 - 'Business combinations' (amendments) | January 1, 2022 |

The management is in the process of assessing the impact of these standards and amendments on the condensed interim consolidated financial statements of the Group.

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* The SBP vide its BPRD Circular No. 24 dated July 5, 2021 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2022. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has an impact on all the assets of the Bank which are exposed to credit risk.

**4.5.2** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or will not have any significant effect on the Group's operations and are therefore not detailed in these condensed interim consolidated financial statements.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are the same as applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2020.

## 6 BASIS OF MEASUREMENT

These condensed interim consolidated financial statements have been prepared under the historical cost convention except for certain fixed assets and non-banking assets acquired in satisfaction of claims which have been carried at revalued amounts, certain investments and derivative contracts which have been marked to market and are carried at fair value, obligations in respect of staff retirement benefits and lease liabilities which have been carried at present value and right-of-use assets which are initially measured at an amount equal to the corresponding lease liabilities (adjusted for any lease payments and certain specified costs) and depreciated over the respective lease terms.

## 7 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these condensed interim consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These condensed interim consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

## 8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements is the same as that applied in the preparation of the consolidated financial statements of the Holding Company for the year ended December 31, 2020, except for a change in the accounting estimate for useful lives of certain categories of fixed assets, as disclosed in more details in note 15.4 to these condensed interim consolidated financial statements.

## 9 FINANCIAL RISK MANAGEMENT

**9.1** The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the condensed interim consolidated financial statements for the year ended December 31, 2020.

**9.2** COVID-19 has impacted banks in Pakistan on a number of fronts including increase mainly in credit risk pertaining to the loans and advances portfolio, continuity of business operations and managing cybersecurity threat as an ever increasing number of customers are being encouraged to use digital channels. Major aspects of COVID-19 on the Group's risk management policies in the areas of credit risk, liquidity risk, market risk and operational risk have been discussed below.

The risk management function of the Holding Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. During the year ended 2020, the SBP had responded to the crisis and took regulatory measures to provide an impetus to economic activity. The SBP, amongst other reliefs, allowed the banks to defer borrowers' principal loan repayments by one year and / or restructure / reschedule loans for borrowers who required relief of principal repayments exceeding one year and / or mark-up with no reflection on credit history. The Holding Company had provided few reliefs, deferred certain borrowers' principal loan repayments and restructured / rescheduled loans as per the SBP directives. At present there is no major impact on loans where reliefs were provided on principal loan repayments deferred last year that are due for repayments during the half year ended June 30, 2021. In addition, during the year ended December 31, 2020, the management of the Holding Company exercised prudence and recognised a general provision in addition to the requirements of the Prudential Regulations amounting to Rs 250 million against its performing consumer portfolio keeping in view the impacts of COVID-19. The management of the Group has maintained this provision in these condensed interim consolidated financial statements. The Holding Company is also closely monitoring the deferred / restructured protfolio as the deferment period is going to be expired in the near future.

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With regards to the liquidity risk, the Group remains confident that the liquidity buffer currently maintained is sufficient to cater any adverse movement in cash flow maturity profile, having liquidity coverage ratio (LCR) at 222.3% (December 31, 2020: 211.2%) and net stable funding ratio (NSFR) at 164.16% (December 31, 2020: 169.25%) as at June 30, 2021.

Moreover, the Pakistan Stock Exchange has shown a positive trend in the current period reflecting increasing stability of the industries operating in the country. As a result, no impairment loss is required to be recognised on the available-for-sale listed equity securities by the Group in these condensed interim consolidated financial statements (June 30, 2020: Rs 379.63 million).

With regards to the operational risk, the Group is closely monitoring the situation and has invoked required actions to ensure the safety and security of the its staff and uninterrupted service to customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

| | | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **10** | **CASH AND BALANCES WITH TREASURY BANKS** | | |
| | In hand | | |
| | - local currency | 12,533,763 | 13,650,096 |
| | - foreign currencies | 1,002,559 | 6,147,826 |
| | | 13,536,322 | 19,797,922 |
| | With State Bank of Pakistan in | | |
| | - local currency current accounts | 25,209,163 | 25,323,730 |
| | - foreign currency current accounts | 2,032,314 | 2,121,802 |
| | - foreign currency deposit accounts | 3,790,308 | 3,860,816 |
| | | 31,031,785 | 31,306,348 |
| | With National Bank of Pakistan in | | |
| | - local currency current accounts | 8,223,269 | 8,202,707 |
| | Prize bonds | 2,117,087 | 574,313 |
| | | 54,908,463 | 59,881,290 |
| **11** | **BALANCES WITH OTHER BANKS** | | |
| | In Pakistan | | |
| | - in current accounts | 1,146,938 | 645,273 |
| | - in saving accounts | 67 | 72 |
| | | 1,147,005 | 645,345 |
| | Outside Pakistan | | |
| | - in current accounts | 5,260,928 | 2,233,285 |
| | | 6,407,933 | 2,878,630 |
| **12** | **LENDINGS TO FINANCIAL INSTITUTIONS** | | |
| | Call money lendings | 7,500,000 | - |
| | Repurchase agreement lendings (reverse repo) | - | 2,985,000 |
| | | 7,500,000 | 2,985,000 |

**12.1 Securities held as collateral against lendings to financial institutions**

| | Un-audited | | | Audited | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 | | | December 31, 2020 | | |
| | Held by Group | Further given as | Total | Held by Group | Further given as | Total |
| | ---------- Rupees '000 ---------- | | | | | |
| Pakistan Investment Bonds | - | - | - | 2,985,000 | - | 2,985,000 |
| | - | - | - | 2,985,000 | - | 2,985,000 |

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## 13 INVESTMENTS

### 13.1 Investments by type:

| | Note | Un-audited June 30, 2021 Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying value | Audited December 31, 2020 Cost / Amortised cost | Provision for diminution | Surplus | Carrying value |
|---|---|---|---|---|---|---|---|---|---|
| | | Rupees '000 | | | | | | | |
| **Held-for-trading securities** | | | | | | | | | |
| Federal Government securities | | 55,595,744 | - | 2,220 | 55,597,964 | 6,534,053 | - | 418 | 6,534,471 |
| Shares | | 735,937 | - | (19,738) | 716,199 | 599,168 | - | 1,086 | 600,254 |
| | | 56,331,681 | - | (17,518) | 56,314,163 | 7,133,221 | - | 1,504 | 7,134,725 |
| **Available-for-sale securities** | | | | | | | | | |
| Federal Government securities | 13.3 | 198,348,914 | - | 169,000 | 198,517,914 | 195,466,018 | - | 15,838 | 195,481,856 |
| Shares | | 8,182,346 | 1,379,215 | (70,981) | 6,732,150 | 8,421,544 | 1,688,885 | 376,325 | 7,108,984 |
| Non Government debt securities | | 51,191,340 | 559,787 | 2,461,104 | 53,092,657 | 51,638,835 | 559,787 | 2,523,780 | 53,602,828 |
| | | 257,722,600 | 1,939,002 | 2,559,123 | 258,342,721 | 255,526,397 | 2,248,672 | 2,915,943 | 256,193,668 |
| **Held-to-maturity securities** | | | | | | | | | |
| Federal Government securities | 13.2 | 1,597,048 | - | - | 1,597,048 | 1,597,048 | - | - | 1,597,048 |
| Non Government debt securities | 13.5 | 10,811,454 | 1,521,895 | - | 9,289,559 | 11,831,456 | 1,528,616 | - | 10,302,840 |
| | | 12,408,502 | 1,521,895 | - | 10,886,607 | 13,428,504 | 1,528,616 | - | 11,899,888 |
| **Associates *** | 13.6 | | | | | | | | |
| Faysal Income & Growth Fund | | 792,374 | - | - | 792,374 | 267,056 | - | - | 267,056 |
| Faysal Cash Fund | | 103,482 | - | - | 103,482 | - | - | - | - |
| Faysal Islamic Stock Fund | | - | - | - | - | 236,820 | - | - | 236,820 |
| Faysal Asset Allocation Fund | | - | - | - | - | 51,158 | - | - | 51,158 |
| Faysal Savings Growth Fund | | 665,647 | - | - | 665,647 | 686,509 | - | - | 686,509 |
| | | 1,561,503 | - | - | 1,561,503 | 1,241,543 | - | - | 1,241,543 |
| **Total Investments - net** | | 328,024,286 | 3,460,897 | 2,541,605 | 327,104,994 | 277,329,665 | 3,777,288 | 2,917,447 | 276,469,824 |

| | | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | Rupees '000 | |
| **13.2** | Bai Muajjal - gross | 2,212,625 | 2,212,625 |
| | Less: deferred income | (93,236) | (194,895) |
| | Less: profit receivable shown in other assets | (522,341) | (420,682) |
| | Bai Muajjal - net | 1,597,048 | 1,597,048 |

This represents Bai Muajjal with Government of Pakistan which carry mark-up at the rate of 12.84% per annum (December 31, 2020: 12.84%) maturing in December, 2021.

| | | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| **13.3** | **Investments given as collateral** | Rupees '000 | |
| | - Market treasury bills | 11,500,000 | - |

### 13.4 Provision for diminution in value of investments

| | | | |
|---|---|---|---|
| **13.4.1** | Opening balance | 3,777,288 | 3,849,281 |
| | Charge / (reversals) | | |
| | Charge for the period / year | - | 379,785 |
| | Reversals for the period / year | (6,721) | (14,982) |
| | Reversals on disposals | (309,670) | (436,796) |
| | | (316,391) | (71,993) |
| | Closing balance | 3,460,897 | 3,777,288 |

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**13.4.2 Particulars of provision against debt securities**

| Category of classification | Un-audited June 30, 2021 Non-performing investment | Un-audited June 30, 2021 Provision | Audited December 31, 2020 Non-performing investment | Audited December 31, 2020 Provision |
|---|---|---|---|---|
| | Rupees '000 | | | |
| **Domestic** | | | | |
| - Loss | 2,081,682 | 2,081,682 | 2,088,403 | 2,088,403 |

**13.5** The market value of non government debt securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 9,392.586 million (December 31, 2020: Rs. 10,029.170 million).

**13.6 Movement of investment in associates**

| | As at June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Country of incorpo-ration | % Holding | Investment at the beginning of the period | Investment / (redemption) during the period | Share of profit | Dividend received | Investment at the end of the period |
| | | | Rupees '000 | | | | |
| **Associates** | | | | | | | |
| Faysal Income & Growth Fund | Pakistan | 71.99% | 267,056 | 533,944 | 14,171 | (22,797) | 792,374 |
| Faysal Cash Fund | Pakistan | 91.10% | - | 103,482 | 3,394 | (3,394) | 103,482 |
| Faysal Islamic Stock Fund | Pakistan | 13.56% | 236,820 | (261,520) | 24,700 | - | - |
| Faysal Asset Allocation Fund | Pakistan | 8.32% | 51,158 | (56,196) | 5,038 | - | - |
| Faysal Savings Growth Fund | Pakistan | 27.38% | 686,509 | - | 20,085 | (40,947) | 665,647 |
| | | | 1,241,543 | 319,710 | 67,387 | (67,137) | 1,561,503 |

| | As at December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Country of incorpo-ration | % Holding | Investment at the beginning of the year | Investment / (redemption) during the year | Share of profit | Dividend received | Investment at the end of the year |
| | | | Rupees '000 | | | | |
| **Associates** | | | | | | | |
| Faysal Income & Growth Fund | Pakistan | 40.67% | 268,625 | - | 26,672 | (28,241) | 267,056 |
| Faysal Islamic Stock Fund | Pakistan | 37.64% | - | 200,000 | 41,860 | (5,040) | 236,820 |
| Faysal Asset Allocation Fund | Pakistan | 28.12% | - | 34,279 | 17,665 | (786) | 51,158 |
| Faysal Savings Growth Fund | Pakistan | 21.54% | 693,247 | - | 69,973 | (76,711) | 686,509 |
| | | | 961,872 | 234,279 | 156,170 | (110,778) | 1,241,543 |

## 14 ADVANCES

| | Note | Performing Un-audited June 30, 2021 | Performing Audited December 31, 2020 | Non performing Un-audited June 30, 2021 | Non performing Audited December 31, 2020 | Total Un-audited June 30, 2021 | Total Audited December 31, 2020 |
|---|---|---|---|---|---|---|---|
| | | Rupees '000 | | | | | |
| Loans, cash credits, running finances, etc. | | 85,625,827 | 119,418,082 | 20,075,203 | 22,406,562 | 105,701,030 | 141,824,644 |
| Islamic financing and related assets | | 254,264,691 | 189,951,257 | 3,199,169 | 3,294,935 | 257,463,860 | 193,246,192 |
| Bills discounted and purchased | | 354,240 | 4,150,522 | 423,629 | 523,928 | 777,869 | 4,674,450 |
| Advances - gross | | 340,244,758 | 313,519,861 | 23,698,001 | 26,225,425 | 363,942,759 | 339,745,286 |
| Provision against advances | 14.3 | | | | | | |
| - specific | | - | - | (19,377,700) | (20,649,632) | (19,377,700) | (20,649,632) |
| - general | | (878,131) | (915,776) | - | - | (878,131) | (915,776) |
| | | (878,131) | (915,776) | (19,377,700) | (20,649,632) | (20,255,831) | (21,565,408) |
| Advances - net of provision | | 339,366,627 | 312,604,085 | 4,320,301 | 5,575,793 | 343,686,928 | 318,179,878 |

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| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | --------- Rupees '000 --------- | |
| **14.1 Particulars of advances (gross)** | | |
| - in local currency | 362,105,189 | 339,106,568 |
| - in foreign currency | 1,837,570 | 638,718 |
| | 363,942,759 | 339,745,286 |

**14.2** Advances include Rs. 23,698.001 million (December 31, 2020: Rs. 26,225.425 million) which have been placed under non-performing status as detailed below:-

| Category of classification | Un-audited June 30, 2021 Non-performing loans | Un-audited June 30, 2021 Provision | Audited December 31, 2020 Non-performing loans | Audited December 31, 2020 Provision |
|---|---|---|---|---|
| | ---------- Rupees '000 ---------- | | | |
| **Domestic** | | | | |
| - other assets especially mentioned | 239,467 | 69 | 204,782 | - |
| - substandard | 1,081,282 | 95,848 | 2,727,006 | 541,529 |
| - doubtful | 790,299 | 218,648 | 900,979 | 237,209 |
| - loss | 21,586,953 | 19,063,135 | 22,392,658 | 19,870,894 |
| Total | 23,698,001 | 19,377,700 | 26,225,425 | 20,649,632 |

**14.3 Particulars of provision against advances**

| | Un-audited June 30, 2021 Specific | Un-audited June 30, 2021 General | Un-audited June 30, 2021 Total | Audited December 31, 2020 Specific | Audited December 31, 2020 General | Audited December 31, 2020 Total |
|---|---|---|---|---|---|---|
| | ---------- Rupees '000 ---------- | | | | | |
| Opening balance | 20,649,632 | 915,776 | 21,565,408 | 23,475,724 | 761,951 | 24,237,675 |
| Exchange adjustment | (21,567) | - | (21,567) | 25,095 | - | 25,095 |
| Charge for the period / year | 1,650,615 | - | 1,650,615 | 3,610,762 | 250,000 | 3,860,762 |
| Reversals during the period / year | (1,106,081) | (37,645) | (1,143,726) | (1,485,958) | (96,175) | (1,582,133) |
| | 544,534 | (37,645) | 506,889 | 2,124,804 | 153,825 | 2,278,629 |
| Amounts written off | (1,794,899) | - | (1,794,899) | (4,975,991) | - | (4,975,991) |
| Closing balance | 19,377,700 | 878,131 | 20,255,831 | 20,649,632 | 915,776 | 21,565,408 |

**14.3.1** As per the Prudential Regulations, the SBP has specified that general provision against consumer financing should be maintained at varying percentages based on the non-performing loan ratio present in the portfolio. These percentages range from 1% to 2.5% for secured and 4% to 7% for unsecured portfolio.

The Holding Company also maintains general provision in accordance with the applicable requirements of the Prudential Regulations for Housing Finance issued by the SBP. The provision ranges between 0.5% to 1.5% based on the non-performing loan ratio present in the portfolio.

The Holding Company is also required to maintain a general reserve of 1% against un-secured small enterprise financing portfolio as per the applicable requirements of the Prudential Regulations issued by the SBP.

In addition to the requirements of the Prudential Regulations, the management has exercised prudence and recognised a general provision amounting to Rs. 250 million keeping in view the impacts of COVID-19.

**14.3.2** As allowed by the SBP, the Holding Company has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,581.515 million (December 31, 2020: Rs 2,632.364 million) relating to advances while determining the provisioning requirement against non-performing financing as at June 30, 2021. The additional profit arising from availing the FSV benefit (net of tax) as at June 30, 2021 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,574.724 million (December 31, 2020: Rs 1,605.742 million).

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**14.3.3** Although the Holding Company has made provision against its non-performing portfolio as per the category of classification of the loans, however, the Holding Company still holds enforceable collateral against certain non-performing loans in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| **15 FIXED ASSETS** | | ------- Rupees '000 ------- | |
| Capital work-in-progress | 15.1 | 958,187 | 833,762 |
| Property and equipment | | 23,201,349 | 23,268,393 |
| | | 24,159,536 | 24,102,155 |

**15.1 Capital work-in-progress**

| | | |
|---|---|---|
| Civil works | 176,714 | 225,737 |
| Equipment | 477,466 | 561,345 |
| Furniture and fixture | 40,056 | 18,838 |
| Vehicles | - | 42 |
| Land and building | 263,951 | 27,800 |
| | 958,187 | 833,762 |

**15.2 Additions to fixed assets**

| | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|
| | -------- Rupees '000 -------- | |
| The following additions have been made to fixed assets during the period: | | |
| **Capital work-in-progress** | 841,084 | 701,663 |
| **Property and equipment** | | |
| Building on freehold land | - | 36,075 |
| Furniture and fixture | 9,152 | 97,986 |
| Electrical, office and computer equipment | 508,814 | 378,972 |
| Vehicles | 16,470 | 58,765 |
| Right-of-use assets - land and building | 654,002 | 713,848 |
| Others | 188,112 | 445,791 |
| | 1,376,550 | 1,731,437 |
| **Total** | 2,217,634 | 2,433,100 |

**15.3 Disposal of fixed assets**

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

| | | |
|---|---|---|
| Furniture and fixture | 49 | 3 |
| Electrical, office and computer equipment | 1,013 | 3,830 |
| Vehicles | 9 | 38 |
| Others | 64 | - |
| Total | 1,135 | 3,871 |

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### 15.4 Change in accounting estimate

With effect from January 1, 2021, the management of the Holding Company has revised its estimate of the useful lives of core banking software and automated teller machines (ATMs) from 5 years to 7 years whereas the useful lives of other softwares and hardware projects have been revised from 3 years to 5 years. This revision has been made to make the useful lives of these assets more reflective of their consumption pattern.

The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors'. Had the revision in useful lives of these assets not been made, the depreciation expense for the period would have been higher by Rs 86.176 million and consequently profit before tax would have been lower by the same amount.

| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| **16 INTANGIBLE ASSETS** | | ------- Rupees '000 ------- | |
| Capital work-in-progress | 16.1 | 499,053 | 567,658 |
| Computer softwares | | 523,997 | 357,857 |
| Customer relationship | | 574,542 | 615,605 |
| Management rights | | 238,484 | 238,484 |
| Goodwill | | 114,600 | 114,600 |
| | | 1,451,623 | 1,326,546 |
| Total | | 1,950,676 | 1,894,204 |

### 16.1 Capital work-in-progress

| | | |
|---|---|---|
| Computer softwares | 499,053 | 567,658 |

### 16.2 Additions to intangible assets

| | Un-audited For the half year ended June 30, 2021 | Un-audited For the half year ended June 30, 2020 |
|---|---|---|
| | -------- Rupees '000 -------- | |
| The following additions have been made to intangible assets during the period: | | |
| Directly purchased | 229,382 | 242,742 |

| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| **17 OTHER ASSETS** | | ---------- Rupees '000 ---------- | |
| Income / mark-up accrued in local currency - net of provision | | 8,698,976 | 7,291,340 |
| Income / mark-up accrued in foreign currencies - net of provision | | 4,779 | 1,314 |
| Advances, deposits, advance rent and other prepayments | | 1,112,210 | 796,101 |
| Advance taxation (payments less provisions) | | - | 25,301 |
| Non-banking assets acquired in satisfaction of claims | | 988,126 | 1,229,421 |
| Mark to market gain on forward foreign exchange contracts | | 702,744 | 649,361 |
| Fair value of derivative contracts | | 88,404 | 190,130 |
| Acceptances | 22 | 6,219,529 | 10,726,305 |
| Credit cards and other products fee receivable | | 472,699 | 369,968 |
| Receivable from brokers against sale of shares | | 112,566 | 20,241 |
| Dividend receivable | | 154,243 | 84,632 |
| Receivable from 1Link (Private) Limited | | 446,350 | 515,944 |
| Rent and amenities receivable | | 11,291 | 33,159 |
| Rebate receivable - net | | 79,402 | 87,632 |
| Defined benefit plan asset | | 64,096 | 66,343 |
| Others | | 508,446 | 462,121 |
| | | 19,663,861 | 22,549,313 |
| Less: provision held against other assets | 17.1 | (329,878) | (329,878) |
| Other assets - net of provision | | 19,333,983 | 22,219,435 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net | | 1,271,248 | 1,453,786 |
| Other assets - total | | 20,605,231 | 23,673,221 |

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| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | ------- Rupees '000 ------- | |
| **17.1 Provision held against other assets** | | |
| Dividend receivable | 75,348 | 75,348 |
| SBP penalties | 51,050 | 51,050 |
| Fraud forgery theft and account receivable | 20,867 | 20,867 |
| Security deposits | 22,994 | 22,994 |
| Others | 159,619 | 159,619 |
| | 329,878 | 329,878 |
| **17.1.1 Movement in provision held against other assets** | | |
| Opening balance | 329,878 | 256,222 |
| Charge for the period / year | - | 74,536 |
| Reversals during the period / year | - | (795) |
| | - | 73,741 |
| Amounts written off | | (85) |
| Closing balance | 329,878 | 329,878 |
| **18 BILLS PAYABLE** | | |
| In Pakistan | 13,915,475 | 13,543,270 |
| **19 BORROWINGS** | | |
| **Secured** | | |
| Borrowings from the State Bank of Pakistan (SBP) | | |
| - under export refinance scheme - part I and II | 3,711,352 | 8,623,400 |
| - under long term financing facility | 1,148,210 | 1,246,164 |
| - under long term financing facility for renewable power energy (RPE) | 764,372 | 809,662 |
| - under scheme of financing facility for storage of agricultural produce | 38,843 | 53,129 |
| - under Islamic export refinance scheme | 25,032,101 | 19,400,601 |
| - under refinance scheme for payment of wages and salaries | 10,571,487 | 12,932,302 |
| - under Islamic financing for renewable energy | 2,310,421 | 1,400,274 |
| - under Islamic long term financing facility | 5,847,842 | 3,599,252 |
| - under Islamic temporary economic refinance scheme | 12,762,500 | 3,807,141 |
| - under Islamic refinance facility for combating COVID-19 | 322,800 | 35,400 |
| - under Islamic financing facility for storage of agricultural produce | 24,377 | - |
| | 62,534,305 | 51,907,325 |
| Repurchase agreement borrowings | 11,402,607 | - |
| Borrowing from other financial institution | 483,871 | 500,000 |
| **Total secured** | 74,420,783 | 52,407,325 |
| **Unsecured** | | |
| Overdrawn nostro accounts | 2,308,157 | 1,633,331 |
| Musharaka acceptances | - | 410,000 |
| Other borrowings | 7,404,554 | 3,995,860 |
| **Total unsecured** | 9,712,711 | 6,039,191 |
| | 84,133,494 | 58,446,516 |

**20 DEPOSITS AND OTHER ACCOUNTS**

| | Un-audited | | | Audited | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 | | | December 31, 2020 | | |
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| | ---------- Rupees '000 ---------- | | | | | |
| **Customers** | | | | | | |
| Current deposits | 188,513,280 | 21,521,120 | 210,034,400 | 144,344,213 | 20,813,651 | 165,157,864 |
| Savings deposits | 193,848,126 | 17,201,039 | 211,049,165 | 184,977,342 | 17,643,501 | 202,620,843 |
| Term deposits | 133,187,670 | 2,069,911 | 135,257,581 | 143,287,216 | 3,141,533 | 146,428,749 |
| Margin deposits | 2,856,818 | 7,903 | 2,864,721 | 3,341,663 | 15,132 | 3,356,795 |
| | 518,405,894 | 40,799,973 | 559,205,867 | 475,950,434 | 41,613,817 | 517,564,251 |
| **Financial institutions** | | | | | | |
| Current deposits | 1,617,772 | 34,959 | 1,652,731 | 813,493 | 49,245 | 862,738 |
| Savings deposits | 23,921,126 | - | 23,921,126 | 15,880,218 | - | 15,880,218 |
| Term deposits | 7,036,850 | - | 7,036,850 | 6,325,010 | - | 6,325,010 |
| | 32,575,748 | 34,959 | 32,610,707 | 23,018,721 | 49,245 | 23,067,966 |
| | 550,981,642 | 40,834,932 | 591,816,574 | 498,969,155 | 41,663,062 | 540,632,217 |

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| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **21 DEFERRED TAX (LIABILITIES) / ASSETS** | | | |
| **Deductible temporary differences on** | | | |
| - provision for diminution in the value of investments | | 38,235 | 152,577 |
| - provision against advances, off balance sheet etc. | | 1,184,573 | 1,215,623 |
| - provision against other assets | | 128,462 | 128,462 |
| - Alternate Corporate Tax (ACT) | | 22,695 | 4,675 |
| - defined benefit obligation | | 32 | (620) |
| - unused tax losses | | 36,368 | 69,652 |
| - others | | 1,467 | 537 |
| | | 1,411,832 | 1,570,906 |
| **Taxable temporary differences on** | | | |
| - surplus on revaluation of fixed assets | | (1,565,092) | (1,599,730) |
| - surplus on revaluation of non-banking assets | | (14,113) | (14,113) |
| - surplus on revaluation of investments | | (998,058) | (1,137,218) |
| - fair value adjustment relating to net assets acquired upon amalgamation | | (224,071) | (240,087) |
| - fair value adjustment relating to net assets acquired upon business combination | | (52,496) | (52,496) |
| - accelerated tax depreciation | | (17,999) | (96,495) |
| - fair valuation of previously held equity interest in the Subsidiary Company | | (13,118) | (13,118) |
| | | (2,884,947) | (3,153,257) |
| | | (1,473,115) | (1,582,351) |
| **22 OTHER LIABILITIES** | | | |
| Mark-up / return / interest payable in local currency | | 2,183,035 | 3,792,193 |
| Mark-up / return / interest payable in foreign currencies | | 10,559 | 6,344 |
| Unearned commission and income on bills discounted | | 837,706 | 968,302 |
| Accrued expenses | | 1,828,156 | 2,531,060 |
| Acceptances | 17 | 6,219,529 | 10,726,305 |
| Unclaimed dividends | | 45,017 | 45,043 |
| Mark to market loss on forward foreign exchange contracts | | 1,357,139 | 1,907,030 |
| Current taxation (provision less payments) | | 20,387 | - |
| Charity fund balance | | 1,050 | 1,070 |
| Provision against off-balance sheet obligations | 22.1 | 104,924 | 127,569 |
| Security deposits against leases | | 341,503 | 586,301 |
| Withholding tax payable | | 167,440 | 182,100 |
| Federal excise duty payable | | 48,788 | 67,402 |
| Payable to brokers against purchase of shares | | 165,558 | 35,001 |
| Fair value of derivative contracts | | 681,052 | 964,671 |
| Payable related to credit cards and other products | | 197,081 | 1,146,914 |
| Lease liability against right-of-use assets | | 9,022,715 | 8,525,253 |
| Advance against disposal of assets | | 12,130 | 459,467 |
| Funds held as security | | 261,055 | 242,227 |
| Payable to 1Link (Private) Limited | | 150,548 | 154,308 |
| Insurance payable | | 104,334 | 115,012 |
| Clearing and settlement accounts | | 6,618,109 | 2,706,765 |
| Others | | 563,637 | 351,409 |
| | | 30,941,452 | 35,641,746 |

**22.1 Provision against off-balance sheet obligations**

| | | |
|---|---|---|
| Opening balance | 127,569 | 113,676 |
| Charge for the period / year | 1,262 | 25,132 |
| Reversals during the period / year | (23,907) | (11,239) |
| | (22,645) | 13,893 |
| Closing balance | 104,924 | 127,569 |

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| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX** | | | |
| Surplus on revaluation of: | | | |
| - available for sale securities | | 2,559,123 | 2,915,943 |
| - fixed assets | | 7,316,055 | 7,411,321 |
| - non-banking assets acquired in satisfaction of claims | | 1,271,248 | 1,453,786 |
| | | 11,146,426 | 11,781,050 |
| Deferred tax on surplus on revaluation of: | | | |
| - available for sale securities | | (998,058) | (1,137,218) |
| - fixed assets | | (1,565,092) | (1,602,246) |
| - non-banking assets acquired in satisfaction of claims | | (14,113) | (14,113) |
| | | (2,577,263) | (2,753,577) |
| | | 8,569,163 | 9,027,473 |
| **24 CONTINGENCIES AND COMMITMENTS** | | | |
| Guarantees | 24.1 | 32,931,164 | 29,202,222 |
| Commitments | 24.2 | 226,573,249 | 183,850,529 |
| Other contingent liabilities | 24.3 | 4,122,244 | 4,122,244 |
| | | 263,626,657 | 217,174,995 |
| **24.1 Guarantees:** | | | |
| Financial guarantees | | 6,697,064 | 7,810,863 |
| Performance guarantees | | 7,941,513 | 5,662,415 |
| Other guarantees | | 18,292,587 | 15,728,944 |
| | | 32,931,164 | 29,202,222 |
| **24.2 Commitments:** | | | |
| Documentary credits and short-term trade-related transactions | | | |
| - letters of credit | | 75,739,365 | 50,571,999 |
| Commitments in respect of: | | | |
| - forward foreign exchange contracts | 24.2.1 | 105,603,260 | 93,025,986 |
| - forward government securities transactions | 24.2.2 | 11,407,050 | 2,989,036 |
| - derivatives - cross currency and interest rate swaps (notional principal) | 24.2.3 | 6,698,587 | 8,272,187 |
| - extending credit (irrevocable) | 24.4 | 26,946,615 | 28,859,840 |
| Commitments for acquisition of: | | | |
| - operating fixed assets | | 50,006 | 49,303 |
| - intangible assets | | 128,366 | 82,178 |
| | | 226,573,249 | 183,850,529 |
| **24.2.1 Commitments in respect of forward foreign exchange contracts** | | | |
| Purchase | | 73,272,270 | 66,134,904 |
| Sale | | 32,330,990 | 26,891,082 |
| | | 105,603,260 | 93,025,986 |
| **24.2.2 Commitments in respect of forward government securities transactions** | | | |
| Purchase | | 11,407,050 | - |
| Sale | | - | 2,989,036 |
| | | 11,407,050 | 2,989,036 |
| **24.2.3 Commitments in respect of derivatives** | | | |
| Sale | | 6,698,587 | 8,272,187 |

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| | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **24.3 Other contingent liabilities** | | | |
| **24.3.1 Holding Company:** | | | |
| Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Holding Company's legal advisors are confident that the Holding Company has a strong case | | 2,510,000 | 2,510,000 |
| Indemnity issued favouring the Honorable High Court in one of the cases | | 457,543 | 457,543 |
| Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan | (i) | 1,154,701 | 1,154,701 |
| | | 4,122,244 | 4,122,244 |

**(i)** Income tax assessments of the Holding Company have been finalised upto the tax year 2019 (accounting year 2018) and tax return for the tax year 2020 (accounting year 2019) has already been filed. Income tax return for the tax year 2021 (accounting year 2020) will be filed within stipulated timeline.

The department and the Holding Company has disagreement on a matter relating to taxability of gain on bargain purchase on the acquisition of ex-RBS Pakistan. The additional tax liability on the matter amounts to Rs. 1,154.701 million (December 31, 2020: Rs. 1,154.701 million). The Commissioner Inland Revenue (Appeals) [(CIR(A)] had deleted the said additional tax liability, however the income tax department had filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR(A). During the current period, the ATIR has passed an order and maintained the decision of the CIR(A) in favour of the Holding Company. The management of the Holding Company is confident that in case an appeal is filed by the department against the order of the ATIR, the matter will be decided in the Holding Company favour and accordingly, no provision has been recorded in these condensed interim consolidated financial statements in respect of this matter.

**(ii)** There are certain claims against the Bank not acknowledged as debt amounting to Rs 33,864 million (December 31, 2020: Rs 31,374 million). These mainly represent counter claims filed by the borrowers for restricting the Holding Company from disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Holding Company was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing, certain cases filed by ex-employees of the Holding Company for damages sustained by them consequent to the termination from the Holding Company's employment and cases for damages towards opportunity losses suffered by customers due to non-disbursements of running finance facility as per the agreed terms. The above also includes an amount of Rs 25,299 million (December 31, 2020: 25,299 million) in respect of a suit filed against the Holding Company for declaration, recovery of monies, release of securities, rendition of account and damages.

Based on legal advices and / or internal assessments, management is confident that the above matters will be decided in the Holding Company's favour and the possibility of any outcome against the Holding Company is remote and accordingly no provision has been made in these condensed interim consolidated financial statements.

**24.3.2 Subsidiary Company:**

(i) The income tax returns of the Subsidiary Company for the tax years 2004 to 2020 (financial year ended June 30, 2004 to December 31, 2019) have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes. The Tax year 2005 (financial year ended June 30, 2005) has been selected by the taxation authorities for audit purpose. The tax authorities have passed an order under section 221 of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs. 0.913 million for the tax year 2005 on account of apportionment of expenses and disallowance of certain expenses. The Subsidiary Company has paid Rs. 0.414 million and has filed an appeal against the order before the Commissioner Appeals, the proceedings of which are underway. The remaining tax liability on these matters is Rs. 0.498 million. The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

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(ii) The income tax department has issued orders and show cause notices under section 221 of the Income Tax Ordinance, 2001 for recovery of Workers Welfare Fund (WWF) aggregating to Rs 0.818 million in respect of tax years 2008 and 2013. The details of orders and show cause along with the management actions are listed below:

| Tax years | Order / show cause references | Status | WWF Demand Rupees '000 |
|---|---|---|---|
| 2008 | Order u/s 221 dated June 30, 2014 | Appeal pending before the Commissioner Appeals | 315 |
| 2013 | Show cause u/s 221 dated May 7, 2014 | Showcause notice has been responded to | 503 |
| | | | 818 |

The management is of the view that WWF was not applicable for tax year 2008. In tax year 2013, subsequent to clarification decision by the SHC, the management has not admitted WWF charge in the annual return of income. The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

(iii) The Punjab Revenue Authority issued show cause notice No.PRA/AM/61/2205/ dated March 12, 2014 to Faysal Asset Management Limited requiring the Subsidiary Company to obtain registration / enrolment and to pay sales tax amounting to Rs. 6.055 million from July 2013 to March 2014 under the Punjab Sales Tax on Services Act, 2012 with effect from May 22, 2013 on management fee earned in Punjab.

In respect of this, the Subsidiary Company, jointly with other Asset Management Companies together with their respective collective investment schemes through their trustees, has filed a petition on July 8, 2014 in the SHC challenging the above notice. The Court has ordered suspension of the show cause notice till the next hearing of appeal in their order dated July 10, 2014. The next date of hearing has not yet been decided. The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

(iv) During the prior period, the audit of the tax year 2013 (financial year ended June 30, 2013) was completed by the taxation authorities. The tax authorities have passed an order under section 122(5A) of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs. 4.964 million for the tax year 2013 on account of apportionment of expenses, salary expenses and hardware and software expense. The management filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on the grounds of disallowances made by the Additional Commissioner Inland Revenue. The CIR(A) remanded back a few expenses while ordered against various other expenses for which the Subsidiary Company has decided to appeal before the Appellate Tribunal Inland Revenue (ATIR). The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

(v) During the year ended December 31, 2020, the audit of the tax year 2014 (financial year ended June 30, 2014) was completed by the taxation authorities. The tax authorities have passed an order under section 122(5A) of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs. 2.673 million for the tax year 2014 on account of apportionment of expenses, time barred payables, expenses claimed on provisional basis, salary expenses, marketing and advertising expenses, brokerage and commission expenses, legal and professional charges and hardware and software expenses. The management had decided to file an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on the grounds of disallowances made by the Additional Commissioner Inland Revenue. During the current period the CIR(A) issued an order whereby the earlier order passed by the tax authorities under section 122(5A) of the Income Tax Ordinance, 2001, has been annulled on the basis of being time barred, and consequentially the demand for additional liability has been relinquished. The management has decided to file an appeal before the Appellate Tribunal Inland Revenue (ATIR) to contest the order passed by DCIR. The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

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(vi) During the year ended December 31, 2020, the Deputy Commissioner Inland Revenue (DCIR) has passed an order under section 182(1) of the Income Tax Ordinance, 2001 for the tax year 2018, whereby the DCIR has imposed a penalty of Rs. 0.833 million on account of non submission of statement required to be filed by the Subsidiary Company under bilateral or multilateral convention under section 165B of the Income Tax Ordinance, 2001. The management has filed an appeal before the CIR(A) on the subject matter and has paid an amount of Rs 0.083 million being 10% of the total amount of penalty imposed under the order and has thus obtained an automatic stay on the subject matter. The management of the Subsidiary Company is confident that the matter will be decided in the Subsidiary Company's favour and accordingly no provision in respect of this penalty has been made in these condensed interim consolidated financial statements.

During the current period, the Subsidiary Company has received an appellate order on June 15, 2021 from the CIR(A), dismissing the appeal filed by the Subsidiary Company on August 17, 2020. The management intends to file an appeal before the Appellate Tribunal Inland Revenue (ATIR), but as a matter of abundant caution has recognised a provision of the full amount of penalty of Rs. 0.833 million in these condensed interim consolidated financial statements.

### 24.4 Commitments to extend credits

The Holding Company makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 26,947 million (December 31, 2020: Rs 28,860 million) which are irrevocable in nature.

| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| **25 DERIVATIVE INSTRUMENTS** | ---------- Rupees '000 ---------- | |
| Cross currency swaps (notional principal) | 6,462,271 | 7,792,684 |
| Interest rate swap (notional principal) | 236,316 | 479,503 |

### 25.1 Product analysis

| Counterparties | June 30, 2021 (Un-audited) | | | |
|---|---|---|---|---|
| | Cross currency swaps | | Interest rate swap | |
| | Notional principal | Mark to market gain / (loss) | Notional principal | Mark to market gain |
| | ---------- Rupees '000 ---------- | | | |
| **With banks for** | | | | |
| Hedging | - | - | - | - |
| Market making | 2,651,948 | 35,423 | 236,316 | 3,904 |
| **With other entities for** | | | | |
| Hedging | - | - | - | - |
| Market making | 3,810,323 | (631,975) | - | - |
| **Total** | | | | |
| Hedging | - | - | - | - |
| Market making | 6,462,271 | (596,552) | 236,316 | 3,904 |

| Counterparties | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|
| | Cross currency swaps | | Interest rate swap | |
| | Notional principal | Mark to market gain / loss | Notional principal | Mark to market gain |
| | ---------- Rupees '000 ---------- | | | |
| **With banks for** | | | | |
| Hedging | - | - | - | - |
| Market making | 3,218,043 | 62,289 | 479,503 | 7,048 |
| **With other entities for** | | | | |
| Hedging | - | - | - | - |
| Market making | 4,574,641 | (843,878) | - | - |
| **Total** | | | | |
| Hedging | - | - | - | - |
| Market making | 7,792,684 | (781,589) | 479,503 | 7,048 |

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| | | Note | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|---|
| | | | -------- Rupees '000 -------- | |
| **26** | **MARK-UP / RETURN / INTEREST EARNED** | | | |
| | On: | | | |
| | Loans and advances | | 13,417,551 | 19,410,641 |
| | Investments | | 10,807,757 | 11,775,254 |
| | Lendings to financial institutions | | 196,184 | 32,331 |
| | Balances with banks | | 154 | 14,525 |
| | Securities purchased under resale agreements | | 75,550 | 724,322 |
| | | | 24,497,196 | 31,957,073 |
| **27** | **MARK-UP / RETURN / INTEREST EXPENSED** | | | |
| | On: | | | |
| | Deposits | | 9,540,449 | 14,889,145 |
| | Securities sold under repurchase agreements | | 462,408 | 109,358 |
| | Other short term borrowings | | 24,763 | 18,078 |
| | SBP borrowings | | 461,870 | 281,259 |
| | Short sale of Pakistan Investment Bonds | | - | 42,219 |
| | Bai Muajjal | | - | 163,004 |
| | Musharaka acceptances | | 99,952 | 578,818 |
| | Lease liability against right-of-use assets | | 713,954 | 505,745 |
| | Cost of foreign currency swaps against foreign currency deposits / borrowings | | 1,271,000 | 2,151,216 |
| | | | 12,574,396 | 18,738,842 |
| **28** | **FEE AND COMMISSION INCOME** | | | |
| | Branch banking customer fees | | 391,631 | 224,217 |
| | Consumer finance related fees | | 249,999 | 140,439 |
| | Card related fees (debit and credit cards) | | 907,927 | 686,403 |
| | Credit related fees | | 16,980 | 29,051 |
| | Investment banking fees | | 126,265 | 60,516 |
| | Commission on trade | | 188,293 | 130,388 |
| | Commission on guarantees | | 67,148 | 37,721 |
| | Commission on cash management | | 37,914 | 30,107 |
| | Commission on remittances including home remittances | | 166,898 | 97,284 |
| | Commission on bancassurance | | 143,238 | 146,606 |
| | Commission on sale of funds unit | | 98,832 | 43,304 |
| | Management fee | | 154,643 | 59,098 |
| | Advisory fee | | 9,167 | 512 |
| | Sales load | | 58,108 | - |
| | Others | | 37,025 | 28,607 |
| | | | 2,654,068 | 1,714,253 |
| **29** | **GAIN ON SECURITIES** | | | |
| | Realised - net | 29.1 | 417,624 | 971,391 |
| | Unrealised - held for trading - net | | (19,022) | 52,555 |
| | | | 398,602 | 1,023,946 |
| **29.1** | Realised gain on: | | | |
| | Federal Government securities | | 245,979 | 742,809 |
| | Shares | | 90,453 | 202,471 |
| | Open end mutual funds | | 19,672 | 26,111 |
| | Associates | | 61,520 | - |
| | | | 417,624 | 971,391 |
| **30** | **OTHER INCOME** | | | |
| | Rent on property | | 90,098 | 69,173 |
| | Gain on sale of fixed assets - net | | 14,131 | 5,744 |
| | Gain on sale of non-banking assets - net | | 47,487 | - |
| | Loss on short sale of Pakistan Investment Bonds (PIBs) | | - | (88,139) |
| | Notice pay | | 221 | 2,442 |
| | Scrap income | | 2,635 | 838 |
| | Others | | 273 | 677 |
| | | | 154,845 | (9,265) |

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| | | Note | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|---|
| 31 | **OPERATING EXPENSES** | | -------- Rupees '000 -------- | |
| | **Total compensation expense** | | 3,926,773 | 3,564,565 |
| | **Property expense** | | | |
| | Rent and taxes | | 215,384 | 80,683 |
| | Insurance | | 24,813 | 25,336 |
| | Utilities cost | | 302,974 | 289,875 |
| | Security (including guards) | | 361,147 | 379,386 |
| | Repair and maintenance (including janitorial charges) | | 270,811 | 225,655 |
| | Depreciation on owned fixed assets | | 264,563 | 254,755 |
| | Depreciation on non-banking assets | | 2,483 | 3,408 |
| | Depreciation on right-of-use assets | | 763,971 | 735,055 |
| | Others | | 41,398 | 35,431 |
| | | | 2,247,544 | 2,029,584 |
| | **Information technology expenses** | | | |
| | Software maintenance | | 605,363 | 839,994 |
| | Hardware maintenance | | 114,816 | 152,991 |
| | Depreciation on owned fixed assets | | 174,536 | 185,299 |
| | Amortisation | | 63,242 | 97,842 |
| | Network charges | | 116,945 | 128,855 |
| | Others | | 303 | 2,025 |
| | | | 1,075,205 | 1,407,006 |
| | **Other operating expenses** | | | |
| | Directors' fees and allowances | | 52,760 | 84,916 |
| | Legal and professional charges | | 71,495 | 44,632 |
| | Outsourced services costs - staff | | 206,792 | 180,014 |
| | Travelling and conveyance | | 37,138 | 41,877 |
| | NIFT clearing charges | | 24,775 | 23,332 |
| | Depreciation on owned fixed assets | | 239,389 | 202,679 |
| | Training and development | | 9,364 | 14,128 |
| | Postage and courier charges | | 59,389 | 75,411 |
| | Communication | | 90,989 | 70,687 |
| | Marketing, advertisement and publicity | | 129,094 | 220,731 |
| | Donations | | 79,917 | 77,424 |
| | Auditors remuneration | | 14,012 | 11,717 |
| | Insurance | | 451,850 | 348,469 |
| | Stationery and printing | | 161,742 | 180,940 |
| | Bank fees and charges | | 91,215 | 63,395 |
| | Brokerage and commission | | 39,860 | 32,080 |
| | Deposit protection premium | | 260,117 | 195,328 |
| | Credit card bonus points redemption | | 90,402 | 84,735 |
| | Others | | 242,280 | 225,662 |
| | | | 2,352,580 | 2,178,157 |
| | | | 9,602,102 | 9,179,312 |
| 32 | **OTHER CHARGES** | | | |
| | Penalties imposed by the State Bank of Pakistan | | 4,141 | 108,012 |
| 33 | **PROVISIONS AND WRITE-OFFS - NET** | | | |
| | (Reversal of provision) / provision for diminution in value of investments | 13.4 | (316,391) | 35,054 |
| | Provision against loans and advances | 14.3 | 506,889 | 1,450,453 |
| | Bad debts written off directly | | 18,548 | 4,078 |
| | Recoveries of written off / charged off bad debts | | (197,949) | (23,897) |
| | Reversal of provision against off balance sheet obligations | 22.1 | (22,645) | (880) |
| | | | (11,548) | 1,464,808 |

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| | Un-audited | |
|---|---|---|
| | For the half year ended | |
| | June 30, 2021 | June 30, 2020 |
| | -------- Rupees '000 -------- | |
| **34 TAXATION** | | |
| Current | 2,483,909 | 2,844,889 |
| Prior periods | 40,000 | 60,000 |
| Deferred | 45,940 | (382,509) |
| | 2,569,849 | 2,522,380 |

**35 BASIC / DILUTED EARNINGS PER SHARE**

| | Un-audited | | | |
|---|---|---|---|---|
| | For the qurter ended | | For the half year ended | |
| | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | ---------- Rupees ---------- | | | |
| Profit after tax for the period | 1,953,044 | 1,739,430 | 4,068,256 | 3,794,021 |
| | ---------- Number of shares in thousands ---------- | | | |
| Weighted average number of ordinary shares | 1,517,697 | 1,517,697 | 1,517,697 | 1,517,697 |
| | ---------- Rupees ---------- | | | |
| Basic earnings per share | 1.29 | 1.15 | 2.68 | 2.50 |

**35.1** Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at June 30, 2021 and June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

**36 FAIR VALUE MEASUREMENTS**

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in 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.

**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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

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| | June 30, 2021 (Un-audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **On-balance sheet financial instruments** | ---------- Rupees '000 ---------- | | | |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal Government securities | - | 254,115,878 | - | 254,115,878 |
| Shares | 5,206,935 | 1,525,215 | - | 6,732,150 |
| Non-Government debt securities | 47,442,500 | 5,650,157 | - | 53,092,657 |
| **Financial assets - disclosed but not measured at fair value** | | | | |
| Investments | | | | |
| Non-Government debt securities | - | 9,392,586 | - | 9,392,586 |
| **Non-financial assets - measured at fair value** | | | | |
| Fixed assets (land and buildings) | - | - | 11,323,744 | 11,323,744 |
| Non-banking assets acquired in satisfaction of claims | - | - | 2,259,374 | 2,259,374 |
| **Off-balance sheet financial instruments - measured at fair value** | | | | |
| Forward purchase of foreign exchange | - | 72,726,671 | - | 72,726,671 |
| Forward sale of foreign exchange | - | 32,439,785 | - | 32,439,785 |
| Derivatives sales | - | 6,698,587 | - | 6,698,587 |

| | December 31, 2020 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **On-balance sheet financial instruments** | ---------- Rupees '000 ---------- | | | |
| **Financial assets - measured at fair value** | | | | |
| Investments | | | | |
| Federal Government securities | - | 202,016,327 | - | 202,016,327 |
| Shares | 5,631,735 | 2,077,503 | - | 7,709,238 |
| Non-Government debt securities | 47,510,000 | 6,092,828 | - | 53,602,828 |
| **Financial assets - disclosed but not measured at fair value** | | | | |
| Investments | | | | |
| Non-Government debt securities | - | 10,029,170 | - | 10,029,170 |
| **Non-financial assets - measured at fair value** | | | | |
| Fixed assets (land and buildings) | - | - | 11,323,744 | 11,323,744 |
| Non-banking assets acquired in satisfaction of claims | - | - | 2,683,207 | 2,683,207 |
| **Off-balance sheet financial instruments - measured at fair value** | | | | |
| Forward purchase of foreign exchange | - | 64,514,335 | - | 64,514,335 |
| Forward sale of foreign exchange | - | 26,528,182 | - | 26,528,182 |
| Derivatives sales | - | 8,272,187 | - | 8,272,187 |

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date when the event or change in circumstances require the Bank to exercise such transfers.

**Valuation techniques used in determination of fair values within level 2**

| Item | Valuation approach and input used |
|---|---|
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV / PKFRV rates. |
| Ijarah Sukuk | Fair values of GoP Ijarah Sukuk are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different pre-defined / approved dealers / brokers. |
| Unlisted ordinary shares | Break-up value determined on the basis of the NAV of a company using the latest available audited financial statements. |
| Term Finance Certificates (TFCs) and Sukuk Certificates | Fair values of TFCs and Sukuk certificates are determined using the MUFAP rates. |

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| Item | Valuation approach and input used |
|---|---|
| Forward foreign exchange contracts | The valuation has been determined by interpolating the mark-to-market currency rates announced by the State Bank of Pakistan. |
| Derivative instruments | The Bank enters into derivative contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. |
| Mutual funds | Units of mutual funds are valued using the net asset value (NAV) announce by the Mutual Funds Association of Pakistan (MUFAP). |

**Valuation techniques used in determination of fair values within level 3**

| Item | Valuation approach and input used |
|---|---|
| Fixed assets (land and building) | Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. These were last revalued on December 31, 2019. |
| Non-banking assets acquired in satisfaction of claims | Non-banking assets acquired in satisfaction of claims are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. These were last revalued on December 31, 2019. |

The valuations, mentioned above, are conducted by the valuation experts appointed by the Holding Company which are also on the panel of the Pakistan Banks' Association (PBA). The valuation experts use a market based approach to arrive at the fair value of the Holding Company's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these condensed interim consolidated financial statements.

## 37 SEGMENT INFORMATION

### 37.1 Segment details with respect to business activities

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | CIBG | Treasury | SAM | Others | Total |
| **Profit and loss account for the half year ended June 30, 2021 (un-audited)** | ---------- Rupees '000 ---------- | | | | | |
| Net mark-up / return / profit | (5,143,131) | 8,465,912 | 8,634,986 | 142,697 | (110,277) | 11,990,187 |
| Inter segment revenue - net | 13,566,060 | (6,913,745) | (7,881,363) | (86,120) | 1,315,168 | - |
| Non mark-up / return / interest income | 2,324,200 | 705,391 | 1,561,038 | 18,985 | (233,189) | 4,376,425 |
| Total Income | 10,747,129 | 2,257,558 | 2,314,661 | 75,562 | 971,702 | 16,366,612 |
| Segment direct expenses | 5,731,061 | 171,723 | 147,960 | 72,167 | 3,617,144 | 9,740,055 |
| Inter segment expense allocation | 3,159,036 | 301,067 | 69,574 | 60,178 | (3,589,855) | - |
| Total expenses | 8,890,097 | 472,790 | 217,534 | 132,345 | 27,289 | 9,740,055 |
| Provisions | (81,330) | 1,029,417 | (309,670) | (752,633) | 102,668 | (11,548) |
| Profit before tax | 1,938,362 | 755,351 | 2,406,797 | 695,850 | 841,745 | 6,638,105 |
| **Statement of financial position as at June 30, 2021 (un-audited)** | | | | | | |
| Cash and bank balances | 23,382,486 | - | 37,933,910 | - | - | 61,316,396 |
| Lendings to financial institutions | - | - | 7,500,000 | - | - | 7,500,000 |
| Investments | - | 14,968,227 | 311,600,685 | 3,298,820 | 698,159 | 330,565,891 |
| - Investment provision | - | - | (1,379,215) | (2,081,682) | - | (3,460,897) |
| Net inter segment lending | 466,069,372 | - | - | - | (466,069,372) | - |
| Advances - performing | 71,301,005 | 263,928,442 | - | - | 5,015,311 | 340,244,758 |
| Advances - non-performing | 3,916,037 | 4,825,038 | - | 14,922,035 | 34,891 | 23,698,001 |
| - Advances - provisions | (3,196,980) | (3,564,600) | - | (13,226,805) | (267,446) | (20,255,831) |
| Others | 12,188,380 | 3,831,879 | 1,981,888 | (1,885,234) | 30,598,530 | 46,715,443 |
| **Total assets** | 573,660,300 | 283,988,986 | 357,637,268 | 1,027,134 | (429,989,927) | 786,323,761 |

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| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | CIBG | Treasury | SAM | Others | Total |
| | Rupees '000 | | | | | |
| Borrowings | 7,831,420 | 54,520,674 | 21,781,400 | - | - | 84,133,494 |
| Subordinated debt | - | - | - | - | - | - |
| Deposits and other accounts | 548,659,196 | 41,593,377 | - | 263,479 | 1,300,522 | 591,816,574 |
| Net inter segment borrowing | - | 186,272,515 | 333,619,654 | 753,499 | (520,645,668) | - |
| Others | 17,169,684 | 1,602,420 | 675,148 | 10,156 | 26,872,634 | 46,330,042 |
| **Total liabilities** | 573,660,300 | 283,988,986 | 356,076,202 | 1,027,134 | (492,472,512) | 722,280,110 |
| Equity | - | - | 1,561,066 | - | 62,482,585 | 64,043,651 |
| **Total equity and liabilities** | 573,660,300 | 283,988,986 | 357,637,268 | 1,027,134 | (429,989,927) | 786,323,761 |
| **Contingencies and commitments** | 16,630,945 | 91,345,291 | - | 1,151,836 | - | 109,128,072 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | CIBG | Treasury | SAM | Others | Total |
| **Profit and loss account for the half year ended June 30, 2020 (un-audited)** | Rupees '000 | | | | | |
| Net mark-up / return / profit | (9,709,329) | 14,547,573 | 8,158,787 | 219,256 | 1,944 | 13,218,231 |
| Inter segment revenue - net | 17,493,775 | (12,262,006) | (7,668,700) | (154,638) | 2,591,569 | - |
| Non mark-up / return / interest income | 1,715,248 | 472,736 | 2,018,991 | 1,895 | (210,441) | 3,998,429 |
| Total Income | 9,499,694 | 2,758,303 | 2,509,078 | 66,513 | 2,383,072 | 17,216,660 |
| Segment direct expenses | 5,436,867 | 263,079 | 165,083 | 57,527 | 3,512,895 | 9,435,451 |
| Inter segment expense allocation | 2,979,425 | 342,267 | 68,112 | 61,725 | (3,451,529) | - |
| Total expenses | 8,416,292 | 605,346 | 233,195 | 119,252 | 61,366 | 9,435,451 |
| Provisions | 378,461 | 1,007,879 | 35,054 | 25,019 | 18,395 | 1,464,808 |
| Profit before tax | 704,941 | 1,145,078 | 2,240,829 | (77,758) | 2,303,311 | 6,316,401 |
| **Statement of financial position as at December 31, 2020 (audited)** | | | | | | |
| Cash and bank balances | 29,219,912 | - | 33,540,008 | - | - | 62,759,920 |
| Lendings to financial institutions | - | - | 2,985,000 | - | - | 2,985,000 |
| Investments | - | 16,430,902 | 259,865,978 | 3,298,820 | 651,412 | 280,247,112 |
| - Investment provision | - | - | (1,688,885) | (2,088,403) | - | (3,777,288) |
| Net inter segment lending | 412,879,111 | - | - | - | (412,879,111) | - |
| Advances - performing | 64,171,608 | 245,899,442 | - | - | 3,448,811 | 313,519,861 |
| Advances - non-performing | 6,647,456 | 3,489,249 | - | 16,049,685 | 39,035 | 26,225,425 |
| - Advances - provisions | (5,245,632) | (2,755,805) | - | (13,299,212) | (264,759) | (21,565,408) |
| Others | 10,290,418 | 3,793,772 | 4,945,294 | (1,881,285) | 32,521,381 | 49,669,580 |
| **Total assets** | 517,962,873 | 266,857,560 | 299,647,395 | 2,079,605 | (376,483,231) | 710,064,202 |
| Borrowings | 5,488,813 | 46,412,012 | 6,545,691 | - | - | 58,446,516 |
| Deposits and other accounts | 494,881,273 | 44,326,035 | - | 201,771 | 1,223,138 | 540,632,217 |
| Net inter segment borrowing | - | 175,499,595 | 289,997,780 | 1,871,334 | (467,368,709) | - |
| Others | 17,592,787 | 619,918 | 331,518 | 6,500 | 32,216,644 | 50,767,367 |
| **Total liabilities** | 517,962,873 | 266,857,560 | 296,874,989 | 2,079,605 | (433,928,927) | 649,846,100 |
| Equity | - | - | 2,772,406 | - | 57,445,696 | 60,218,102 |
| **Total equity and liabilities** | 517,962,873 | 266,857,560 | 299,647,395 | 2,079,605 | (376,483,231) | 710,064,202 |
| **Contingencies and commitments** | 14,672,741 | 64,309,145 | - | 1,249,878 | - | 80,231,764 |

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## 38 RELATED PARTY TRANSACTIONS

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

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 persons 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 condensed interim consolidated financial statements are as follows:

| | June 30, 2021 (Un-audited) | | | | | December 31, 2020 (Audited) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Parent | Directors | Key management personnel | Associates | Other related parties | Parent | Directors | Key management personnel | Associates | Other related parties |
| | Rupees '000 | | | | | | | | | |
| **Investments** | | | | | | | | | | |
| Opening balance | - | - | - | 1,241,543 | 4,056,857 | - | - | - | 961,872 | 3,780,238 |
| Investment made during the period / year | - | - | - | 1,727,454 | 10,012,543 | - | - | - | 717,090 | 31,074,157 |
| Investment redeemed / sold during the period / year | - | - | - | (1,407,744) | (10,488,370) | - | - | - | (482,811) | (30,797,538) |
| Equity method adjustment | - | - | - | 250 | - | - | - | - | 45,392 | - |
| Closing balance | - | - | - | 1,561,503 | 3,581,030 | - | - | - | 1,241,543 | 4,056,857 |
| Provision for diminution in value of investments | - | - | - | - | 2,039,337 | - | - | - | - | 2,041,890 |
| **Advances** | | | | | | | | | | |
| Opening balance | - | - | 258,224 | - | 1,799,681 | - | - | 226,887 | - | 9,441,893 |
| Addition during the period / year | - | - | 92,355 | - | - | - | - | 83,064 | - | 6,496 |
| Repaid during the period / year | - | - | (29,538) | - | - | - | - | (51,727) | - | (5,296,772) |
| Written off during the period / year | - | - | - | - | - | - | - | - | - | (2,351,936) |
| Closing balance | - | - | 321,041 | - | 1,799,681 | - | - | 258,224 | - | 1,799,681 |
| Provision held against advances | - | - | - | - | 511,816 | - | - | - | - | 511,816 |

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| | June 30, 2021 (Un-audited) | | | | | December 31, 2020 (Audited) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Parent | Directors | Key management personnel | Associates | Other related parties | Parent | Directors | Key management personnel | Associates | Other related parties |
| | Rupees '000 | | | | | | | | | |
| **Other assets** | | | | | | | | | | |
| Interest / mark-up accrued | - | - | 386 | - | 62,917 | - | - | 345 | - | 58,469 |
| Commission income receivable | - | - | - | - | 26,629 | - | - | - | 72 | 36,391 |
| Defined benefit plan asset | - | - | - | - | 64,095 | - | - | - | - | 66,343 |
| Remuneration receivable | - | - | - | 3,645 | 25,584 | - | - | - | 3,583 | 13,601 |
| Receivable against reimbursement of expenses | - | - | - | 5,978 | 104,554 | - | - | - | 10,301 | 50,426 |
| Receivable from defined contribution plan | - | - | - | - | 803 | - | - | - | - | 647 |
| Front end load receivable | - | - | - | - | 4,316 | - | - | - | 208 | 52,394 |
| Preliminary expenses and floatation costs receivable | - | - | - | 1,532 | 7,053 | - | - | - | 4,065 | 6,306 |
| Dividend receivable | - | - | - | - | 15,823 | - | - | - | - | 1,398 |
| Others | - | - | - | - | 446,350 | - | - | - | - | 515,944 |
| | - | - | 386 | 11,155 | 758,124 | - | - | 345 | 18,229 | 801,919 |
| **Deposits and other accounts** | | | | | | | | | | |
| Opening balance | 182 | 44,456 | 139,814 | 14,910 | 10,509,734 | 182 | 37,985 | 156,482 | - | 3,074,185 |
| Received during the period / year | 377,444 | 60,938 | 957,091 | 248,309 | 206,610,135 | - | 46,969 | 1,723,877 | 1,178,039 | 235,409,751 |
| Withdrawn during the period / year | (377,444) | (58,515) | (908,725) | (250,832) | (203,193,475) | - | (40,498) | (1,740,545) | (1,163,129) | (227,974,202) |
| Transfer in / (out) during the period / year | - | - | - | (2,041) | 2,041 | - | - | - | - | - |
| Closing balance | 182 | 46,879 | 188,180 | 10,346 | 13,928,435 | 182 | 44,456 | 139,814 | 14,910 | 10,509,734 |
| **Other liabilities** | | | | | | | | | | |
| Interest / mark-up payable | - | 151 | 129 | - | 59,184 | - | 129 | 217 | 11 | 38,703 |
| Payable against reimbursement of expenses | - | - | - | - | - | - | - | - | - | 2,864 |
| Other liabilities | - | - | - | - | 150,548 | - | - | - | - | 154,308 |
| | - | 151 | 129 | - | 209,732 | - | 129 | 217 | 11 | 195,875 |
| **Contingencies and commitments** | | | | | | | | | | |
| Guarantees issued favouring related parties or on their behalf * | - | - | - | - | 6,603 | - | - | - | - | 4,397 |
| Trade related commitments | - | - | - | - | 41,083 | - | - | - | - | 90,506 |
| | - | - | - | - | 47,686 | - | - | - | - | 94,903 |

* represents outstanding guarantee

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

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## RELATED PARTY TRANSACTIONS

| | June 30, 2021 (Un-audited) | | | | | June 30, 2020 (Un-audited) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Parent | Directors | Key management personnel | Associates | Other related parties | Parent | Directors | Key management personnel | Associates | Other related parties |
| | Rupees '000 | | | | | | | | | |
| **Income** | | | | | | | | | | |
| Mark-up / return / interest earned | - | - | 7,700 | - | 49,667 | - | - | 6,260 | - | 95,990 |
| Fee and commission income | - | 98 | 95 | 18,290 | 271,563 | - | 15 | 78 | - | 113,386 |
| Dividend income | - | - | - | - | 35,303 | - | - | - | - | 136,371 |
| Net gain on sale of securities | - | - | 3 | 61,520 | 19,752 | - | - | - | - | 26,111 |
| Gain on sale of fixed assets | - | - | 8 | - | - | - | - | 11 | - | - |
| **Expense** | | | | | | | | | | |
| Mark-up / return / interest paid | - | 807 | 1,953 | 421 | 304,306 | - | 1,463 | 5,538 | - | 146,471 |
| Reimbursement of expenses | - | - | - | 7,880 | 105,927 | - | - | - | - | 38,627 |
| Director's fee and other expenses | - | 52,760 | - | - | - | - | 84,916 | - | - | - |
| Remuneration | - | - | 397,927 | - | 980 | - | - | 338,461 | - | - |
| Consultancy Fee | - | - | - | - | 4,297 | - | - | - | - | 912 |
| Charge for defined benefit plan | - | - | - | - | 108,079 | - | - | - | - | 60,625 |
| Contribution to defined contribution plan | - | - | - | - | 128,338 | - | - | - | - | 110,840 |
| **Others** | | | | | | | | | | |
| Shares / units purchased during the period | - | - | - | 1,727,454 | 10,012,543 | - | - | - | - | 11,136,850 |
| Shares / units sold during the period | - | - | - | 1,407,744 | 10,508,042 | - | - | - | - | 10,333,916 |
| Government securities purchased during the period | - | - | 293,862 | - | 3,317,609 | - | - | 375,119 | - | 4,847,959 |
| Government securities sold during the period | - | - | 329,626 | - | 3,952,459 | - | - | 393,235 | - | 5,231,821 |
| Contribution to defined benefit plan | - | - | - | - | 105,832 | - | - | - | - | 93,094 |
| Sale proceeds from disposal of fixed assets | - | - | 22 | - | - | - | - | 11 | - | - |

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| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| **39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS** | ---------- Rupees '000 ---------- | |
| **Minimum capital requirement (MCR):** | | |
| Paid-up capital (net of losses) | 15,176,965 | 15,176,965 |
| **Capital adequacy ratio (CAR):** | | |
| Eligible common equity tier 1 (CET 1) capital | 53,304,572 | 49,609,041 |
| Eligible additional tier 1 (ADT 1) capital | - | - |
| Total eligible tier 1 capital | 53,304,572 | 49,609,041 |
| Eligible tier 2 capital | 8,190,161 | 8,503,577 |
| Total eligible capital (tier 1 + tier 2) | 61,494,733 | 58,112,618 |
| Risk weighted assets (RWAs): | | |
| Credit risk | 252,243,082 | 235,843,958 |
| Market risk | 23,633,722 | 22,173,745 |
| Operational risk | 51,622,995 | 51,622,995 |
| Total | 327,499,799 | 309,640,698 |
| **Common equity tier 1 capital adequacy ratio** | 16.28% | 16.02% |
| **Tier 1 Capital adequacy ratio** | 16.28% | 16.02% |
| **Total Capital adequacy ratio** | 18.78% | 18.77% |
| **Leverage ratio (LR):** | | |
| Eligible tier-1 capital | 53,304,572 | 49,609,041 |
| Total exposures | 949,370,894 | 833,658,911 |
| Leverage ratio (in %) | 5.61% | 5.95% |
| **Liquidity coverage ratio (LCR):** | | |
| Total high quality liquid assets | 315,223,770 | 265,799,775 |
| Total net cash outflow | 141,801,665 | 125,870,150 |
| Liquidity coverage ratio (Ratio) | 2.223 | 2.112 |
| **Net stable funding ratio (NSFR):** | | |
| Total available stable funding | 544,342,310 | 493,515,307 |
| Total required stable funding | 331,601,493 | 291,597,390 |
| Net stable funding ratio (in %) | 164.16% | 169.25% |

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## 40 ISLAMIC BANKING BUSINESS

The Holding Company is operating 500 Islamic banking branches (December 31, 2020: 500) including 1 Islamic sub-branch (December 31, 2020: 1). The statement of financial position and profit and loss account of these branches for the period ended June 30, 2021 are as follows:

| Statement of financial position | Note | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | | 23,706,574 | 21,763,033 |
| Balances with other banks | | 4,887,818 | 1,929,779 |
| Due from financial institutions | | 35,850,000 | 28,000,000 |
| Investments | 40.2 | 67,612,461 | 67,554,233 |
| Islamic financing and related assets - net | 40.3 | 254,755,941 | 189,941,639 |
| Fixed assets | | 13,520,878 | 14,904,507 |
| Intangible assets | | 179,192 | 136,688 |
| Other assets | | 11,203,362 | 6,278,487 |
| | | 411,716,226 | 330,508,366 |
| **LIABILITIES** | | | |
| Bills payable | | 7,076,251 | 6,029,790 |
| Due to financial institutions | | 57,364,636 | 47,086,694 |
| Deposits and other accounts | 40.4 | 291,086,991 | 248,090,892 |
| Due to head office | | 273,514 | 2,328,964 |
| Other liabilities | | 30,949,196 | 11,198,497 |
| | | 386,750,588 | 314,734,837 |
| **NET ASSETS** | | 24,965,638 | 15,773,529 |
| **REPRESENTED BY** | | | |
| Islamic banking fund | | 17,180,000 | 9,180,000 |
| Surplus on revaluation of assets - net of tax | | 1,485,117 | 1,468,656 |
| Unappropriated profit | 40.5 | 6,300,521 | 5,124,873 |
| | | 24,965,638 | 15,773,529 |
| **CONTINGENCIES AND COMMITMENTS** | 40.6 | | |

| Profit and loss account | | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| | | ---------- Rupees '000 ---------- | |
| Profit / return earned | 40.7 | 11,542,456 | 10,060,235 |
| Profit / return expensed | 40.8 | 4,567,514 | 4,950,082 |
| **Net profit / return** | | 6,974,942 | 5,110,153 |
| **Other income** | | | |
| Fee and commission income | | 812,210 | 338,176 |
| Foreign exchange income | | 174,023 | 73,764 |
| Gain on securities | | 16,372 | - |
| Other income | | 68,197 | 3,136 |
| Total other income | | 1,070,802 | 415,076 |
| **Total income** | | 8,045,744 | 5,525,229 |
| **Other expenses** | | | |
| Operating expenses | | 4,667,175 | 2,955,710 |
| Other charges | | 5 | 47,012 |
| Total other expenses | | 4,667,180 | 3,002,722 |
| Profit before provisions | | 3,378,564 | 2,522,507 |
| Provisions and write offs - net | | 1,451,272 | 56,049 |
| **Profit before taxation** | | 1,927,292 | 2,466,458 |
| Taxation | | 751,644 | 961,919 |
| **Profit after taxation** | | 1,175,648 | 1,504,539 |

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| | Un-audited June 30, 2021 | Audited December 31, 2020 |
|---|---|---|
| | ---------- Rupees '000 ---------- | |
| **40.1 Due from financial institutions** | | |
| Musharaka placement | 35,850,000 | 28,000,000 |

**40.2 Investments by segments:**

| | Un-audited June 30, 2021 | | | | Audited December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| | ---------- Rupees '000 ---------- | | | | | | | |
| **Federal Government securities:** | | | | | | | | |
| - Ijarah Sukuks | 34,691,128 | - | 207,703 | 34,898,831 | 34,434,037 | - | (27,948) | 34,406,089 |
| - Bai Muajjal Government of Pakistan | 1,597,048 | - | - | 1,597,048 | 1,597,048 | - | - | 1,597,048 |
| - Other Federal Government securities | 1,138,895 | - | - | 1,138,895 | 466,435 | - | - | 466,435 |
| | 37,427,071 | - | 207,703 | 37,634,774 | 36,497,520 | - | (27,948) | 36,469,572 |
| **Shares** | | | | | | | | |
| - Listed companies | 100,000 | - | - | 100,000 | - | - | - | - |
| **Non Government Debt securities:** | | | | | | | | |
| - Listed | 15,000,000 | - | 18,079 | 15,018,079 | 15,000,000 | - | 410,000 | 15,410,000 |
| - Unlisted | 14,442,108 | - | 417,500 | 14,859,608 | 15,663,124 | - | 11,537 | 15,674,661 |
| | 29,442,108 | - | 435,579 | 29,877,687 | 30,663,124 | - | 421,537 | 31,084,661 |
| **Total investments** | 66,969,179 | - | 643,282 | 67,612,461 | 67,160,644 | - | 393,589 | 67,554,233 |

**40.3 Islamic financing and related assets**

| | Un-audited June 30 2021 | Audited December 31 2020 Restated |
|---|---|---|
| | ------ Rupees '000 ------ | |
| Murabaha | 6,061,640 | 2,802,616 |
| Musharaka | 7,164 | 7,194 |
| Diminishing Musharaka | 127,115,944 | 102,902,725 |
| Istisna | 22,003,660 | 17,760,768 |
| Tawwaruq | 1,375,449 | 55,002 |
| Running Musharaka | 47,605,956 | 37,086,503 |
| Fixed assets Ijarah financing - net | 69,715 | 78,056 |
| Tijarah | 124,898 | 232,113 |
| Advance against Murabaha financing | 1,827,983 | 1,267,610 |
| Advanced against Diminishing Musharaka | 25,977,904 | 16,552,367 |
| Advance against Ijarah | 624,922 | 937,383 |
| Advance against Istisna | 12,053,322 | 6,890,624 |
| Advance against Islamic export refinance | 5,682,287 | 2,650,700 |
| Advance against Tijarah | 101,896 | - |
| Advance against Tawwaruq | 33,285 | - |
| Musawamah | 53,175 | - |
| Bai salam | 209,110 | - |
| Salam | 110,000 | - |
| Inventory related to Islamic financing | 6,425,550 | 1,974,625 |
| Gross Islamic financing and related assets | 257,463,860 | 191,198,286 |
| Less: provision against Islamic financings | | |
| - specific | (2,502,107) | (1,094,130) |
| - general | (205,812) | (162,517) |
| | (2,707,919) | (1,256,647) |
| Islamic financing and related assets - net of provision | 254,755,941 | 189,941,639 |

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**40.4 Deposits**

| | Un-audited | | | Audited | | |
|---|---|---|---|---|---|---|
| | June 30, 2021 | | | December 31, 2020 | | |
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| | Rupees '000 | | | | | |
| **Customers** | | | | | | |
| Current deposits | 122,143,120 | 9,955,747 | 132,098,867 | 82,149,540 | 8,463,757 | 90,613,297 |
| Savings deposits | 101,048,702 | 6,406,649 | 107,455,351 | 95,053,032 | 6,078,395 | 101,131,427 |
| Term deposits | 30,460,975 | 182,111 | 30,643,086 | 45,612,885 | 245,025 | 45,857,910 |
| | 253,652,797 | 16,544,507 | 270,197,304 | 222,815,457 | 14,787,177 | 237,602,634 |
| **Financial institutions** | | | | | | |
| Current deposits | 232,078 | 7,614 | 239,692 | 171,270 | 78 | 171,348 |
| Savings deposits | 15,056,445 | - | 15,056,445 | 8,426,214 | 7,646 | 8,433,860 |
| Term deposits | 5,593,550 | - | 5,593,550 | 1,883,050 | - | 1,883,050 |
| | 20,882,073 | 7,614 | 20,889,687 | 10,480,534 | 7,724 | 10,488,258 |
| | 274,534,870 | 16,552,121 | 291,086,991 | 233,295,991 | 14,794,901 | 248,090,892 |

**40.5 Islamic Banking Business Unappropriated Profit**

| | Un-audited June 30 2021 | Audited December 31 2020 Restated |
|---|---|---|
| | Rupees '000 | |
| Opening balance | 5,124,873 | 2,794,403 |
| Add: Islamic Banking profit for the period / year | 1,927,292 | 3,820,444 |
| Less: taxation | (751,644) | (1,489,974) |
| Closing balance | 6,300,521 | 5,124,873 |

**40.6 CONTINGENCIES AND COMMITMENTS**

| | | |
|---|---|---|
| Guarantees | 20,174,555 | 12,003,581 |
| Commitments | 62,182,341 | 50,760,337 |
| | 82,356,896 | 62,763,918 |

**40.7 Profit / return earned of financing, investments and placement**

| | Un-audited For the half year ended June 30, 2021 | June 30, 2020 |
|---|---|---|
| | Rupees '000 | |
| **Profit earned on:** | | |
| Financing | 7,872,142 | 8,106,768 |
| Investments | 3,670,314 | 1,953,467 |
| | 11,542,456 | 10,060,235 |

**40.8 Profit on deposits and other dues expensed**

| | | |
|---|---|---|
| Deposits and other accounts | 3,262,817 | 3,038,293 |
| Other short term borrowings | 869,369 | 1,551,136 |
| Lease liability against right-of-use assets | 435,328 | 360,653 |
| | 4,567,514 | 4,950,082 |

**41 GENERAL**

Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim consolidated financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There have been no significant reclassifications or re-arrangements during the period.

**42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Holding Company in their meeting held on August 26, 2021 has declared interim cash dividend of Rs 0.5 per share i.e. 5% (June 30, 2020: Nil). The condensed interim consolidated financial statements for the half year ended June 30, 2021 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2021.

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## 43 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on August 26, 2021 by the Board of Directors of the Holding Company.

| _____ | _____ | _____ | _____ | _____ |
|---|---|---|---|---|
| **President & CEO** | **Chief Financial Officer** | **Chairman** | **Director** | **Director** |

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