

# نیا دور، نئی پہچان وہی اسلامی اقدار



FIRST QUARTER  
ENDED MARCH 31, 2020  
UNAUDITED FINANCIAL STATEMENTS

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Registered Office  
Faysal House, St-02, Shahra-e-Faisal, Karachi  
Tel: 021-32795200 Fax: 021-32795226

# CORPORATE INFORMATION

## Board of Directors

Mr. Farooq Rahmatullah Khan	Chairman/Non-Executive Director
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Vice Chairman/Non-Executive Director
Mr. Yousaf Hussain	President & CEO
Mian Muhammad Younis	Independent Director
Mr. Imtiaz Ahmad Pervez	Non-Executive Director
Mr. Ali Munir	Independent Director
Mr. Juma Hasan Ali Abul	Non-Executive Director
Mr. Abdulelah Ebrahim Mohamed AlQasimi	Non-Executive Director
Mr. Abdulla Abdulaziz Ali Taleb	Non-Executive Director
Mr. Fuad Azim Hashimi	Independent Director

## Board Audit & Corporate Governance Committee

Mian Muhammad Younis	Chairman
Mr. Juma Hasan Ali Abul	Member
Mr. Ali Munir	Member

## Board Risk Management Committee

Mr. Imtiaz Ahmad Pervez	Chairman
Mr. Abdulelah Ebrahim Mohamed AlQasimi	Member
Mr. Abdulla Abdulaziz Ali Taleb	Member
Mr. Yousaf Hussain	Member

## Recruitment Nomination and Remuneration Committee

Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Chairman
Mr. Juma Hasan Ali Abul	Member
Mian Muhammad Younis	Member
Mr. Fuad Azim Hashimi	Member
Mr. Ali Munir	Member

## Board Strategy Committee

Mr. Farooq Rahmatullah Khan	Chairman
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Member
Mr. Juma Hasan Ali Abul	Member
Mr. Fuad Azim Hashimi	Member
Mr. Yousaf Hussain	Member

# CORPORATE INFORMATION

## Board IT Committee

Mr. Ali Munir  
Mr. Abdulelah Ebrahim Mohamed AlQasimi  
Mr. Abdulla Abdulaziz Ali Taleb  
Mr. Yousaf Hussain

Chairman  
Member  
Member  
Member

## Shariah Board

Mufti Muhammad Mohib-ul-Haq Siddiqui  
Dr. Mufti Khalil Ahmad Aazami  
Mufti Muhammad Abdullah

Chairman Shariah Board  
Shariah Board Member  
Resident Shariah Board Member

## Syed Majid Ali

Chief Financial Officer

## Mr. Aurangzeb Amin

Company Secretary & Head of Legal

## M/s. A.F. Ferguson & Co, Chartered Accountants

Auditors

## M/s. Mohsin Tayebaly & Co, Advocate

Legal Advisors

## Registered Office

Faysal Bank Limited  
Faysal House, St-02, Commercial Lane,  
Main Shahra-e-Faisal,  
Karachi-Pakistan

UAN : (92-21) 111-747-747  
Tel : (92-21) 3279-5200  
Fax : (92-21) 3279-5226  
Website : [www.faysalbank.com](http://www.faysalbank.com)

## Share Registrar

CDC Share Registrar Services Limited  
CDC House, 99-B, Block-B,  
SMCHS, Main Shahra-e-Faisal,  
Karachi-74400

Tel : (92-21) 111-111-500  
Fax : (92-21) 34326053  
Email : [info@cdcsrsl.com](mailto:info@cdcsrsl.com)

# DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Faysal Bank Limited ("FBL" or "the Bank") along with Unconsolidated Financial Statements for the quarter ended March 31, 2020.

## Company Profile

FBL was incorporated in Pakistan on 3rd October 1994 as a public limited company and its shares are listed on Pakistan Stock Exchange. FBL offers a wide range of modern banking services to all customer segments, i.e. Retail, Small & Medium Sized Enterprises, Commercial, Agri-based and Corporate.

FBL has been prudently expanding its outreach to customers by opening new branches. The Bank's footprint now spreads over 200 cities across the country with 555 branches. In line with FBL's strategy of transforming itself into a full-fledged Islamic Bank, 75% of its branches are now offering dedicated sharia-compliant banking services.

## Holding Company

Ithmaar Bank B.S.C (closed), a banking entity regulated by the Central Bank of Bahrain is the parent company holding directly and indirectly, 66.78% (2019: 66.78%) of the shareholding in the Bank. Ithmaar Bank B.S.C. (closed) is a wholly owned subsidiary of Ithmaar Holdings B.S.C. while Dar Al-Maal Al-Islami Trust (DMIT) is the holding company of Ithmaar Holding B.S.C. and the ultimate parent of the Bank. DMIT was formed by an indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and tradition.

## Economic Update

Just when the decision to approach the International Monetary Fund (IMF) and switch to market-based exchange rate mechanism started to bear fruit, with external sector strengthening and foreign exchange reserves building up, 1Q2020 was struck with COVID 19, a global pandemic. Within weeks many nations across the world started the process of monetary easing hoping to revitalise the ensuing economic slowdown. Pakistan followed suit with a cut in policy rate by 75 bps on 17th March followed by further cuts of 150 bps on 24th March and 200 bps on April 16 bringing down the Policy Rate from 13.25% to 9%.

While the coronavirus cases and deaths leaped uncontrollably worldwide, governments across the board introduced lockdowns and curtailment of activity. This has caused major demand and supply side disruptions to economic activity as the IMF downgraded its global growth outlook for 2020 from 3.3 percent to below zero. Global oil prices have crashed. Pakistan, having over a quarter of import bill in crude and related products could benefit from the situation. However, it may be overshadowed by a drastic drop in remittances and exports as global trade plunges by a third in 2020 according to World Trade Organization (WTO). Offshore

# DIRECTORS' REVIEW

investments in Government of Pakistan securities has already seen an outflow of USD 2.4 billion out of a total of USD 3.4 billion invested in earlier months of FY20. Simultaneously, PKR depreciated by 8 percent from PKR 154.2 per USD to PKR 166.8 per USD, however Pak Rupee has gained back some ground subsequently and was valued at 161.3 per USD as at April 30, 20.

The average headline inflation during 9MFY20, clocked in at 11.53%. However, with the noticeable slowdown in domestic demand and Sensitive Price Indicator (SPI) figures appearing in single digit, we can expect a significant downward revision in inflation expectations. The biggest challenge however remains on the fiscal side. Fiscal consolidation on account of broad-based tax reforms and control over public expenditure has helped gain traction. However, despite an array of emergency relief measures introduced by the government and SBP in collaboration with Pakistan Banks, major fiscal slippages are on the cards.

Amidst the coronavirus pandemic, the World Bank (WB) has said that Pakistan may fall into a recession during 2020 – for the first time in 68 years – with the economy expected to be shrinking in the range of 1.3%-2.2%. With strong fiscal stimulus appearing to be scarce for stimulating recovery, the country will need some form of debt repayment reprieve and require further monetary back-up from the developed world and multilateral institutions such as IMF, WB, ADB. Once lockdown restrictions are eased, Pakistan's government should adopt expansionary fiscal policies combined with monetary stimulus to keep credit flowing in its economy.

## Bank's Performance

### Conversion to Islamic

The Bank's 'Asset Led' conversion strategy using preservation of franchise value as the primary driving factor continues to guide the Bank towards becoming a full-fledged Islamic Bank. The Bank's Product development, Information Technology, Human Resources, Asset and Branch growth and conversion teams with the support of our capable Shar'iah and other back office units are cohesively engaged in realizing this objective.

Despite the challenges posed by COVID 19, focus on conversion to Islamic has Alhamdulillah, translated into improvement in composition of Sharia Compliant deposits rising to 27.5% (Dec '19: 26.0%) and financing to 41.1% (Dec '19: 37.3%) of total deposits and financing respectively. We remain confident that by the grace of Allah and with your support we will be able to achieve our objectives of full conversion by 2023.

# DIRECTORS' REVIEW

## Financial Highlights

Key Balance Sheet Numbers	Rs. in million		Growth %
	March '20	December '19	
Investment	215,912	204,069	5.8%
Financing	307,145	309,573	(0.8%)
Total Assets	625,446	629,853	(0.7%)
Deposits	460,980	457,789	0.7%
Profit & Loss Account	March '20	March '19	Growth %
Total Revenue	8,480	6,751	25.6%
Non-Markup Expenses	4,813	3,960	21.5%
Profit before tax and provisions	3,667	2,791	31.4%
Net Provisions	220	(206)	(206.5%)
Profit before tax	3,447	2,997	15.0%
Tax	1,367	1,388	(1.5%)
Profit after tax	2,080	1,609	29.3%
Earnings per share (Rupees)	1.37	1.06	

Total revenue of the Bank has shown strong growth of 25.6% over the same period last year. This was attributable mainly to increase in net markup income due to low cost deposit mobilization strategy and higher markup rates during the quarter under review. Non markup income also increased led by gain on securities which increased by Rs. 520 million. Operating expenses have increased by 18.9% primarily due to increase in branch network and higher inflation prevailing during the quarter.

Net provisions for the quarter reflected charge of Rs. 220 million mainly due to impairment on equity portfolio of Rs. 260 million – a 25% recognition in accordance with the SBP guidelines. On account of strong growth in core revenue streams supported by effective cost and risk management, the Bank was able to generate a robust growth of 29.3% in profit after tax over the corresponding period of previous year. Earning per share in the quarter improved to Rs. 1.37 per share from 1.06 per share in the corresponding period last year.

On the balance sheet side deposits grew by 0.7% to Rs. 460.98 billion. The Bank concentrated on reducing cost of deposit during the quarter and saw significant improvement in low cost deposits. The Bank has a decent Advances to Deposit Ratio (ADR) of 66.7%. The financing showed slight decline of 0.8% to Rs. 307.16 billion as well as the total assets by 0.7%.

# DIRECTORS' REVIEW

## Risk management

The stringent measures to reduce the COVID 19 spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 425 basis points to 9 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets, such as increase in overall credit risk pertaining to loans and advances portfolio, liquidity & market risk implications, operational issues such as effective management of branch operations, cyber security threats, reduced fee income due to slowdown in economic activity and investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. Major aspects of COVID 19 on the Bank's risk management policies are given below:

## Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors that are most likely to get affected. The Bank has further strengthened its credit review procedures in the light of COVID 19 and has conducted various Rapid Portfolio Reviews as at March 31, 2020.

## Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of its staff and an uninterrupted service to our customers. The senior management is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring of the cyber security risks during these times from its information security protocols, remote work capabilities were enabled for all critical staff and related risk and control measures have been ensured.

The primary focus of the bank is to ensure health and safety of the staff in these unusual times. Various steps have been taken to ensure that staff remain safe and healthy. Staff has been advised to sanitize hands before they enter their respective place of work. Sanitizers have been placed in all office premises. Face masks are being provided to staff and use of mask has been made mandatory. Thermal screening of all the staff is conducted before they enter the building. Branches are being disinfected on regular basis. Travelling is being avoided, where possible.



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Alternate arrangements, such as video / teleconferencing are being considered. VPN access along with laptop have been provided to critical staff to facilitate work from home.

## Capital adequacy ratio

Under the current scenario, the banks are expected to extend further credit, while overall deteriorating credit risk and increased NPLs may mean additional pressures on the Bank from Capital Adequacy Ratio perspective. In order to provide space for additional lending the SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. Further the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the management is continuously monitoring the impacts of various decisions on its CAR and taking further lending decisions based on the overall impact on Risk Weighted Assets (RWA). The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

## Outlook

We are passing through an unprecedented time when the global and Pakistan economy is being significantly impacted by the ongoing lockdown restrictions necessitated to control the spread of COVID 19. Prudent capital management has enabled your Bank to maintain a strong Capital Adequacy Ratio of 19.20% which is well above the regulatory requirement. This will hold the Bank in good stead in passing through the difficult times that lay ahead. FBL remains committed to providing high class services to its customers in these testing times through improved and enhanced offerings from alternate delivery channels and digital platforms.

## Credit Rating:

VIS Credit Rating Company Limited (VIS) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings:

Long-Term AA

Short-Term A1+

Stable outlook has been assigned to the ratings by both the rating agencies.

## Subsequent Events

No material changes or commitments affecting the financial position of the Bank have occurred between the quarter end and the date of this report other than those disclosed in financial statements.

# DIRECTORS' REVIEW

## Acknowledgement

On behalf of the Board & Management of the Bank, we would like to take this opportunity to thank the shareholders and valued customers for the trust they have reposed in the Bank. We are also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance. We would also like to express sincere appreciation for the Shariah Board and employees of the Bank for their dedication and hard work.

## Approval

In compliance with the requirement of the Companies Act, 2017, this Directors' Report with the recommendation of the Board Audit and Corporate Governance Committee has been approved by the Directors in their meeting held on May 13, 2020 and signed by the Chief Executive Officer and a director.

President & CEO

Chairman / Director

Karachi

Dated: May 13, 2020

## ڈائریکٹرز کا جائزہ

### توثیقی بیان:

ہم بورڈ اور بینک انتظامیہ کی جانب سے حصص مالکان اور صارفین کا شکریہ ادا کرنا چاہتے ہیں کہ انہوں نے بینک پر اپنے اعتماد کا اظہار کیا ہے۔ تعاون اور رہنمائی کا سلسلہ جاری رکھنے پر ہم بینک دولت پاکستان اور سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کے بھی شکر گزار ہیں۔ ادارے کی بھرپور ترقی یقینی بنانے کے لیے پوری لگن اور تنہی سے کام کرنے پر ہم شریعہ بورڈ اور تمام ملازمین کے بھی بے حد مشکور ہیں۔

### منظوری:

کمپنیز ایکٹ 2017 کی شرائط کے تحت بورڈ آف آڈٹ اور کارپوریٹ گورننس کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 13 مئی، 2020 کو منعقدہ اجلاس میں ڈائریکٹرز کی جانب سے منظور کیا گیا ہے اور اس پر چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے دستخط کر دیئے ہیں۔

چیئر مین / ڈائریکٹر

صدر روری ای او

کراچی

13 مئی، 2020

## ڈائریکٹر کا جائزہ

مارکیٹ یا آپریشنل رسک کے حوالے سے کسی بھی طرح کے خراب حالات سے نمٹنے کے لیے CAR کی ضروریات کے لیے مناسب اسباب موجود ہیں۔

### مستقبل پر نظر

ہم ایک غیر معمولی دور سے گزر رہے ہیں جب عالمی اور پاکستان کی معیشت پر کورونا کی وبا کو پھیلنے سے روکنے کے لیے لاک ڈاؤن کی پابندیوں کے گہرے اثرات مرتب ہو رہے ہیں۔ پروڈنٹ کیپٹل مینجمنٹ نے آپ کے بینک کو 19,20 فیصد کا مستحکم کیپٹل ایڈیکوئسی ریشو برقرار رکھنے کے قابل بنایا ہے جو کہ ریگولیٹری ضروریات سے اچھا خاصا اوپر ہے۔ اس سے بینک کو آنے والے مشکل حالات میں اپنی مستحکم معاشی حیثیت برقرار رکھنے میں مدد ملے گی۔ فیصل بینک لمیٹڈ ان مشکل حالات میں الٹرنیٹ ڈیلیوری چینلز اور ڈیجیٹل پلیٹ فارمز کی بدولت جدید اور وسیع پیشکشوں کے ذریعے اپنے صارفین کو بہترین اور اعلیٰ خدمات فراہم کرنے کے لیے پرعزم ہے۔

### کریڈٹ ریٹنگ:

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR) اور پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے 31 دسمبر، 2017 کے مالیاتی گوشواروں کی بنیاد پر درج ذیل درجہ بندی جاری کی ہے:

طویل المیعاد: AA

قلیل المیعاد: A1+

مذکورہ بالا کریڈٹ ریٹنگ ایجنٹیز نے مستحکم حالت کی درجہ بندی تفویض کی ہے۔

### بعد از واقعات:

بینک کی مالی پوزیشن پر بینک کی رواں سہ ماہی اور اس رپورٹ کی تاریخ کے درمیان کوئی قابل ذکر تبدیلی یا کمینٹ نہیں کی گئی۔

## ڈائریکٹرز کا جائزہ

### آپریٹرز

بینک صورتحال کی اچھی طرح نگرانی کر رہا ہے اور اپنے ملازمین کے حفاظت اور سیکورٹی کے علاوہ اپنے صارفین کو بلا تعطل خدمات کی فراہمی کو یقینی بنانے کے لیے مطلوبہ انتظامات بھی کر لیے ہیں۔ اعلیٰ انتظامیہ صورتحال کی مسلسل نگرانی کر رہی ہے اور کسی بھی شکایت کو حل کرنے کے لیے بروقت فیصلے کیے جا رہے ہیں۔ کاروباری تسلسل کے منصوبوں (BCP) پر متعلقہ شعبوں میں آزمائشی بنیادوں پر عملدرآمد جاری ہے۔ بینک نے ان حالات میں اپنے انفارمیشن سیکورٹی پروٹوکولز کے ذریعے سائبر سیکورٹی رسک کی نگرانی پر زیادہ توجہ مرکوز کر رکھی ہے، تمام اہم ملازمین کے لیے باہر سے بیٹھ کر کام کرنے اور متعلقہ رسک اور ان سے نمٹنے کے لیے اقدامات کو یقینی بنایا گیا ہے۔

بینک کی جانب سے مذکورہ غیر معمولی حالات میں اپنے ملازمین کی صحت اور حفاظت کو یقینی بنانا اولین ترجیحات میں شامل ہے۔ اس سلسلے میں مختلف اقدامات کیے گئے ہیں تاکہ ملازمین کی صحت اور حفاظت کو یقینی بنایا جاسکے۔ ملازمین کو مشورہ دیا گیا ہے کہ وہ اپنے دفتر میں داخل ہونے سے ہاتھوں کو سینچنا نہ کریں۔ دفاتر اور اس سے ملحقہ تمام مقامات پر سینچنا ضرور رکھ دیئے گئے ہیں۔ ملازمین کو فیس ماسک فراہم کیے گئے ہیں اور ماسک کے استعمال کو لازمی قرار دیا گیا ہے۔ تمام ملازمین کے دفتر کی عمارت میں داخل ہونے سے پہلے تھرمل اسکریمنگ کی جاتی ہے۔ مستقل بنیادوں پر شاخوں کو ڈس انفیکٹ کیا جا رہا ہے۔ جہاں تک ممکن ہے، سفر کرنے سے گریز کیا جا رہا ہے۔ متبادل انتظامات، جیسا کہ ویڈیو/ٹیلی کانفرنسنگ کے اہتمام کو ترجیح دی جا رہی ہے۔ اہم ترین ملازمین کو گھر سے کام کرنے کے لیے لپ ٹاپ کے ساتھ وی پی این (VPN) تک رسائی کی سہولت فراہم کی گئی ہے۔

### کیپٹل ایڈیکوئسی ریشو

موجودہ حالات میں، بینکوں کو کریڈٹ میں مزید توسیع کرنا پڑے گی جبکہ مجموعی طور پر کریڈٹ رسک کی بگڑتی ہوئی صورتحال اور بڑھتے ہوئے NPLs کی وجہ سے کیپٹل ایڈیکوئسی ریشو کے اعتبار سے بینک پر مزید باؤ بڑھے گا۔ اضافی قرضہ جات فراہم کرنے کے لیے بینک دولت پاکستان نے کیپٹل کنورژن بف (CCB) کی بینکوں کے لیے شرائط میں نرمی کر کے 1.5 فیصد تک کمی کر دی ہے، جس کے نتیجے میں مجموعی طور پر CAR میں 11.5 فیصد کی ضرورت ہے۔ CCB میں کمی کے بینک کو اپنے مائر 2 کیپٹل کے لیے حد میں مزید اضافہ حاصل ہو گیا ہے۔ علاوہ ازیں ریشیل لونز کے لیے ریگولیٹری لمٹ میں بھی بینک دولت پاکستان کی جانب سے 180 ملین کا اضافہ کر دیا گیا ہے، جس کی وجہ سے ویڈیو ایڈیٹس کے کچھ اپنے لونز میں رسک کا عنصر کم ہو جائے گا۔ بینک دولت پاکستان کی جانب سے اقدامات کے علاوہ انتظامیہ اپنے CAR سے متعلق مختلف فیصلوں کے اثرات کا بھی مسلسل جائزہ لے رہی ہے اور رسک ویڈیو ایڈیٹس (RWA) پر مجموعی اثرات کی بنیاد پر مزید قرضوں کے فیصلے کرے گی۔ بینک اس بات پر یقین رکھتا ہے کہ کریڈٹ،

## ڈائریکٹرز کا جائزہ

بیلنس شیٹ پر مجموعی ڈپازٹس 0.7 فیصد اضافے کے ساتھ 460.98 ارب روپے رہے۔ رواں سہ ماہی کے دوران بینک نے ڈپازٹس کے اخراجات کم کرنے پر بھرپور توجہ دی اور کم قیمت ڈپازٹس میں خاطر خواہ اضافہ دیکھنے میں آیا۔ بینک کا ایڈوانسز ٹو ڈپازٹ ریشو (ADR) 66.7 فیصد کی شاندار سطح پر رہا۔ فنانسنگ کی مد میں 0.8 فیصد کی معمولی کمی کے ساتھ 307.16 ارب روپے ریکارڈ کئے گئے جبکہ مجموعی اثاثوں میں 0.7 فیصد کی واقع ہوئی۔

## رسک مینجمنٹ

کورونا کی وبا کو کم کرنے کے لیے اٹھائے گئے اقدامات نے پاکستان کی معیشت کو بہت زیادہ متاثر کیا ہے۔ عالمی سطح پر پالیسی ساز اداروں اور حکومتوں نے وبا کے اثر کو کم کرنے کے لیے مالی اور معاشی طور پر خاطر خواہ اقدامات متعارف کرائے ہیں۔ بینک دولت پاکستان نے سنگین حالات کے پیش نظر شرح سود میں 425 بنیادی پوائنٹس کم کر کے 9 فیصد کر دی ہے اور بینکاری نظام کو مستحکم بنانے اور معاشی سرگرمیوں کو برقرار رکھنے کے لیے ریگولیٹری اقدامات متعارف کرائے ہیں۔ ان اقدامات میں (i) کیپٹل کنزرویشن ایفر کو 100 بنیادی پوائنٹس کی کمی کے ساتھ 1.5 فیصد کرنا؛ (ii) ایس ایم ایز کو کریڈٹ کی حد میں توسیع کے ساتھ 44 فیصد اضافہ کر کے 180 ملین روپے تک لانا؛ (iii) کنزرویٹو لوزز کے لیے ڈیٹ برڈن ریشو میں 50 سے 06 فیصد تک نرمی؛ (iv) بینکوں کو صارفین سے قرضوں کی ادائیگی میں ایک سال تک رعایت دینے کی اجازت؛ اور (v) ری اسٹرکچرڈ اری شیڈولڈ قرضوں کی ادائیگی میں خواہشمند صارفین کو ایک سال تک رعایت دینا شامل ہیں۔

کورونا کی وبا نے پاکستان میں بینکوں کو مختلف ذرائع سے متاثر کیا ہے جیسا کہ قرضوں کی واپسی اور ایڈوانسز پورٹ فولیو؛ لیکویڈیٹی اینڈ مارکیٹ رسک میں مجموعی طور پر کریڈٹ رسک میں اضافہ؛ انتظامی مسائل جیسا کہ برانچ آپریشن کا منسوخ انتظام، سائبر سیکورٹی کے خطرات، معاشی سرگرمیوں میں سست روی کے باعث فیس آمدنی میں کمی اور سنڈیکیٹ لوزز کا انتظام، ڈیٹ اینڈ کیپٹل ایڈوانسزری سروسز وغیرہ سمیت سرمایہ کاری کی سرگرمیاں شامل ہیں۔ بینک کی رسک مینجمنٹ پالیسیز کے اہم پہلو درج ذیل ہیں:

## ایسٹیس کوالٹی اینڈ کریڈٹ رسک

بینک کا رسک ڈپارٹمنٹ مستقل بنیادوں پر سب سے زیادہ متاثر ہونے والے مختلف سیکٹرز میں قرضوں کی واپسی کے حوالے سے جانچ پڑتال میں مصروف عمل ہے۔ کورونا کی وبا کے پیش نظر بینک نے اپنے کریڈٹ کے طریقہ کار کو مزید مستحکم بنانے کے لیے نظر ثانی کی ہے اور 31 مارچ، 2020 تک مختلف پورٹ فولیوز میں تیزی کے ساتھ نظر ثانی کی ہے۔

## ڈائریکٹرز کا جائزہ

(ملین روپے)

نفع اور نقصان اکاؤنٹ	مارچ ۲۰۲۰ء	مارچ ۲۰۱۹ء	اضافہ
مجموعی آمدنی	8,480	6,751	25.6 فیصد
نان - مارک اپ اخراجات	4,813	3,960	21.5 فیصد
منافع قبل از ٹیکس اور پروویژن	3,667	2,791	31.4 فیصد
نیٹ پروویژنز	220	-206	(206.5) فیصد
منافع قبل از ٹیکس	3,447	2,997	15.0 فیصد
ٹیکس	1,367	1,388	(1.5) فیصد
منافع بعد از ٹیکس	2,080	1,609	29.3 فیصد
فی حصص آمدن	1.37	1.06	

بینک کی مجموعی آمدنی میں گزشتہ سال اسی مدت کے مقابلے میں 25.6 فیصد کا مستحکم اضافہ نظر آیا۔ اس شاندار کارکردگی کی وجوہات میں کم قیمت ڈپازٹس کی حکمت عملی کے باعث نیٹ مارک اپ آمدنی میں اضافہ اور زیر جائزہ سہ ماہی کے دوران بلند مارک اپ ریٹس شامل ہیں۔ سیکوریٹیز میں اضافے سے نان مارک اپ آمدنی میں بھی اضافہ ہوا جو کہ 520 ملین روپے تک رہا۔ برانچ نیٹ ورک کی توسیع اور سہ ماہی کے دوران بلند افراط زر کی وجہ سے انتظامی اخراجات میں ابتدائی طور پر 18.9 فیصد اضافہ ہوا۔

رواں سہ ماہی کے دوران بینک دولت پاکستان کے رہنما اصولوں کے مطابق ایکویٹی پورٹ فولیو میں 260 ملین روپے یعنی 25 فیصد اضافہ کی وجہ سے 220 ملین روپے کا منافع ہوا۔ اخراجات اور رسک مینجمنٹ پر بھرپور توجہ کی بدولت مجموعی آمدنی میں خاطر خواہ اضافہ ہوا جس کے باعث بینک کے بعد از ٹیکس منافع میں 29.3 فیصد کا شاندار اضافہ ہوا۔ سہ ماہی کے دوران فی حصص آمدنی گزشتہ سال کی اسی مدت کے 1.06 روپے سے بڑھ کر 1.37 روپے ہو گئی ہے۔

## ڈائریکٹرز کا جائزہ

بینک کی کارکردگی:

اسلامی بینکاری میں منتقلی

بینک کے اثاثہ جات کو مکمل طور پر اسلامی بینکاری میں تبدیل کرنے کے لیے ابتدائی طور پر فرنیچر و فیکٹری کو محفوظ بنانے کے لیے رہنما اصولوں پر عمل درآمد جاری ہے۔ ہمارے مستند شریعہ بورڈ اور دیگر انتظامی یونٹس کے تعاون سے اس مقصد کو حاصل کرنے کے لیے بینک کے پروڈکٹ ڈیولپمنٹ، انفارمیشن ٹیکنالوجی، ہیومن ریسورسز، اثاثہ جات اور شاخوں میں توسیع کے علاوہ تبدیلی کی شرائط پر مکمل طور پر عمل درآمد کیا جا رہا ہے۔

کورونا وائرس کی وباء سے مشکلات کے باوجود الحمد للہ اسلامی بینکاری میں تبدیلی کے عمل پر مکمل توجہ مرکوز رہی جس کے نتیجے میں شریعہ کمپلائنس ڈپارٹمنٹ ڈپازٹس میں دسمبر 2019 کے 26.0 فیصد کے مقابلے میں 27.5 فیصد اضافہ رہا اور فنانسنگ کی مد میں دسمبر 2019 میں 37.3 فیصد کے مقابلے میں 41.1 فیصد اضافہ ہوا۔ ہم پر امید ہیں کہ اللہ تعالیٰ کے فضل و کرم سے 2023 تک ہم مکمل طور پر اسلامی بینکاری میں تبدیلی کا ہدف حاصل کر لیں گے۔

مالیاتی جھلکیاں:

(ملین روپے)			بیلنس شیٹ
مارچ ۲۰۲۰ء	دسمبر ۲۰۱۹ء	اضافہ	
215,912	204,069	5.8 فیصد	سرمایہ کاری
307,145	309,573	(0.8) فیصد	فنانسنگ
625,446	629,853	(0.7) فیصد	مجموعی اثاثہ جات
460,980	457,789	0.7 فیصد	ڈپازٹس



## ڈائریکٹر زکا جائزہ

پیش نظر 17 مارچ کو شرح سود میں 75 بی پی ایس کی کمی کے بعد 24 مارچ اور 16 اپریل کو شرح سود میں بالترتیب 150 بی پی ایس اور 200 بی پی ایس کی کمی کے ساتھ شرح سود کو 13.25 فیصد سے کم کر کے 9 فیصد کی سطح پر مقرر کر دیا۔

کورونا وائرس کے مریضوں اور اموات میں عالمی سطح پر قابو پانا ممکن نہیں رہا، جس کے باعث حکومتوں نے لاک ڈاؤن لگا کر تمام تر سرگرمیوں پر پابندی لگا دی۔ اس کی وجہ سے طلب اور رسد میں عدم توازن پیدا ہو گیا اور آئی ایم ایف کی جانب سے 2020 کے لیے عالمی معاشی ترقی کی شرح میں 3.3 فیصد کے امکان کو صفر سے بھی کم قرار دیا گیا جس کی وجہ سے معاشی سرگرمیاں شدید دباؤ کا شکار ہیں۔ عالمی منڈی میں پٹرولیم مصنوعات کی قیمتیں منفی سطح پر آ گئیں۔ اس صورتحال کے پیش نظر درآمدی بل کا چوتھائی حصہ خام آئل پر مبنی اشیاء ہونے کی وجہ سے پاکستان کو فائدہ ہو سکتا ہے۔ البتہ، ورلڈ ٹریڈ آرگنائزیشن (WTO) کے مطابق 2020 میں عالمی سطح پر کاروبار میں تہائی فیصد کی کمی کے باعث غیر ملکی ترسیلات زرا اور برآمدات میں بھی شدید کمی واقع ہو سکتی ہے۔ مالی سال 2020 کے ابتدائی مہینوں میں حکومت پاکستان کی سیکورٹیز میں غیر ملکی سرمایہ کاری کے مجموعی طور پر 3.4 ارب امریکی ڈالرز میں سے 2.4 ارب امریکی ڈالرز کا ہدف حاصل ہو چکا ہے۔ اسی طرح امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر 166.8 روپے فی ڈالر سے کم ہو کر 154.2 روپے فی ڈالر تک کم ہو چکی ہے، تاہم 30 اپریل 2020 کے مطابق پاکستانی روپے کی قدر میں 161.3 روپے فی ڈالر تک بہتری دیکھنے میں آئی۔

مالی سال 2020 کے 9 ماہ کے دوران افراط زر کی شرح 11.53 فیصد تک رہی، تاہم ملکی اشیاء کی طلب میں انتہائی سست روی دیکھی گئی اور سینیٹیو پرائس انڈیکس (SPI) کی شرح میں ایک عدد تک اضافہ دیکھنے میں آیا، ہم مستقبل میں افراط زر کی شرح میں خاطر خواہ کمی کی توقع رکھتے ہیں۔ البتہ ٹیکس اصلاحات میں بڑے پیمانے پر نظر ثانی سے سب سے بڑے مالیاتی چیلنج کا سامنا ہو سکتا ہے اور سرکاری اخراجات پر قابو پانے سے بہتری کی توقع ہے۔ تاہم حکومت اور بینک دولت پاکستان کی جانب سے دیگر بینکوں کے اشتراک سے ایمرجنسی ریلیف کے لئے متعارف کرائے گئے اقدامات کی وجہ سے مالیاتی بنیادوں پر بڑے خساروں کا بھی امکان ہے۔

کورونا وائرس کی وباء کے باعث عالمی بینک نے کہا ہے کہ 2020 کے دوران 68 سالوں میں پہلی مرتبہ پاکستان کو معاشی گراؤ کا سامنا ہو سکتا ہے جبکہ معاشی ترقی کی شرح 1.3 فیصد سے 2.2 فیصد کے درمیان رہنے کا امکان ہے۔ مضبوط مالی پس منظر کی بدولت ملک کو عالمی مالیاتی اداروں کا کچھ قرضہ واپس کر کے، ترقی یافتہ ممالک، آئی ایم ایف، عالمی بینک اور ایشیائی ترقیاتی بینک جیسے عالمی اداروں سے مزید مالی امداد کی ضرورت پیش آئے گی۔ جیسے ہی لاک ڈاؤن کی پابندیاں نرم ہوں گی تو حکومت پاکستان مالیاتی پالیسیوں میں توسیع کرتے ہوئے اپنی معیشت کے استحکام کو برقرار رکھنے کی کوشش کرے گی۔

## ڈائریکٹرز کا جائزہ

فیصل بینک لمیٹڈ ("ایف بی ایل" یا "دی بینک") کے بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کی خدمت میں 31 مارچ، 2020 کو ختم شدہ پہلی سہ ماہی کی رپورٹ (ان کنسولیڈیٹڈ مالیاتی گوشواروں کے ساتھ) پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### کمپنی پروفائل

فیصل بینک لمیٹڈ (FBL) کا قیام پاکستان میں 3 اکتوبر، 1994 کو ایک پبلک لمیٹڈ کمپنی کے طور پر عمل میں آیا۔ بینک کے شیئرز کا اندراج پاکستان اسٹاک ایکسچینج میں ہے۔ فیصل بینک لمیٹڈ اپنے صارفین کو جدید بینکاری کی تمام خدمات یعنی ریشیل، سال اینڈ میڈیم سائزڈ انٹرپرائزز، کمرشل، زراعت پڑنی اور کارپوریٹ خدمات فراہم کرنے میں مصروف عمل ہے۔

فیصل بینک لمیٹڈ صارفین تک اپنی رسائی میں اضافے کے لیے نئی شاخیں کھولنے پر توجہ دے رہا ہے۔ فیصل بینک کی ملک بھر کے 200 سے زائد شہروں میں 555 شاخیں ہیں۔ بینک مکمل طور پر اسلامی مالیاتی ادارے میں تبدیل ہونے کی راہ پر گامزن ہے اور اب بینک کی 75 فیصد شاخیں مکمل طور پر شرعی اصولوں کے مطابق بینکاری کی خدمات فراہم کر رہی ہیں۔

### ہولڈنگ کمپنی

اتمار بینک B.S.C (کلوزڈ)، جو کہ سینٹرل بینک آف بحرین کا ماتحت ادارہ ہے، جو بالواسطہ اور بلاواسطہ طور پر بینک کے 66.78 فیصد (2019 میں 66.78 فیصد) حصص کے ساتھ بینک کا سربراہ ادارہ ہے۔ اتمار بینک B.S.C (کلوزڈ)، اتمار ہولڈنگ B.S.C کی مکمل ملکیت کا ذیلی ادارہ ہے جبکہ دارالمال الاسلامی ٹرسٹ (DMIT) فیصل بینک کا اعلیٰ ترین سربراہی ادارہ ہے اور اتمار ہولڈنگ B.S.C کا بھی سربراہ ادارہ ہے۔ DMIT کا قیام کامن ویلتھ آف بہاماس کے قوانین کے تحت عمل میں آیا تاکہ اسلامی قوانین، اصولوں اور روایات کے مطابق کاروباری امور انجام دیئے جائیں۔

### اقتصادی اپ ڈیٹ

جیسے ہی انٹرنیشنل مانیٹری فنڈ (IMF) سے مالی امداد کے لیے رابطے کا فیصلہ کیا گیا اور مارکیٹ پڑنی ایکسچینج ریٹ میکیزم سے فائدہ حاصل ہونا شروع ہوا، بیرونی سیکٹر میں استحکام آنے لگا اور غیر ملکی زرمبادلہ کے ذخائر بڑھنے لگے تو دنیا بھر میں 2020 کی پہلی سہ ماہی میں کورونا وائرس (COVID 19) کی وبا پھیل گئی۔ مستقبل میں معاشی رفتار میں یقینی طور پر سست روی کے امکان کو محسوس کرتے ہوئے چند ہفتوں کے اندر ہی دنیا بھر کے کئی ممالک نے اپنی مالیاتی پالیسیوں میں نرمی پیدا کرنا شروع کر دی۔ پاکستان نے بھی صورتحال کے

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
		Rupees '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	9	44,532,267	60,368,417
Balances with other banks	10	1,614,891	2,835,570
Lendings to financial institutions		-	-
Investments	11	215,911,589	204,068,952
Advances	12	307,145,245	309,573,002
Fixed assets	13	24,173,659	24,183,424
Intangible assets	14	1,426,407	1,487,541
Deferred tax assets	19	-	-
Other assets	15	30,641,544	27,335,751
		625,445,602	629,852,657
<b>LIABILITIES</b>			
Bills payable	16	7,418,845	8,356,460
Borrowings	17	61,329,964	72,746,795
Deposits and other accounts	18	460,980,033	457,789,109
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	19	2,661,168	2,763,998
Other liabilities	20	35,815,942	32,932,422
		568,205,952	574,588,784
<b>NET ASSETS</b>		57,239,650	55,263,873
<b>REPRESENTED BY</b>			
Share capital		15,176,965	15,176,965
Reserves		9,801,668	9,830,958
Surplus on revaluation of assets - net	21	10,653,844	10,748,080
Unappropriated profit		21,607,173	19,507,870
		57,239,650	55,263,873
<b>CONTINGENCIES AND COMMITMENTS</b>			
	22		

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

# CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

		Quarter ended	
		March 31, 2020	March 31, 2019
Note		Rupees '000	
Mark-up / return / interest earned	24	17,201,900	12,205,025
Mark-up / return / interest expensed	25	10,675,952	7,260,647
Net mark-up / interest income		6,525,948	4,944,378
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	26	1,032,777	887,025
Dividend income		60,228	75,148
Foreign exchange income		332,211	792,462
Income from derivatives		90,535	53,272
Gain / (loss) on securities	27	472,711	(47,449)
Other income	28	(34,818)	45,865
Total non-markup / interest income		1,953,645	1,806,323
Total income		8,479,593	6,750,701
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	29	4,630,315	3,891,121
Workers welfare fund		74,599	62,568
Other charges	30	107,907	6,177
Total non-markup / interest expenses		4,812,821	3,959,866
Profit before provisions		3,666,772	2,790,835
Provision / (reversal of provision) and recoveries against written-off debts - net	31	219,763	(206,304)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		3,447,009	2,997,139
Taxation	32	1,366,826	1,388,348
<b>PROFIT AFTER TAXATION</b>		2,080,183	1,608,791
<b>Rupees</b>			
<b>Basic / diluted earnings per share</b>	33	1.37	1.06

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

	Quarter ended	
	March 31, 2020	March 31, 2019
	----- Rupees '000 -----	
<b>Profit after taxation for the period</b>	<b>2,080,183</b>	1,608,791
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
- Movement in surplus on revaluation of investments - net of tax	(75,116)	229,708
<b>Total comprehensive income</b>	<b>2,005,067</b>	1,838,499

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED MARCH 31, 2020

Share capital	Reserves						Surplus / (deficit) on revaluation of			Unappropriated profit	Total
	Capital				Statutory reserve	Total	Investments	Fixed assets/ Non-banking assets	Total		
	Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve (NCR)- gain on bargain	Reserve arising on amalgamation							
Rupees '000											
15,176,965	-	10,131	632,006	23,952	8,112,819	8,778,908	(435,946)	5,529,613	5,093,667	14,448,975	43,498,515
-	-	-	-	-	-	-	-	-	-	1,608,791	1,608,791
-	-	-	-	-	-	-	229,708	-	229,708	-	229,708
-	-	-	-	-	-	-	229,708	-	229,708	1,608,791	1,838,499
-	-	-	-	-	-	-	-	(20,804)	(20,804)	20,804	-
-	-	-	(68,186)	-	-	(68,186)	-	-	-	-	(68,186)
15,176,965	-	10,131	563,820	23,952	8,112,819	8,710,722	(206,238)	5,508,809	5,302,571	4,431,841	4,431,841
-	-	-	-	-	-	-	-	-	-	4,431,841	4,431,841
-	-	-	-	-	-	-	3,590,153	2,004,847	5,595,000	56,094	5,651,094
-	-	-	-	-	-	-	3,590,153	2,004,847	5,595,000	4,487,935	10,082,935
-	-	-	-	-	1,208,126	1,208,126	-	-	-	(1,208,126)	-
-	-	-	-	-	-	-	-	(55,669)	(55,669)	55,669	-
-	-	-	-	-	-	-	-	(93,822)	(93,822)	93,822	-
-	-	-	(87,890)	-	-	(87,890)	-	-	-	-	(87,890)
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
-	-	-	-	-	-	-	-	-	-	2,080,183	2,080,183
-	-	-	-	-	-	-	(75,116)	-	(75,116)	-	(75,116)
-	-	-	-	-	-	-	(75,116)	-	(75,116)	2,080,183	2,005,067
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(19,120)	(19,120)	19,120	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(29,290)	-	-	(29,290)	-	-	-	-	(29,290)
15,176,965	-	10,131	446,640	23,952	9,320,945	9,801,668	3,308,799	7,345,045	10,653,844	21,607,173	57,239,650

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

	March 31, 2020	March 31, 2019
	Rupees '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,447,009	2,997,139
Less: dividend income	(60,228)	(75,148)
	<u>3,386,781</u>	<u>2,921,991</u>
<b>Adjustments:</b>		
Depreciation	313,775	236,279
Amortisation of intangible assets	38,159	29,510
Depreciation on right-of-use assets	380,806	468,649
Depreciation on non-banking assets	1,395	3,564
Impairment of non-banking assets	-	-
Workers' welfare fund	74,599	62,568
Provision / (reversal of provision) against loans and advances - net	314,747	(191,003)
Reversal of provision for diminution in value of investments - net	(83,978)	(1,353)
(Reversal of other provision) / other provision - net	-	-
Provision against off balance sheet obligations	414	6,773
(Gain) / loss on securities unrealised - held for trading - net	(40,735)	6,841
Gain on sale of fixed assets - net	(5,386)	(2,355)
Income from derivative contracts - net	(90,535)	(53,272)
Mark-up / return / interest expensed - lease liability against right-of-use assets	250,624	189,269
Bad debts written off directly / (recovery of written off bad debts)	3,017	(20,721)
	<u>1,156,904</u>	<u>734,749</u>
	<u>4,543,685</u>	<u>3,656,740</u>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	-	(30,657,408)
Held-for-trading securities	4,781,943	25,180,361
Advances	2,109,993	(1,192,940)
Other assets (excluding advance taxation)	(4,149,926)	2,058,269
	<u>2,742,010</u>	<u>(4,611,718)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills Payable	(937,615)	(14,872,772)
Borrowings from financial institutions	(11,214,472)	(58,000,540)
Deposits	3,190,924	12,749,172
Other liabilities (excluding current taxation)	2,947,055	3,875,269
	<u>(6,014,108)</u>	<u>(56,248,871)</u>
Income tax paid	(560,212)	(726,906)
Contribution to gratuity fund	-	-
<b>Net cash flow generated from / (used in) operating activities</b>	<u>711,375</u>	<u>(57,930,755)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net (investment) / divestment in available for sale securities	(16,736,458)	63,247,090
Net divestment in held to maturity securities	113,450	249,072
Dividends received	18,911	1,122
Investment in operating fixed assets	(554,250)	(7,148,494)
Investment in intangible assets	(25,052)	(32,854)
Proceeds from sale of fixed assets	5,536	2,951
Proceeds from sale of non-banking assets	-	-
<b>Net cash flow (used in) / generated from investing activities</b>	<u>(17,177,863)</u>	<u>56,318,887</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of lease liability against right-of-use assets	(387,968)	-
Dividend paid	(13)	1,561
<b>Net cash flow (used in) / generated from financing activities</b>	<u>(387,981)</u>	<u>1,561</u>
<b>Decrease in cash and cash equivalents during the period</b>	<u>(16,854,470)</u>	<u>(1,610,307)</u>
Cash and cash equivalents at the beginning of the period	<u>62,765,265</u>	<u>44,879,962</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>45,910,795</u>	<u>43,269,655</u>

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 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 Companies Act, 2017 (previously Companies Ordinance, 1984). Its shares are listed on Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank has a network of 555 branches (December 31, 2019: 555); including 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1) in Pakistan.

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, 2019: 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' and the short term rating as 'A1+'.

## 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 mark-up thereon.
- 2.2** In accordance with the directives issued by the SBP, the statement of financial position and the profit and loss account of Islamic banking branches of the Bank are disclosed in note 38 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 applicable in Pakistan for interim financial reporting comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.
  - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

- 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 IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 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 March 31, 2020, the Bank has adjusted amortisation of intangible assets amounting to Rs. 29.290 million (net of tax) from the NCR.
- 3.3** These condensed interim unconsolidated financial statements do not include all the information and disclosures required in the audited annual 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 audited annual unconsolidated financial statements for the financial year ended December 31, 2019.
- 3.4 Standards, interpretations of and amendments to the published accounting and reporting standards that are effective in the current year:**
- 3.4.1** 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, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim 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 SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Bank which are exposed to credit risk.
- 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, 2020 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, 2019.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 5 BASIS OF MEASUREMENT

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are carried at revalued amounts, certain investments and derivative contracts have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

### 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 unconsolidated financial statements of the Bank for the year ended December 31, 2019.

### 8 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019. The following additional considerations have been taken in account in the Bank's risk management policies due to the COVID - 19.

The COVID – 19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 425 basis points to 9 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include;

- reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million;
- relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent;
- allowing banks to defer clients' payment of principal on loan obligations by one year; and
- relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. Major aspects of COVID 19 on the Bank's risk management policies are given below:

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 8.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Bank has further strengthened its credit review procedures in the light of COVID 19 and has conducted a Rapid Portfolio Review as at March 31, 2020.

### 8.2 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols, remote work capabilities were enabled for all critical staff and related risk and control measures have been ensured.

### 8.3 Capital adequacy ratio

Under the current scenario, the Banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. Further the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

## 9 CASH AND BALANCES WITH TREASURY BANKS

In hand

- Local currency
- Foreign currency

With State Bank of Pakistan in

- Local currency current account
- Foreign currency current account
- Foreign currency deposit account

With National Bank of Pakistan in

- Local currency current account

Prize bonds

Un-audited  
March 31,  
2020

Audited  
December 31,  
2019

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

16,456,153	10,322,390
3,710,075	3,601,723
20,166,228	13,924,113
16,139,107	32,960,190
1,966,270	1,873,656
5,555,274	5,325,652
23,660,651	40,159,498
691,716	5,574,470
13,673	710,336
44,532,267	60,368,417

## 10 BALANCES WITH OTHER BANKS

In Pakistan

- In current account

Outside Pakistan

- In current account
- In deposit account

470,259	1,426,975
762,881	1,352,850
381,751	55,745
1,614,891	2,835,570

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

11	INVESTMENTS	Note	Un-audited March 31, 2020				Audited December 31, 2019			
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
11.1	Investments by type:									
Rupees '000										
	<b>Held-for-trading securities</b>									
	Federal Government securities		26,202,920	-	40,272	26,243,193	31,073,816	-	1,002	31,074,818
	Shares		88,953	-	1,465	90,418	-	-	-	-
			26,291,873	-	41,737	26,333,610	31,073,816	-	1,002	31,074,818
	<b>Available-for-sale securities</b>									
	Federal Government securities	11.3	120,656,728	-	1,181,786	121,838,514	104,109,013	-	115,329	104,224,342
	Shares		8,020,837	1,666,749	(779,282)	5,574,806	8,322,582	1,745,897	878,857	7,455,542
	Non Government debt securities		42,701,931	559,787	5,021,757	47,163,901	42,711,443	559,787	4,553,216	46,704,872
			171,379,496	2,226,536	5,424,261	174,577,220	155,143,038	2,305,684	5,547,402	158,384,756
	<b>Held-to-maturity securities</b>									
	Federal Government securities	11.2	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
	Non Government debt securities	11.5	13,802,584	1,538,767	-	12,263,817	13,916,034	1,543,597	-	12,372,437
			15,399,632	1,538,767	-	13,860,865	15,513,082	1,543,597	-	13,969,485
	<b>Subsidiary *</b>									
	Fully paid up ordinary shares of									
	Faysal Asset Management Limited	11.6	1,139,893	-	-	1,139,893	639,893	-	-	639,893
	<b>Total Investments</b>		<b>214,210,894</b>	<b>3,765,303</b>	<b>5,465,998</b>	<b>215,911,589</b>	<b>202,369,829</b>	<b>3,849,281</b>	<b>5,548,404</b>	<b>204,068,952</b>

\* related party

	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000		
11.2 Bai Muajjal - gross	2,212,625	2,212,625
Less: deferred income	(349,351)	(400,462)
Less: profit receivable shown in other assets	(266,226)	(215,115)
Bai Muajjal - net	<b>1,597,048</b>	<b>1,597,048</b>

This represents Bai Muajjal with Government of Pakistan which carry mark-up at the rate of 12.84% per annum (December 31, 2019: 12.84%) maturing in December, 2021.

	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000		
11.3 Investments given as collateral		
- Market treasury bills	<b>6,846,983</b>	21,747,989
11.4 Provision for diminution in value of investments		
11.4.1 Opening balance	<b>3,849,281</b>	3,541,667
Charge / (reversals)		
Charge for the period/year	260,598	366,100
Reversals on disposals	(344,576)	(58,486)
	<b>(83,978)</b>	307,614
Closing Balance	<b>3,765,303</b>	3,849,281

11.4.2 As at March 31, 2020, the bank had an impairment of Rs 1,042.395 million under the significant criteria pertaining to the equity portfolio of the Bank. The Bank has opted to record impairment of Rs 260.599 million only in these condensed interim unconsolidated financial statements, and has deferred the recognition of impairment amounting to Rs 781.796 million to the subsequent periods as allowed by the SBP vide BPRD circular letter No. 13 dated March 26, 2020.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 11.4.3 Particulars of provision against debt securities

### Category of classification

Un-audited March 31, 2020		Audited December 31, 2019	
Non-performing investments	Provision	Non-performing investments	Provision
Rupees '000			
<b>Domestic</b>			
- Loss	<b>2,098,554</b>	<b>2,098,554</b>	2,103,384
			2,103,384

**11.5** The market value of securities classified as held-to-maturity as at March 31, 2020 amounted to Rs. 12,455.432 million (December 31, 2019: Rs. 12,564.225 million).

## 11.6 Investment in subsidiary

Faysal Asset Management Limited (the Company) was incorporated in Pakistan under the requirements of the Companies Ordinance, 1984 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 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.

Particulars of the assets and liabilities of the subsidiary	Un-audited	
	March 31, 2020	March 31, 2019
	Rupees '000	
Revenue	<b>29,307</b>	32,413
Net loss	<b>(25,592)</b>	(10,955)
Total assets	<b>863,738</b>	336,184
Liabilities	<b>99,641</b>	41,372
Net assets	<b>764,097</b>	294,812
Percentage (%) holding of the Bank	<b>99.99%</b>	99.99%

## 12 ADVANCES

	Performing		Non performing		Total	
	Un-audited March 31, 2020	Audited December 31, 2019	Un-audited March 31, 2020	Audited December 31, 2019	Un-audited March 31, 2020	Audited December 31, 2019
	Rupees '000					
Loans, cash credits, running finances, etc.	<b>166,577,027</b>	182,560,477	<b>28,764,090</b>	28,777,157	<b>195,341,117</b>	211,337,634
Islamic financing and related assets	<b>125,914,098</b>	114,980,031	<b>1,021,411</b>	1,096,671	<b>126,935,509</b>	116,076,702
Bills discounted and purchased	<b>8,847,656</b>	5,860,886	<b>569,754</b>	535,455	<b>9,417,410</b>	6,396,341
Advances - gross	<b>301,338,781</b>	303,401,394	<b>30,355,255</b>	30,409,283	<b>331,694,036</b>	333,810,677
Provision against advances						
- specific	-	-	<b>(23,790,446)</b>	(23,475,724)	<b>(23,790,446)</b>	(23,475,724)
- general	<b>(758,345)</b>	(761,951)	-	-	<b>(758,345)</b>	(761,951)
	<b>(758,345)</b>	(761,951)	<b>(23,790,446)</b>	(23,475,724)	<b>(24,548,791)</b>	(24,237,675)
Advances - net of provision	<b>300,580,436</b>	302,639,443	<b>6,564,809</b>	6,933,559	<b>307,145,245</b>	309,573,002

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

	Un-audited March 31, 2020	Audited December 31, 2019
	Rupees '000	
<b>12.1 Particulars of advances (gross)</b>		
- in local currency	327,948,846	331,186,964
- in foreign currencies	3,745,190	2,623,713
	<u>331,694,036</u>	<u>333,810,677</u>

**12.2** Advances include Rs. 30,355 million (December 31, 2019: Rs. 30,409 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited March 31, 2020		Audited December 31, 2019	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees '000			
<b>Domestic</b>				
- other assets especially mentioned	1,376,602	-	1,483,618	10
- substandard	1,531,882	237,694	1,528,058	262,576
- doubtful	4,314,127	1,340,221	4,305,081	1,164,514
- loss	23,132,644	22,212,531	23,092,526	22,048,624
Total	<u>30,355,255</u>	<u>23,790,446</u>	<u>30,409,283</u>	<u>23,475,724</u>

### 12.3 Particulars of provision against advances

	Un-audited March 31, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
	Rupees '000					
Opening balance	23,475,724	761,951	24,237,675	23,135,261	678,187	23,813,448
Charge for the period / year	634,411	-	634,411	2,374,327	83,764	2,458,091
Reversals during the period / year	(316,058)	(3,606)	(319,664)	(1,812,748)	-	(1,812,748)
	318,353	(3,606)	314,747	561,579	83,764	645,343
Amounts written off	(3,631)	-	(3,631)	(220,887)	-	(220,887)
Amounts charged off - agriculture financing	-	-	-	(229)	-	(229)
Closing balance	<u>23,790,446</u>	<u>758,345</u>	<u>24,548,791</u>	<u>23,475,724</u>	<u>761,951</u>	<u>24,237,675</u>

**12.3.1** As allowed by the SBP the Bank has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 1,943.361 million (December 31, 2019: Rs 1,996.336 million) relating to advances while determining the provisioning requirement against non-performing financing as at March 31, 2020. The additional profit arising from availing the FSV benefit - net of tax as at March 31, 2020 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,185.450 million (December 31, 2019: Rs 1,217.765 million).

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

**12.3.2** 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.

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.

**12.3.3** 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.

		Un-audited March 31, 2020	Audited December 31, 2019
	Note	Rupees '000	
<b>13 FIXED ASSETS</b>			
Capital work-in-progress	13.1	1,050,315	1,158,140
Property and equipment		23,123,344	23,025,284
		<u>24,173,659</u>	<u>24,183,424</u>

### 13.1 Capital work-in-progress

Civil works	322,181	393,327
Equipment	685,115	657,714
Furniture and fixture	36,649	44,591
Vehicles	6,370	62,508
	<u>1,050,315</u>	<u>1,158,140</u>

		Un-audited March 31, 2020	March 31, 2019
		Rupees '000	
<b>13.2 Additions to fixed assets</b>			

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

<b>Capital work-in-progress</b>	553,465	452,225
<b>Property and equipment</b>		
Furniture and fixture	64,711	44,613
Electrical office and computer equipment	300,710	176,451
Vehicles	58,765	1,192
Others	237,889	84,944
	<u>662,075</u>	<u>307,200</u>
<b>Total</b>	<u>1,215,540</u>	<u>759,425</u>

### 13.3 Disposal of fixed assets

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

Furniture and fixture	3	3
Electrical office and computer equipment	118	212
Vehicles	29	928
<b>Total</b>	<u>150</u>	<u>1,143</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited March 31, 2020	Audited December 31, 2019
		Rupees '000	
<b>14</b>	<b>INTANGIBLE ASSETS</b>		
	Capital work-in-progress	320,198	412,380
	Computer softwares	374,018	294,946
	Customer relationship	732,191	780,215
		1,106,209	1,075,161
	Total	1,426,407	1,487,541
	<b>Capital work-in-progress</b>		
	Computer software	320,198	412,380
		Un-audited	
		March 31, 2020	March 31, 2019
		Rupees '000	
<b>14.1</b>	<b>Additions to intangible assets</b>		
	The following additions have been made to intangible assets during the period:		
	Directly purchased	117,234	32,854
		Un-audited March 31, 2020	Audited December 31, 2019
<b>15</b>	<b>OTHER ASSETS</b>	Rupees '000	
	Income / mark-up accrued in local currency - net of provision	9,094,606	9,599,120
	Income / mark-up accrued in foreign currency - net of provision	95,631	82,615
	Advances, deposits, advance rent and other prepayments	953,729	891,027
	Advance taxation (payments less provisions)	1,695,287	2,612,575
	Non-banking assets acquired in satisfaction of claims	1,269,527	1,271,386
	Mark to market gain on forward foreign exchange contracts	4,097,678	859,265
	Fair value of derivative contracts	19,578	90,937
	Acceptances	10,691,414	9,142,924
	Credit cards and other products fee receivable	372,526	574,288
	Receivable from brokers against sale of shares	12,285	183,606
	Dividend receivable	116,665	75,348
	Receivable from 1Link (Private) Limited	411,189	363,052
	Rent and amenities receivable	45,008	45,008
	Rebate receivable - net	54,505	54,505
	Others	510,305	288,485
		29,439,933	26,134,141
	Less: provision held against other assets	(252,176)	(252,176)
	Other assets (net of provision)	29,187,757	25,881,965
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	1,453,786	1,453,786
	Other assets - total	30,641,544	27,335,751
<b>15.1</b>	<b>Provision held against other assets</b>		
	Dividend receivable	75,348	75,348
	SBP penalties	51,135	51,135
	Fraud forgery theft and account receivable	21,662	21,662
	Security deposits	22,994	22,994
	Others	81,037	81,037
		252,176	252,176



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000			
<b>15.1.1 Movement in provision held against other assets</b>			
Opening balance		252,176	257,564
Charge for the period / year		-	7,860
Reversals during the period / year		-	(13,248)
		-	(5,388)
Closing balance		252,176	252,176
<b>16 BILLS PAYABLE</b>			
In Pakistan		7,418,845	8,356,460
<b>17 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - part I and II		9,682,353	10,598,970
- under long term financing facility		3,305,678	2,426,974
- under long term financing facility for renewable power energy (RPE)		895,435	896,508
- under scheme of financing facility for storage of agricultural produce		77,168	86,316
- under Islamic export refinance scheme		10,717,560	8,087,560
		24,678,194	22,096,328
Repurchase agreement borrowings		6,841,710	21,721,810
<b>Total secured</b>		31,519,904	43,818,138
<b>Unsecured</b>			
Call borrowings		4,326,052	1,783,448
Overdrawn nostro accounts		236,363	438,722
Musharaka acceptances		11,095,000	18,020,000
Other borrowings	17.1	14,152,646	8,686,487
<b>Total unsecured</b>		29,810,060	28,928,657
		61,329,964	72,746,795
<b>17.1</b>	This represents borrowings from foreign financial institutions. The mark-up rates on these borrowings are ranging from 2.42% to 3.64% per annum (December 31, 2019: 3.32% to 3.43%) with maturities upto September 2020.		

### 18 DEPOSITS AND OTHER ACCOUNTS

	Un-audited March 31, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees '000						
<b>Customers</b>						
Current deposits – remunerative	11,176,794	-	11,176,794	12,358,523	-	12,358,523
Current deposits – non-remunerative	114,332,515	18,656,467	132,988,982	117,835,756	16,723,542	134,559,298
Savings deposits	138,859,747	16,448,745	155,308,492	137,498,494	15,672,852	153,171,346
Term deposits	135,773,358	4,212,833	139,986,191	122,761,268	4,921,337	127,682,605
Margin deposits	2,899,114	22,095	2,921,209	2,715,024	19,177	2,734,201
	403,041,528	39,340,140	442,381,668	393,169,065	37,336,908	430,505,973
<b>Financial institutions</b>						
Current deposits	802,261	22,590	824,851	1,120,002	55,570	1,175,572
Savings deposits	10,456,174	-	10,456,174	19,638,764	-	19,638,764
Term deposits	7,317,340	-	7,317,340	6,468,800	-	6,468,800
	18,575,775	22,590	18,598,365	27,227,566	55,570	27,283,136
	421,617,303	39,362,730	460,980,033	420,396,631	37,392,478	457,789,109

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
----- Rupees '000 -----			
<b>19 DEFERRED TAX (LIABILITIES) / ASSETS</b>			
<b>Deductible temporary differences on</b>			
- provision for diminution in the value of investments		134,348	182,987
- provision against advances, off balance sheet, etc.		1,307,267	1,307,267
- provision against other assets		99,703	99,703
- surplus on revaluation of investments		(2,115,461)	(2,163,487)
		(574,143)	(573,530)
<b>Taxable temporary differences on</b>			
- surplus on revaluation of fixed assets		(1,663,813)	(1,676,037)
- surplus on revaluation of non banking assets		(14,113)	(14,113)
- fair value adjustment relating to net assets acquired upon amalgamation		(285,554)	(304,285)
- accelerated tax depreciation		(123,545)	(196,033)
		(2,087,025)	(2,190,468)
		<u>(2,661,168)</u>	<u>(2,763,998)</u>
<b>20 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		5,288,111	3,729,656
Mark-up / return / interest payable in foreign currency		33,004	27,021
Unearned commission and income on bills discounted		740,562	725,288
Accrued expenses		2,152,064	2,374,642
Acceptances	15	10,691,414	9,142,924
Unclaimed dividends		45,804	45,817
Mark to market loss on forward foreign exchange contracts		1,843,217	2,228,384
Charity fund balance		2,959	2,278
Provision against off-balance sheet obligations	20.1	114,090	113,676
Security deposits against lease		1,055,862	1,201,214
Withholding tax payable		93,276	180,845
Federal excise duty payable		40,557	58,494
Payable to brokers against purchase of shares		35,332	77,747
Fair value of derivative contracts		1,372,836	1,032,154
Credit cards and other products payables		1,110,499	1,119,464
Lease liability against right-of-use asset		8,296,414	8,319,984
Token money against disposal of assets		570,591	565,357
Funds held as security		237,399	232,572
Payable to 1Link (Private) Limited		55,532	125,263
Insurance payable		128,502	144,552
Clearing and settlement accounts		1,439,763	1,172,824
Provision for gratuity		89,110	118,814
Others		379,045	193,452
		<u>35,815,942</u>	<u>32,932,422</u>
<b>20.1 Provision against off-balance sheet obligations</b>			
Opening balance		113,676	125,238
Charge for the year		414	-
Reversals during the year		-	(11,562)
		414	(11,562)
Closing balance		<u>114,090</u>	<u>113,676</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

21	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	Un-audited March 31, 2020	Audited December 31, 2019
			Rupees '000	
	Surplus / (deficit) on revaluation of:			
	- Available for sale securities		5,424,261	5,547,402
	- Fixed assets		7,592,079	7,600,529
	- Non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
			14,470,127	14,601,717
	Deferred tax on surplus / (deficit) on revaluation of:			
	- Available for sale securities		(2,115,462)	(2,163,487)
	- Fixed assets		(1,686,707)	(1,676,037)
	- Non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
			(3,816,282)	(3,853,637)
			10,653,844	10,748,080
22	CONTINGENCIES AND COMMITMENTS			
	Guarantees	22.1	26,161,135	24,074,333
	Commitments	22.2	190,540,452	208,211,812
	Other contingent liabilities	22.3	4,293,244	4,293,244
			220,994,831	236,579,389
22.1	Guarantees:			
	Financial guarantees		7,252,135	7,099,400
	Performance guarantees		5,038,740	4,870,710
	Other guarantees		13,870,260	12,104,223
			26,161,135	24,074,333
22.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		36,847,670	30,343,743
	Commitments in respect of:			
	- forward foreign exchange contracts	22.2.1	118,872,682	126,281,305
	- forward government securities transactions	22.2.2	6,843,678	21,760,786
	- derivatives - cross currency and interest rate swaps (notional principal)	22.2.3	9,750,515	9,244,773
	- extending credit (irrevocable)	22.5	17,979,343	20,281,111
	Commitments for acquisition of:			
	- operating fixed assets		96,911	185,919
	- intangible assets		149,653	114,175
			190,540,452	208,211,812
22.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		81,318,044	84,264,725
	Sale		37,554,638	42,016,580
			118,872,682	126,281,305
22.2.2	Commitments in respect of forward government securities transactions			
	Purchase		6,843,678	21,760,786
	Sale		-	-
			6,843,678	21,760,786

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

	Un-audited March 31, 2020	Audited December 31, 2019
Note	Rupees '000	
<b>22.2.3 Commitments in respect of derivatives</b>		
Purchase	-	-
Sale	9,750,515	9,244,773
	<u>9,750,515</u>	<u>9,244,773</u>

### 22.3 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

Indemnity issued favouring the Honorable High Court in one of the cases

Cantonment tax Karachi Cantonment Board (KCB)

Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan

	2,510,000	2,510,000
	457,543	457,543
22.3.1	171,000	171,000
22.3.2	1,154,701	1,154,701
	<u>4,293,244</u>	<u>4,293,244</u>

**22.3.1** The Executive Officer, Karachi Cantonment Board (KCB), vide its notice CBR No. 1 dated March 08, 2017 has proposed revised rates for assessment of shops and flats "A" category in which a fresh sub-category "Banks (self-occupied)" has been introduced for the purpose of cantonment tax in the limit of KCB. This has resulted in additional demand of Rs 171 million (December 31, 2019: Rs 171 million) by KCB which includes demand on reassessment for the years from 2013 to 2017. On the basis of legal grounds agreed in consultation with legal counsel, the Bank has filed a suit in the Honorable High Court of Sindh against such levy of tax. A stay order has been granted by the Honorable High Court of Sindh in respect of payment of this additional demand.

The impact of revised rates would result in an additional demand of Rs 103 million in respect of the years ended December 31, 2018 and 2019.

**22.3.2** Income tax assessments of the Bank have been finalised upto the tax year 2019 (accounting year 2018).

The department and the Bank have disagreements 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, 2019: Rs. 1,154.701 million). The Commissioner Inland Revenue (Appeals) [(CIR(A)] has deleted the said additional tax liability, however the income tax department has filed an appeal with the Appellate Tribunal Inland Revenue against the order of CIR(A). The management and tax advisors of the Bank are confident that the matter will be decided in the Bank's favor and accordingly, no provision has been recorded in these condensed interim unconsolidated financial statements in respect of this matter.

**22.4** There are certain claims against the Bank not acknowledged as debt amounting to Rs 34,711 million (December 31, 2019: Rs 34,194 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 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, 2019: 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.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

Based on legal advice and / or internal assessments, 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.

## 22.5 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 facility is unilaterally withdrawn except for Rs 17,979 million (December 31, 2019: Rs 20,281 million) which are irrevocable in nature.

## 23 DERIVATIVE INSTRUMENTS

Cross currency swaps (notional principal)

Interest rate swap (notional principal)

	Un-audited March 31, 2020	Audited December 31, 2019
	Rupees '000	
	9,250,404	8,780,230
	500,111	464,543

### 23.1 Product analysis

Counterparties	March 31, 2020 (Un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / loss	Notional principal	Mark to market gain / loss
	Rupees '000			
<b>With banks for</b>				
Hedging	-	-	-	-
Market making	4,553,284	(722,725)	500,111	7,730
<b>With other entities for</b>				
Hedging	-	-	-	-
Market making	4,697,120	(638,264)	-	-
<b>Total</b>				
Hedging	-	-	-	-
Market making	9,250,404	(1,360,989)	500,111	7,730
Counterparties	December 31, 2019 (Audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / loss	Notional principal	Mark to market gain / loss
	Rupees '000			
<b>With banks for</b>				
Hedging	-	-	-	-
Market making	4,273,153	(569,222)	464,543	(31)
<b>With other entities for</b>				
Hedging	-	-	-	-
Market making	4,507,077	(371,964)	-	-
<b>Total</b>				
Hedging	-	-	-	-
Market making	8,780,230	(941,186)	464,543	(31)

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited	
		March 31, 2020	March 31, 2019
24	MARK-UP / RETURN / INTEREST EARNED	Note	Rupees '000
	On:		
	a) loans and advances	10,643,082	8,457,753
	b) investments	6,134,776	3,130,072
	c) lendings to financial institutions	22,923	15,842
	d) balances with banks	12,374	21,117
	e) securities purchased under resale agreements	388,745	580,241
		<u>17,201,900</u>	<u>12,205,025</u>
25	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	8,304,230	5,894,981
	Securities sold under repurchase agreements	66,669	118,580
	Other short term borrowings	10,321	26,882
	SBP borrowings	151,209	94,751
	Short sale of Pakistan Investment Bonds	49,154	17,272
	Bai Muajjal	102,405	-
	Musharaka acceptances	409,092	229,504
	Lease liability against right-of-use assets	250,624	189,269
	Cost of foreign currency swaps against foreign currency deposits / borrowings	1,332,247	689,408
		<u>10,675,952</u>	<u>7,260,647</u>
26	FEE AND COMMISSION INCOME		
	Branch banking customer fees	178,391	139,951
	Consumer finance related fees	94,947	80,674
	Card related fees (debit and credit cards)	441,642	381,131
	Credit related fees	20,393	24,314
	Investment banking fees	27,791	50,352
	Commission on trade	69,113	68,850
	Commission on guarantees	29,349	20,004
	Commission on cash management	17,378	9,878
	Commission on remittances including home remittances	12,322	8,425
	Commission on bancassurance	104,459	91,396
	Sales commission on FAML	34,166	4,625
	Others	2,827	7,425
		<u>1,032,777</u>	<u>887,025</u>
27	GAIN / (LOSS) ON SECURITIES		
	Realised - net	27.1	431,976
	Unrealised - held for trading - net		(40,608)
			<u>40,735</u>
			<u>(6,841)</u>
			<u>(47,449)</u>
27.1	Realised gain / (loss) on:		
	Federal Government securities	226,942	(10,038)
	Shares	190,366	(34,430)
	Open end mutual funds	14,668	3,860
		<u>431,976</u>	<u>(40,608)</u>
28	OTHER INCOME		
	Rent on property	45,359	44,909
	Gain on sale of fixed assets - net	5,386	2,355
	Loss on short sale of Pakistan Investment Bonds (PIBs)	(88,139)	(3,440)
	Notice pay	1,689	1,638
	Scrap income	505	148
	Others	384	255
		<u>(34,818)</u>	<u>45,865</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 29 OPERATING EXPENSES

### Total compensation expense

1,747,363

1,432,373

### Property expense

Rent and taxes

63,108

36,893

Insurance

13,493

21,954

Utilities cost

148,762

125,365

Security (including guards)

187,829

152,644

Repair and maintenance (including janitorial charges)

108,982

86,548

Depreciation on owned fixed assets

125,998

99,528

Depreciation on non-banking assets

1,395

3,564

Depreciation on right-of-use assets

380,806

468,649

Others

18,546

18,086

1,048,919

1,013,231

### Information technology expenses

Software maintenance

439,605

338,742

Hardware maintenance

75,837

49,892

Depreciation

87,646

78,093

Amortisation

38,159

29,510

Network charges

70,159

55,709

Others

2,025

-

713,432

551,946

### Other operating expenses

Directors' fees and allowances

30,040

12,347

Legal and professional charges

14,228

8,556

Outsourced services costs - staff

83,937

99,611

Travelling and conveyance

29,527

26,529

NIFT clearing charges

13,840

12,570

Depreciation

100,132

58,658

Training and development

5,844

3,806

Postage and courier charges

46,202

23,435

Communication

25,996

26,153

Marketing, advertisement and publicity

167,969

82,345

Donations

-

69,431

Auditors remuneration

11,835

11,978

Insurance

173,575

144,965

Stationery and printing

102,677

62,498

Bank fees and charges

23,878

26,515

Brokerage and commission

20,214

10,537

Deposit protection premium

87,627

73,737

Credit card bonus points redemption

54,284

51,173

Others

128,798

88,727

1,120,601

893,571

4,630,315

3,891,121

## 30 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan

107,907

6,177

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited		
	Note	March 31, 2020	March 31, 2019	
		----- Rupees '000 -----		
31	PROVISION / (REVERSAL OF PROVISION) AND RECOVERIES AGAINST WRITTEN-OFF DEBTS - NET			
	Provision for diminution in value of investments	11.4	(83,978)	(1,353)
	Provision / (reversal of provision) against loans and advances	12.3	314,747	(191,003)
	Bad debts written off directly		3,017	3,174
	Recovery of written off / charged off bad debts		(14,437)	(23,895)
	Provision against off balance sheet obligations	20.1	414	6,773
			<u>219,763</u>	<u>(206,304)</u>
32	TAXATION			
	Current		1,362,901	1,198,177
	Prior years		40,000	298,934
	Deferred		(36,075)	(108,763)
			<u>1,366,826</u>	<u>1,388,348</u>
33	BASIC EARNINGS PER SHARE			
	Profit after tax for the period		<u>2,080,183</u>	<u>1,608,791</u>
			Number of shares in thousands	
	Weighted average number of ordinary shares		<u>1,517,697</u>	<u>1,517,697</u>
			----- Rupees -----	
	Basic earnings per share		<u>1.37</u>	<u>1.06</u>

**33.1** Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at March 31, 2020 and March 31, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

## **34 FAIR VALUE MEASUREMENTS**

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted 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.



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 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).

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:

	March 31, 2020 (Un-audited)			
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
<b>On-balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government securities	-	148,172,124	-	148,172,124
Shares	3,235,884	2,338,922	-	5,574,806
Non-Government debt securities	40,012,595	7,151,306	-	47,163,901
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Non-Government debt securities	-	12,455,432	-	12,455,432
<b>Non-financial assets - measured at fair value</b>				
Fixed assets (land and buildings)	-	-	11,265,990	11,265,990
Non-banking assets acquired in satisfaction of claims	-	-	2,723,313	2,723,313
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	82,753,900	-	82,753,900
Forward sale of foreign exchange	-	39,396,817	-	39,396,817
Derivatives sales	-	9,750,515	-	9,750,515
	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
<b>On-balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government securities	-	135,299,160	-	135,299,160
Shares	5,356,303	2,099,239	-	7,455,542
Non-Government debt securities	39,550,000	7,154,872	-	46,704,872
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Non-Government debt securities	-	12,564,225	-	12,564,225
<b>Non-financial assets - measured at fair value</b>				
Fixed assets (land and buildings)	-	-	11,325,755	11,325,755
Non-banking assets acquired in satisfaction of claims	-	-	2,725,172	2,725,172
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	81,296,151	-	81,296,151
Forward sale of foreign exchange	-	41,387,194	-	41,387,194
Derivatives sales	-	9,244,773	-	9,244,773

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

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.

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

### 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.
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 as per the accounting policy disclosed in the financial statements of the Bank for the year ended December 31 2019.
Non-banking assets acquired in satisfaction of claims	NBAs are valued by professionally qualified valuers as per the accounting policy disclosed in the financial statements of the Bank for the year ended 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.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 35 SEGMENT INFORMATION

#### 35.1 Segment details with respect to business activities

	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
<b>Profit and loss for the quarter ended March 31, 2020 (Un-audited)</b>	Rupees '000					
Net mark-up / return / profit	(5,399,079)	7,924,035	3,876,175	104,159	20,658	6,525,948
Inter segment revenue - net	9,396,729	(7,199,598)	(3,460,486)	(70,822)	1,334,177	-
Non mark-up / return / interest income	1,114,105	206,275	767,795	520	(135,050)	1,953,645
Total Income	5,111,755	930,712	1,183,484	33,857	1,219,785	8,479,593
Segment direct expenses	2,975,670	135,404	87,501	26,165	1,588,081	4,812,821
Inter segment expense allocation	1,384,847	145,058	29,967	28,209	(1,588,081)	-
Total expenses	4,360,517	280,462	117,468	54,374	-	4,812,821
Provisions	46,459	156,745	(79,147)	82,517	13,189	219,763
Profit before tax	704,779	493,505	1,145,163	(103,034)	1,206,596	3,447,009
<b>Statement of financial position as at March 31, 2020 (Un-audited)</b>						
Cash and bank balances	21,278,411	-	24,868,747	-	-	46,147,158
Investments	-	19,294,061	195,944,120	3,298,820	1,139,891	219,676,892
- Investment provision	-	-	(781,377)	(2,983,926)	-	(3,765,303)
Net inter segment lending	359,277,022	-	-	-	(359,277,022)	-
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	60,801,389	240,233,157	-	-	304,235	301,338,781
Advances - non-performing	4,422,956	1,079,672	-	24,830,950	21,677	30,355,255
- Advances - provisions	(4,608,144)	(1,139,509)	-	(18,785,356)	(15,782)	(24,548,791)
Others	11,695,019	6,696,556	2,976,976	(2,755,360)	37,628,419	56,241,610
<b>Total assets</b>	<b>452,866,653</b>	<b>266,163,937</b>	<b>223,008,466</b>	<b>3,605,128</b>	<b>(320,198,582)</b>	<b>625,445,602</b>
Borrowings	2,541,242	21,702,605	37,086,117	-	-	61,329,964
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	434,947,190	24,753,647	-	117,138	1,162,058	460,980,033
Net inter segment borrowing	-	218,888,316	184,537,407	3,426,490	(406,852,213)	-
Others	15,378,221	819,369	(1,923,857)	61,500	31,560,722	54,895,955
<b>Total liabilities</b>	<b>452,866,653</b>	<b>266,163,937</b>	<b>223,008,466</b>	<b>3,605,128</b>	<b>(320,198,582)</b>	<b>625,445,602</b>
Equity	-	-	3,308,799	-	53,930,851	57,239,650
<b>Total equity and liabilities</b>	<b>452,866,653</b>	<b>266,163,937</b>	<b>223,008,466</b>	<b>3,605,128</b>	<b>(320,198,582)</b>	<b>625,445,602</b>
<b>Contingencies and commitments</b>	<b>11,031,891</b>	<b>51,207,749</b>	<b>-</b>	<b>1,226,708</b>	<b>-</b>	<b>63,466,348</b>

	2019					
	Retail	CIBG	Treasury	SAM	Others	Total
<b>Profit and loss for the quarter ended March 31, 2019 (Un-audited)</b>	Rupees '000					
Net mark-up / return / profit	(3,510,422)	6,489,689	1,899,375	35,402	30,334	4,944,378
Inter segment revenue - net	6,495,194	(5,826,292)	(1,308,494)	(36,725)	676,317	-
Non mark-up / return / interest income	930,854	167,622	774,656	520	(67,329)	1,806,323
Total Income	3,915,626	831,019	1,365,537	(803)	639,322	6,750,701
Segment direct expenses	2,603,544	111,402	79,476	31,955	1,133,489	3,959,866
Inter segment expense allocation	943,573	121,246	30,320	23,633	(1,118,772)	-
Total expenses	3,547,117	232,648	109,796	55,588	14,717	3,959,866
Provisions	(4,106)	108,604	(4,909)	(317,185)	11,292	(206,304)
Profit before tax	372,615	489,767	1,260,650	260,794	613,313	2,997,139
<b>Statement of financial position as at December 31, 2019 (audited)</b>						
Cash and bank balances	22,325,104	-	40,878,883	-	-	63,203,987
Investments	-	19,516,432	184,463,090	3,298,820	639,891	207,918,233
- Investment provision	-	-	(883,015)	(2,966,266)	-	(3,849,281)
Net inter segment lending	348,653,144	-	-	-	(348,653,144)	-
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	62,582,195	237,193,175	-	-	3,626,024	303,401,394
Advances - non-performing	6,266,681	3,807,114	-	20,289,645	45,843	30,409,283
- Advances - provisions	(4,503,653)	(1,033,307)	-	(18,697,708)	(3,007)	(24,237,675)
Others	10,416,842	13,994,465	1,352,471	243,892	26,999,046	53,006,716
<b>Total assets</b>	<b>445,740,313</b>	<b>273,477,879</b>	<b>225,811,429</b>	<b>2,168,383</b>	<b>(317,345,347)</b>	<b>629,852,657</b>
Borrowings	1,931,729	20,088,523	50,726,543	-	-	72,746,795
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	428,360,629	27,972,150	-	115,674	1,340,656	457,789,109
Net inter segment borrowing	-	216,745,546	170,558,318	1,985,797	(389,289,661)	-
Others	15,447,955	8,671,660	1,142,652	66,912	18,723,701	44,052,880
<b>Total liabilities</b>	<b>445,740,313</b>	<b>273,477,879</b>	<b>225,427,519</b>	<b>2,168,383</b>	<b>(369,225,304)</b>	<b>574,588,784</b>
Equity	-	-	3,383,916	-	51,879,957	55,263,873
<b>Total equity and liabilities</b>	<b>445,740,313</b>	<b>273,477,879</b>	<b>225,811,429</b>	<b>2,168,383</b>	<b>(317,345,347)</b>	<b>629,852,657</b>
<b>Contingencies and commitments</b>	<b>8,944,978</b>	<b>44,725,691</b>	<b>-</b>	<b>1,204,950</b>	<b>-</b>	<b>54,875,619</b>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

36

### 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:

	March 31, 2020 (Un-audited)					December 31, 2019 (Audited)						
	Parent	Directors management personnel	Key	Subsidiaries	Associates	Other related parties	Parent	Directors management personnel	Key	Subsidiaries	Associates	Other related parties

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	March 31, 2020 (Un-audited)					December 31, 2019 (Audited)				
	Parent	Directors management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors management personnel	Subsidiaries	Associates	Other related parties
	Rupees '000									
<b>Other assets</b>										
Interest / mark-up accrued	-	-	219	-	1,850,137	-	-	189	-	1,900,806
Commission income receivable	-	-	-	-	18,871	-	-	-	-	11,279
Maintenance receivable	-	-	-	3,003	-	-	-	-	-	-
Rent receivable	-	-	-	11,088	-	-	-	1,502	-	-
Sale load receivable	-	-	-	8	-	-	-	5,544	-	-
Acceptances	-	-	-	-	1,380,626	-	-	8	-	-
Others	-	-	-	1,500	411,189	-	-	-	-	2,004,043
	-	-	219	15,599	3,660,823	-	-	1,200	-	363,052
	-	-	-	-	-	-	-	189	8,254	4,279,180
Provision against other assets	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>										
Opening balance	182	37,985	156,482	5,469	-	3,074,185	182	26,496	159,986	2,734
Received during the period / year	-	10,255	434,569	5,378,916	-	16,955,286	-	58,204	1,415,830	13,478,138
Withdrawn during the period / year	-	(3,326)	(409,443)	(5,379,750)	-	(17,227,887)	-	(46,715)	(1,419,394)	(13,475,403)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	182	44,914	181,608	4,835	-	2,801,584	182	37,985	156,482	5,469
<b>Other liabilities</b>										
Interest / mark-up payable	-	205	366	-	9,990	-	196	28	-	9,970
Payable to staff retirement fund	-	-	-	-	118,814	-	-	-	-	118,814
Lease liability against right-of-use asset	-	-	-	10,489	-	-	-	-	10,132	-
Other liabilities	-	-	-	-	125,263	-	-	-	-	125,263
	-	205	366	10,489	254,067	-	196	28	10,132	254,047
<b>Contingencies and commitments</b>										
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	1,019,397	-	-	-	-	29,397
Trade related commitments	-	-	-	-	1,540,799	-	-	-	-	407,541
	-	-	-	-	2,560,196	-	-	-	-	436,938

\* represents outstanding guarantee

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

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

**36.2** 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, further extendable by 3 years.

### RELATED PARTY TRANSACTIONS

	March 31, 2020 (Un-audited)					March 31, 2019 (Un-audited)				
	Parent	Directors management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors management personnel	Subsidiaries	Associates	Other related parties
	Rupees '000					Rupees '000				
<b>Income</b>										
Mark-up / return / interest earned	-	3,085	-	-	64,587	-	3,515	-	-	74,437
Fee and commission income	-	-	-	-	34,185	-	9	4,618	-	3,466
Net (loss) / gain on sale of securities	-	-	-	-	17,289	-	-	-	-	3,933
Maintenance income	-	-	-	-	-	-	-	-	-	-
Occupancy and conservancy income	-	-	5,544	-	-	-	-	-	-	-
<b>Expense</b>										
Mark-up / return / interest paid	-	18	2,029	639	75,475	-	2,687	2,750	-	55,677
Interest expense on lease liability	-	-	-	357	-	-	-	-	-	-
Director's fee and other expenses	-	30,040	-	-	-	-	12,347	-	-	-
Remuneration of key management personnel	-	-	211,682	-	-	-	115,507	-	-	-
<b>Others</b>										
Shares / units purchased during the period	-	-	-	-	4,331,015	-	-	-	-	2,205,309
Shares / units sold during the period	-	-	-	-	4,130,169	-	-	-	-	2,705,392
Government securities purchased during the period	-	-	213,494	-	4,331,015	-	128,506	-	-	2,380,676
Government securities sold during the period	-	-	186,302	-	4,147,458	-	128,478	-	-	2,495,613
Lease rentals during the period	-	-	-	-	-	-	-	-	-	-

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Un-audited March 31, 2020	Audited December 31, 2019
	Rupees '000	
<b>37 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum capital requirement (MCR):</b>		
Paid-up capital (net of losses)	15,176,965	15,176,965
<b>Capital adequacy ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	45,210,061	43,235,482
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	45,210,061	43,235,482
Eligible tier 2 capital	9,972,456	10,070,358
Total eligible capital (tier 1 + tier 2)	55,182,517	53,305,840
Risk weighted assets (RWAs):		
Credit risk	224,846,515	216,126,150
Market risk	18,908,660	18,811,120
Operational risk	43,725,881	43,523,481
Total	287,481,056	278,460,751
<b>Common equity tier 1 capital adequacy ratio</b>	15.73%	15.53%
<b>Tier 1 Capital adequacy ratio</b>	15.73%	15.53%
<b>Total Capital adequacy ratio</b>	19.20%	19.14%
<b>Leverage ratio (LR):</b>		
Eligible tier-1 capital	45,210,061	43,235,482
Total exposures	726,192,064	738,294,782
Leverage ratio (%)	6.23%	5.86%
<b>Liquidity coverage ratio (LCR):</b>		
Total high quality liquid assets	224,496,868	174,038,704
Total net cash outflow	119,007,781	122,919,223
Liquidity coverage ratio (Ratio)	1.886	1.416
<b>Net stable funding ratio (NSFR):</b>		
Total available stable funding	411,011,299	406,300,952
Total required stable funding	285,926,422	299,630,986
Net stable funding ratio (%)	143.75%	135.60%

## 38 ISLAMIC BANKING BUSINESS

The Bank is operating 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1). The statement of financial position and profit and loss account of these branches for the period ended March 31, 2020 are as follows:

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

Statement of financial position as at December 31, 2019	Note	Un-audited	Audited
		March 31, 2020	December 31, 2019
		Rupees '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		13,863,588	13,320,776
Balances with other banks		282,406	432,379
Investments	38.1	31,536,694	31,443,777
Islamic financing and related assets - net	38.2	126,406,563	115,537,150
Fixed assets		8,836,362	8,798,322
Intangible assets		79,288	84,501
Other assets		7,759,513	10,256,104
		188,764,414	179,873,009
<b>LIABILITIES</b>			
Bills payable		2,077,227	2,029,226
Due to financial institutions		23,395,659	26,721,776
Deposits and other accounts	38.3	126,882,474	119,214,500
Due to head office		11,727,624	8,333,416
Other liabilities		11,217,430	10,965,857
		175,300,414	167,264,775
		13,464,000	12,608,234
<b>NET ASSETS</b>			
<b>REPRESENTED BY</b>			
Islamic banking fund		9,180,000	9,180,000
Reserves		-	-
Surplus on revaluation of assets - net of tax		750,742	633,831
Unappropriated profit	38.7	3,533,258	2,794,403
		13,464,000	12,608,234
<b>CONTINGENCIES AND COMMITMENTS</b>			
	38.4	Un-audited	
		March 31, 2020	March 31, 2019
Rupees '000			
<b>Profit and loss account</b>			
Profit / return earned	38.5	5,147,552	2,945,532
Profit / return expensed	38.6	2,836,866	1,826,070
<b>Net profit / return</b>		2,310,686	1,119,462
<b>Other income</b>			
Fee and commission income		245,879	127,386
Dividend income		-	-
Foreign exchange income		12,785	30,150
Income / (loss) from derivatives		-	-
Loss on securities		-	-
Other income		2,630	696
Total other income		261,294	158,232
<b>Total income</b>		2,571,980	1,277,694
<b>Other expenses</b>			
Operating expenses		1,371,342	947,335
Workers welfare fund		-	-
Other charges		7	-
Total other expenses		1,371,349	947,335
Profit before provisions		1,200,631	330,359
Provisions and write offs - net		(10,607)	27,411
<b>Profit before taxation</b>		1,211,238	302,948
Taxation		472,383	106,032
<b>Profit after taxation</b>		738,855	196,916



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 38.1 Investments by segments:

### Federal Government securities:

- Ijarah Sukuks
- Other Federal Government securities

Un-audited March 31, 2020				Audited December 31, 2019			
Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees '000							
6,000,000	-	-	6,000,000	6,000,000	-	(60,000)	5,940,000
1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
7,597,048	-	-	7,597,048	7,597,048	-	(60,000)	7,537,048

### Non Government

#### Debt securities:

- Unlisted

23,215,206	-	724,440	23,939,646	23,258,691	-	648,038	23,906,729
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30,812,254	-	724,440	31,536,694	30,855,739	-	588,038	31,443,777
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Un-audited  
March 31,  
2020

Audited  
December 31,  
2019

Rupees '000

## 38.2 Islamic financing and related assets

- Ijarah
- Murabaha
- Musharaka
- Diminishing Musharaka
- Salam
- Istisna
- Musawamah
- Running Musharaka
- Fixed assets Ijarah financing - net
- Musharaka - Islamic export refinace scheme
- Advance against Murabaha financing
- Advanced against Diminishing Musharaka
- Advance against Ijarah
- Advance against Istisna
- Advance against Islamic export refinace - LTF
- Inventory related to Islamic financing
- Gross Islamic financing and related assets

-	-
2,459,325	2,221,977
7,164	7,164
75,315,149	68,640,076
-	-
1,597,484	1,245,270
5,375	409
18,552,584	17,241,885
78,507	87,735
9,517,560	7,137,560
365,041	1,599,406
6,861,536	10,539,406
2,062,305	2,062,305
6,881,018	3,787,505
1,506,565	790,884
1,725,896	715,120
126,935,509	116,076,702

Less: provision against Islamic financings

- specific
- general

(394,269)	(413,156)
(134,677)	(126,396)
(528,946)	(539,552)

Islamic financing and related assets - net of provision

126,406,563	115,537,150
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## 38.3 Deposits

### Customers

- Current deposits
- Savings deposits
- Term deposits

### Financial institutions

- Current deposits
- Savings deposits
- Term deposits

Un-audited March 31, 2020			Audited December 31, 2019		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees '000					
49,141,568	3,412,074	52,553,642	52,057,424	2,880,515	54,937,939
36,269,489	1,034,497	37,303,986	27,174,303	845,567	28,019,870
25,686,002	500,431	26,186,433	20,396,083	360,828	20,756,911
111,097,059	4,947,002	116,044,061	99,627,810	4,086,910	103,714,720
89,572	8,057	97,629	62,592	7,661	70,253
9,356,734	-	9,356,734	11,985,727	-	11,985,727
1,384,050	-	1,384,050	3,443,800	-	3,443,800
10,830,356	8,057	10,838,413	15,492,119	7,661	15,499,780
121,927,415	4,955,059	126,882,474	115,119,929	4,094,571	119,214,500

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 38.4 CONTINGENCIES AND COMMITMENTS

	Un-audited March 31, 2020	Audited December 31, 2019
	Rupees '000	
Guarantees	6,113,059	5,104,218
Commitments	20,114,860	14,245,313
	<u>26,227,919</u>	<u>19,349,531</u>

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

#### Profit earned on:

	Un-audited March 31, 2020	Audited March 31, 2019
	Rupees '000	
Financing	4,168,983	2,198,567
Investments	978,569	746,965
	<u>5,147,552</u>	<u>2,945,532</u>

### 38.6 Profit on deposits and other dues expensed

	Un-audited March 31, 2020	Audited March 31, 2019
	Rupees '000	
Deposits and other accounts	1,783,030	826,674
Other short term borrowings	875,722	999,396
Lease liability against right-of-use assets	178,114	-
	<u>2,836,866</u>	<u>1,826,070</u>

### 38.7 Islamic Banking Business Unappropriated Profit

	Un-audited March 31, 2020	Audited December 31, 2019
	Rupees '000	
Opening balance	2,794,403	2,231,877
Add: Islamic Banking profit for the period / year	1,211,238	922,174
Less: taxation	(472,383)	(359,648)
Less: reserves	-	-
Remitted to Head Office	-	-
Closing balance	<u>3,533,258</u>	<u>2,794,403</u>

### 39 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.

### 40 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on May 13, 2020 by the Board of Directors of the Bank.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Faysal Bank Limited - Group along with unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2020.

## Group Profile

Faysal Bank Ltd. (FBL) has 99.9% shareholding in Faysal Asset Management Limited (FAML). FAML is an unlisted public limited company registered as a Non-Banking Finance Company (NBFC), licensed to carry out asset management and investment advisory services under the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## FBL Group structure is as follows:

Holding Company : Faysal Bank Limited  
Subsidiary : Faysal Asset Management Limited

## Financial Highlights

Key Balance Sheet Numbers	Rs. in million		Growth %
	March '20	December '19	
Investment	215,412	203,594	5.8%
Financing	307,145	309,573	(0.8%)
Total Assets	625,487	629,861	(0.7%)
Deposits	460,980	457,785	0.7%

# DIRECTORS' REVIEW

Profit & Loss Account	Rs. in million		Growth %
	March '20	March '19	
Total Revenue	8,489	6,768	25.4%
Non-Markup Expenses	4,845	3,983	21.6%
Profit before tax and provisions	3,643	2,785	30.8%
Net Provisions	220	(206)	(206.5%)
Profit before tax	3,424	2,991	14.5%
Tax	1,369	1,391	(1.6%)
Profit after tax	2,055	1,601	28.4%
Earnings per share (Rupees)	1.35	1.05	

Faysal Bank Ltd.'s consolidated profit for the quarter ended March 31, 20 was PKR 2,055 million i.e. 28.4% higher than corresponding previous period, resulting in EPS of PKR 1.35.

The changes brought about post acquisition of control over FAML have started to yield targeted results. During the quarter FAML's Assets Under Management (AUMs) have grown by 32.2% to Rs. 20.9 billion. One of the reasons for growth in AUMs is that Faysal Bank is effectively leveraging its branch network to generate Faysal Funds sales in targeted customer segments.

Towards the end of March '20 Faysal Bank invested an additional amount of Rs. 500 million in FAML after obtaining necessary regulatory approvals. This investment is a testament of the Bank commitment towards FAML and will assist the subsidiary in achieving envisioned potential.

# DIRECTORS' REVIEW

FAML incurred loss after tax of Rs. 25.6 million during the quarter ended March 31, 20 which was significantly higher than loss of Rs. 10.9 million for the corresponding period previous year due to recognition of mark to market loss on investments as at quarter end resulting from sharp decline in equity market. The other reason for increase in loss is higher administrative expenses incurred during the current period.

## Credit Rating

VIS Credit Rating Company Limited (VIS) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings to Faysal Bank Ltd:

Long-Term    AA  
Short-Term   A1+

Stable outlook has been assigned to the ratings by both the rating agencies.

During the quarter, in view of the much-improved performance of FAML, VIS upgraded Asset Management rating from AM3+ to AM2. The rating signifies asset manager exhibiting very good management characteristics. 'Stable' outlook has been assigned to the rating.

## Holding Company

Ithmaar Bank B.S.C (closed), a banking entity regulated by the Central Bank of Bahrain is the parent company holding directly and indirectly, 66.78% (2018: 66.78%) of the shareholding in the Faysal Bank Ltd. Ithmaar Bank B.S.C. (closed) is a wholly owned subsidiary of Ithmaar Holdings B.S.C. and Dar Al-Maal Al-Islami Trust (DMIT) is the holding company of Ithmaar Holding B.S.C. and is the ultimate parent of the Group. DMIT was formed by indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and tradition.

# DIRECTORS' REVIEW

## Subsequent Events

No material changes or commitments affecting the financial position of the Group have occurred between the quarter end and the date of this report other than those disclosed in financial statements.

## Acknowledgement

On behalf of the Board & Management of the Group, we would like to take this opportunity to thank the shareholders and valued customers for the trust they have reposed in the Bank. We are also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance. We would also like to express sincere appreciation for the Shariah Board and employees of the Group for their dedication and hard work.

## Approval

In compliance with the requirement of the Companies Act, 2017, this directors' report with the recommendation of the Board Audit and Corporate Governance Committee has been approved by the Directors in their meeting held on May 13, 2020 and signed by the Chief Executive Officer and a director.

President & CEO

Chairman / Director

Karachi  
Dated: May 13, 2020

## ڈائریکٹرز کا جائزہ

### بعد ازاں واقعات:

مالیاتی گوشواروں میں ظاہر کیے گئے عوامل کے علاوہ رواں سہ ماہی کے اختتام سے لیکر اس رپورٹ کی تاریخ کے درمیان تک گروپ کی مالی پوزیشن کو متاثر کرنے والے واقعات یا کسی طرح کی کوئی تبدیلی رونما نہیں ہوئی۔

### توثیقی بیان:

ہم بورڈ اور گروپ انتظامیہ کی جانب سے حصص مالکان اور قابل احترام کسٹمرز کا شکریہ ادا کرنا چاہتے ہیں کہ انھوں نے بینک پر اپنے اعتماد کا اظہار کیا ہے۔ تعاون اور رہنمائی کا سلسلہ جاری رکھنے پر ہم بینک دولت پاکستان اور سیکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کے بھی شکریہ گزار ہیں۔ گروپ کی بھرپور ترقی یقینی بنانے کے لیے پوری لگن اور تنہی سے کام کرنے پر ہم شریعہ بورڈ اور بینک ملازمین کے بھی بے حد مشکور ہیں۔

### منظوری:

کمپنیز ایکٹ 2017 کی شرائط کے تحت، بورڈ آڈٹ اور کارپوریٹ گورننس کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 13 مئی، 2020 کو منعقدہ اجلاس میں ڈائریکٹرز کی جانب سے منظور کیا گیا ہے اور اس پر چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے دستخط کر دیئے ہیں۔

چیرمین / ڈائریکٹر

صدر اور سی ای او

کراچی

تاریخ: 13 مئی، 2020

## ڈائریکٹرز کا جائزہ

ایف اے ایم ایل کو 31 مارچ، 2020 کو ختم ہونے والی سہ ماہی کے دوران بعد از ٹیکس 25.6 ملین روپے خسارے کا سامنا کرنا پڑا، جو کہ گزشتہ سال اسی مدت کے دوران ہونے والے خسارے 10.9 ملین روپے کے مقابلے میں بہت زیادہ تھا، جس کی وجوہات میں سہ ماہی کے اختتام پر ایکوٹی مارکیٹ میں تیزی کے ساتھ کمی اور سرمایہ کاریوں میں مارکیٹ خسارہ شامل ہے۔ خسارے میں اضافے کی دوسری وجہ رواں مدت کے دوران انتظامی اخراجات میں زیادہ اضافہ بھی ہے۔

### کریڈٹ ریٹنگ:

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ اور پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے 31 دسمبر، 2019 کے مالیاتی گوشواروں کی بنیاد پر درج ذیل درجہ بندی جاری کی ہے:

طویل المیعاد:	AA
قلیل المیعاد:	A1+

مذکورہ بالا کریڈٹ ریٹنگ ایجنسینے مستحکم حالت کی درجہ بندی تفویض کی ہے۔

وی آئی ایس کریڈٹ ریٹنگ کمپنی نے رواں سہ ماہی کے دوران ایف اے ایم ایل کی ایسیٹ مینجمنٹ میں بہتر کارکردگی کے پیش نظر ریٹنگ کو AM+3 سے بڑھا کر AM2 تفویض کی ہے۔ ریٹنگ میں اضافے سے ثابت ہوتا ہے کہ منتظمین بہت اچھی کارکردگی کی خصوصیات کے حامل ہیں۔ ریٹنگ میں ”مستحکم“ درجہ بندی تفویض کی گئی ہے۔

### ہولڈنگ کمپنی

اتمار بینک B.S.C (کلوزڈ)، جو کہ سینٹرل بینک آف بحرین کا ماتحت ادارہ ہے، جو بالواسطہ اور بلاواسطہ طور پر بینک کے 66.78 فیصد (2018 میں 66.78 فیصد) حصص کے ساتھ بینک کا سربراہ ادارہ ہے۔ اتمار بینک B.S.C (کلوزڈ)، اتمار ہولڈنگ B.S.C کی مکمل ملکیت کا ذیلی ادارہ ہے جبکہ دارالعمال الاسلامی ٹرسٹ (DMIT) فیصل بینک کا اعلیٰ ترین سربراہی ادارہ ہے اور اتمار ہولڈنگ B.S.C کا بھی سربراہ ادارہ ہے۔ DMIT کا قیام کامن ویلٹھ آف بہاماس کے قوانین کے تحت عمل میں آیا تاکہ اسلامی قوانین، اصولوں اور روایات کے مطابق کاروباری امور انجام دیئے جائیں۔



## ڈائریکٹرز کا جائزہ

نفع اور نقصان اکاؤنٹ	مارچ ۲۰۲۰ء	دسمبر ۲۰۱۹ء	اضافہ
مجموعی آمدنی	8,489	6,768	25.4 فیصد
نان۔ مارک اپ اخراجات	4,845	3,983	21.6 فیصد
منافع قبل از ٹیکس اور پروویژن	3,643	2,785	30.8 فیصد
نیٹ پروویژنز	220	(206)	(206.5) فیصد
منافع قبل از ٹیکس	3,424	2,991	14.5 فیصد
ٹیکس	1,369	1,391	(1.6) فیصد
منافع بعد از ٹیکس	2,055	1,601	28.4 فیصد
فی حصص آمدن (روپے)	1.35	1.05	

31 مارچ، 2020 کو ختم ہونے والی سہ ماہی میں فیصل بینک لمیٹڈ کا مجموعی منافع 2,055 ملین روپے رہا جو کہ گزشتہ سال اسی مدت کے مقابلے میں 28.4 فیصد زیادہ ہے، جس کے نتیجے میں فی حصص آمدنی (EPS) 1.35 ریکارڈ کی گئی۔

ایف اے ایم ایل کا کنٹرول حاصل کرنے کے کی جانے والی تبدیلیوں سے مقرر کردہ نتائج آنا شروع ہو گئے ہیں۔ رواں سہ ماہی کے دوران ایف اے ایم ایل کے ایسٹس انڈر مینجمنٹ (AUMs) 32.2 فیصد اضافے کے ساتھ 20.9 ارب روپے تک جانچنے ہیں۔ AUMs میں اضافے کی ایک وجہ یہ بھی ہے کہ فیصل بینک نے اپنی شاخوں کے نیٹ ورک کے ذریعے خاص صارفین پر توجہ مرکوز کی اور فیصل فنڈز کی سیلز بڑھائی۔

مارچ 2020 کے آخر میں فیصل بینک نے لازمی قانونی منظوریوں حاصل کرنے کے بعد ایف اے ایم ایل میں 500 ملین روپے کی مزید سرمایہ کاری کی ہے۔ یہ سرمایہ کاری بینک کی جانب سے ایف اے ایم ایل کے لیے اپنے عزم کا منہ بولتا ثبوت ہے اور بینک مستقبل میں بھی اپنے ذیلی ادارے کی ترقی کے لیے کوشاں رہے گا۔

## ڈائریکٹرز کا جائزہ

فیصل بینک کے بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کی خدمت میں 31 مارچ، 2020 کو ختم ہونے والی سہ ماہی کی فیصل بینک لمیٹڈ - گروپ کی غیر آڈٹ شدہ رپورٹ کنسولیڈیٹڈ عبوری مالیاتی گوشواروں کے ساتھ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### گروپ پروفائل

فیصل بینک لمیٹڈ (FBL) نے فیصل ایسیٹ مینجمنٹ لمیٹڈ (FAML) کے 99.9 فیصد حصص حاصل کر لیے ہیں۔ ایف اے ایم ایل ایکن ان - لسٹڈ پبلک لمیٹڈ کمپنی ہے جو کہ نان - بینکنگ فنانس کمپنی (این بی ایف سی) کے طور پر رجسٹرڈ ہے، جس کے پاس نان - بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز، 2003 اور نان - بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹائیز ریگولیشنز، 2018 کے تحت ایسیٹ مینجمنٹ اور سرمایہ کاری کے لیے ایڈوانزری سروس فراہم کرنے کا لائسنس ہے۔

ایف بی ایل گروپ میں درج ذیل شامل ہیں:

ہولڈنگ کمپنی: فیصل بینک لمیٹڈ

ذیلی ادارہ: فیصل ایسیٹ مینجمنٹ لمیٹڈ

### مالیاتی جھلکیاں:

بیلنس شیٹ	(ملین روپے)		اضافہ
	مارچ ۲۰۲۰ء	دسمبر ۲۰۱۹ء	
سرمایہ کاری	215,412	203,594	5.8 فیصد
فنانسنگ	307,145	309,573	(0.8) فیصد
مجموعی اثاثہ جات	625,487	629,861	(0.7) فیصد
ڈپازٹس	460,980	457,785	0.7 فیصد

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
		Rupees '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	10	44,532,328	60,368,426
Balances with other banks	11	1,614,970	2,835,650
Lendings to financial institutions		-	-
Investments	12	215,411,531	203,594,303
Advances	13	307,145,245	309,573,002
Fixed assets	14	24,292,307	24,241,544
Intangible assets	15	1,779,491	1,840,624
Deferred tax assets	20	-	-
Other assets	16	30,711,185	27,406,984
		625,487,057	629,860,533
<b>LIABILITIES</b>			
Bills payable	17	7,418,845	8,356,460
Borrowings	18	61,329,964	72,746,795
Deposits and other accounts	19	460,979,599	457,785,183
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	20	2,712,633	2,816,798
Other liabilities	21	35,890,407	32,949,870
		568,331,448	574,655,106
<b>NET ASSETS</b>		57,155,609	55,205,427
<b>REPRESENTED BY</b>			
Share capital		15,176,965	15,176,965
Reserves		9,801,668	9,830,958
Surplus on revaluation of assets - net	22	10,653,844	10,748,080
Unappropriated profit		21,523,124	19,449,413
Total equity attributable to the equity holders of the parent		57,155,601	55,205,416
Non-controlling interest		8	11
		57,155,609	55,205,427

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

		Quarter ended	
	Note	March 31, 2020	March 31, 2019
		----- Rupees '000 -----	
Mark-up / return / interest earned	25	17,201,942	12,205,030
Mark-up / return / interest expensed	26	10,675,280	7,257,897
Net mark-up / interest income		6,526,662	4,947,133
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	27	1,060,319	910,286
Dividend income		60,342	75,148
Foreign exchange income		332,211	792,462
Income from derivatives		90,535	53,272
Gain / (loss) on securities	28	471,446	(44,124)
Other income	29	(52,927)	33,799
Total non-markup / interest income		1,961,926	1,820,843
Total income		8,488,588	6,767,976
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Operating expenses	30	4,662,651	3,913,938
Workers welfare fund		74,599	63,081
Other charges	31	107,907	6,177
Total non-markup / interest expenses		4,845,157	3,983,196
Profit before provisions		3,643,431	2,784,780
Provision / (reversal of provision) and recoveries against written-off debts - net	32	219,763	(206,304)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		3,423,668	2,991,084
Taxation	33	1,369,077	1,390,568
<b>PROFIT AFTER TAXATION</b>		2,054,591	1,600,516
<b>Attributable to:</b>			
Equity holders of the parent		2,054,594	1,600,516
Non-controlling interest		(3)	-
		2,054,591	1,600,516
----- Rupees -----			
<b>Basic / diluted earnings per share</b>	34	1.35	1.05

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

	Quarter ended	
	March 31, 2020	March 31, 2019
	----- Rupees '000 -----	
<b>Profit after taxation for the period</b>	<b>2,054,591</b>	1,600,516
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
- Movement in surplus on revaluation of investments - net of tax	(75,116)	229,708
<b>Total comprehensive income</b>	<b>1,979,475</b>	1,830,224
<b>Attributable to:</b>		
Equity holders of the parent	1,979,478	1,830,224
Non-controlling interest	(3)	-
	<b>1,979,475</b>	1,830,224

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

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED MARCH 31, 2020

Share capital	Reserves					Surplus / (deficit) on revaluation of			Unappropriated profit	Non-controlling interest	Total	
	Capital				Statutory reserve	Total	Investments	Fixed assets / non-banking assets				Total
	Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve (NCR) - gain on bargain purchase	Reserve arising on amalgamation								

Rupees '000

## Balance as at January 1, 2019 (audited)

15,176,965	-	10,131	632,006	23,952	8,112,819	8,778,908	(435,946)	5,529,613	5,093,667	14,425,209	16	43,474,765
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Profit after taxation for the quarter ended March 31, 2019

-	-	-	-	-	-	-	-	-	-	1,600,516	-	1,600,516
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Other comprehensive loss - net of tax

-	-	-	-	-	-	-	229,708	-	229,708	-	-	229,708
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Total comprehensive income

-	-	-	-	-	-	-	229,708	-	229,708	1,600,516	-	1,830,224
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Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax

-	-	-	-	-	-	-	-	(20,804)	(20,804)	20,804	-	-
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Amortisation of intangible assets - customer relationship - net of tax

-	-	-	(68,186)	-	-	(68,186)	-	-	-	-	-	(68,186)
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## Balance as at March 31, 2019 (un-audited)

15,176,965	-	10,131	563,820	23,952	8,112,819	8,710,722	(208,238)	5,508,809	5,302,571	16,046,529	16	45,236,803
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Profit after taxation for the period from April 1, 2019 to December 31, 2019

-	-	-	-	-	-	-	-	-	-	4,403,530	(5)	4,403,525
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Other comprehensive income - net of tax

-	-	-	-	-	-	-	3,590,153	2,004,847	5,595,000	57,989	-	5,652,989
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Total comprehensive income

-	-	-	-	-	-	-	3,590,153	2,004,847	5,595,000	4,461,519	(5)	10,056,514
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Transfer to statutory reserve

-	-	-	-	-	1,208,126	1,208,126	-	-	-	(1,208,126)	-	-
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Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax

-	-	-	-	-	-	-	-	(55,669)	(55,669)	55,669	-	-
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Transfer from surplus on revaluation of non-banking assets - net of tax

-	-	-	-	-	-	-	-	(93,822)	(93,822)	93,822	-	-
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Amortisation of intangible assets - customer relationship - net of tax

-	-	-	(87,890)	-	-	(87,890)	-	-	-	-	-	(87,890)
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## Balance as at December 31, 2019 (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	19,448,413	11	55,205,427
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Profit after taxation for the quarter ended March 31, 2020

-	-	-	-	-	-	-	-	-	-	2,054,591	(3)	2,054,591
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Other comprehensive income - net of tax

-	-	-	-	-	-	-	(75,116)	-	(75,116)	-	-	(75,116)
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Total comprehensive income

-	-	-	-	-	-	-	(75,116)	-	(75,116)	2,054,591	(3)	1,979,475
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Transfer to statutory reserve

-	-	-	-	-	-	-	-	-	-	-	-	-
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Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax

-	-	-	-	-	-	-	-	(19,120)	(19,120)	19,120	-	-
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Transfer from surplus on revaluation of non-banking assets - net of tax

-	-	-	-	-	-	-	-	-	-	-	-	-
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Amortisation of intangible assets - customer relationship - net of tax

-	-	-	(29,290)	-	-	(29,290)	-	-	-	-	-	(29,290)
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## Balance as at March 31, 2020 (Un-audited)

15,176,965	-	10,131	446,640	23,952	9,320,945	9,801,668	3,308,799	7,345,045	10,653,844	21,523,124	8	57,155,612
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The annexed notes 1 to 41 form an integral part of these condensed interim consolidated financial statements.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2020

	March 31, 2020	March 31, 2019
	Rupees '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,423,668	2,991,084
Less: dividend income	(60,342)	(75,148)
	<u>3,363,326</u>	<u>2,915,936</u>
<b>Adjustments:</b>		
Depreciation	314,188	236,279
Amortisation of intangible assets	38,159	29,510
Depreciation on right-of-use assets	380,806	468,649
Depreciation on non-banking assets	1,395	3,564
Impairment of non-banking assets	-	-
Workers' welfare fund	74,599	63,081
Provision / (reversal of provision) against loans and advances - net	314,747	(191,003)
Reversal of provision for diminution in value of investments - net	(83,978)	(1,353)
(Reversal of other provision) / other provision - net	-	-
Provision against off balance sheet obligations	414	6,773
(Gain) / loss on securities unrealised - held for trading - net	(37,471)	3,516
Gain on sale of fixed assets - net	(5,654)	(2,355)
Income from derivative contracts - net	(90,535)	(53,272)
Mark-up / return / interest expensed - lease liability against right-of-use assets	250,592	189,269
Bad debts written off directly / (recovery of written off bad debts)	3,017	(20,721)
	<u>1,160,279</u>	<u>731,937</u>
	<u>4,523,605</u>	<u>3,647,873</u>
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	-	(30,657,408)
Held-for-trading securities	4,304,087	25,233,862
Advances	2,109,993	(1,192,940)
Other assets (excluding advance taxation)	(4,185,217)	2,047,408
	<u>2,228,863</u>	<u>(4,569,078)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills Payable	(937,615)	(14,872,771)
Borrowings from financial institutions	(11,214,472)	(58,000,540)
Deposits	3,194,416	12,733,101
Other liabilities (excluding current taxation)	2,991,869	3,847,129
	<u>(5,965,802)</u>	<u>(56,293,081)</u>
Income tax paid	(519,131)	(727,419)
Contribution to gratuity fund	-	-
<b>Net cash flow generated from / (used in) operating activities</b>	<u>267,535</u>	<u>(57,941,705)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net (investment) / divestment in available for sale securities	(16,236,458)	63,247,090
Net divestment in held to maturity securities	113,450	249,072
Dividends received	19,025	1,122
Investment in operating fixed assets	(554,458)	(7,148,494)
Investment in intangible assets	(25,052)	(32,854)
Proceeds from sale of fixed assets	(50,479)	2,951
Proceeds from sale of non-banking assets	-	-
<b>Net cash flow (used in) / generated from investing activities</b>	<u>(16,733,972)</u>	<u>56,318,887</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of lease liability against right-of-use assets	(387,968)	-
Dividend paid	(14)	1,561
<b>Net cash flow (used in) / generated from financing activities</b>	<u>(387,982)</u>	<u>1,561</u>
<b>Decrease in cash and cash equivalents during the period</b>	<u>(16,854,419)</u>	<u>(1,621,257)</u>
Cash and cash equivalents at the beginning of the period	62,765,354	44,879,962
<b>Cash and cash equivalents at the end of the period</b>	<u>45,910,935</u>	<u>43,258,705</u>

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 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 Companies Act, 2017 (previously Companies Ordinance, 1984). Its shares are listed on Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank has a network of 555 branches (December 31, 2019: 555); including 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1) in Pakistan.

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, 2019: 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.

	Percentage of holding	
	March 31, 2020	December 31, 2019
Faysal Asset Management Limited - Subsidiary	99.99%	99.99%
The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited, have determined the Bank's long-term rating as 'AA' and the short term rating as 'A1+'.		

#### 1.1.2 Subsidiary Company - Faysal Asset Management Limited

Faysal Asset Management Limited (the Subsidiary Company) was incorporated in Pakistan under the provisions of the Companies Act, 2017 (previously Companies Ordinance, 1984) 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).

### 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 mark-up thereon.



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

- 2.2** In accordance with the directives issued by the SBP, the statement of financial position and the profit and loss account of Islamic banking branches of the Holding Company are disclosed in note 39 to these condensed interim consolidated financial statements.

## **3 BASIS OF CONSOLIDATION**

These condensed interim consolidated financial statements represent financial statements of Holding Company - Faysal Bank Limited and its Subsidiary Company. The assets and liabilities of Subsidiary Company have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiary in these condensed interim consolidated financial statements. Material intra-group balances and transactions are eliminated.

## **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 applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 IFRS 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 March 31, 2020, the Group has adjusted amortisation of intangible assets amounting to Rs. 29.290 million (net of tax) 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 financial year ended December 31, 2019.

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

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

**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, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these 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 SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Group 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, 2020 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 of the Holding Company for the year ended December 31, 2019.

## **6 BASIS OF MEASUREMENT**

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired in satisfaction of claims are carried at revalued amounts, certain investments and derivative contracts have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

## **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, 2019.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

### 9 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019. The following additional considerations have been taken in account in the Group's risk management policies due to the COVID - 19.

The COVID – 19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 425 basis points to 9 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include;

- reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million;
- relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent;
- allowing banks to defer clients' payment of principal on loan obligations by one year; and
- relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

COVID 19 has impacted the banks in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. Major aspects of COVID 19 on the Holding Company's risk management policies are given below:

#### 9.1 Assets quality and credit risk

The Risk department of the Holding Company is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Holding Company has further strengthened its credit review procedures in the light of COVID 19 and has conducted a Rapid Portfolio Review as at March 31, 2020.

#### 9.2 Operations

The Holding Company is closely monitoring the situation and has invoked required actions to ensure safety and security of Holding Company staff and an uninterrupted service to our customers. The senior management of the Holding Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Holding Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols, remote work capabilities were enabled for all critical staff and related risk and control measures have been ensured.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 9.3 Capital adequacy ratio

Under the current scenario, the banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Holding Company from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Holding Company for its tier 2 capital. Further the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the senior management of the Holding Company is continuously monitoring the impacts of various decisions of its CAR and taking further lending decisions based on the overall impacts on RWA. The Holding Company also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

## 10 CASH AND BALANCES WITH TREASURY BANKS

	Un-audited March 31, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
In hand		
- Local currency	16,456,213	10,322,399
- Foreign currency	3,710,075	3,601,723
	20,166,288	13,924,122
With State Bank of Pakistan in		
- Local currency current account	16,139,107	32,960,190
- Foreign currency current account	1,966,270	1,873,656
- Foreign currency deposit account	5,555,274	5,325,652
	23,660,651	40,159,498
With National Bank of Pakistan in		
- Local currency current account	691,716	5,574,470
Prize bonds	13,673	710,336
	44,532,328	60,368,426

## 11 BALANCES WITH OTHER BANKS

In Pakistan		
- In current account	470,271	1,426,987
- In saving account	67	68
	470,338	1,427,055
Outside Pakistan		
- In current account	762,881	1,352,850
- In deposit account	381,751	55,745
	1,144,632	1,408,595
	1,614,970	2,835,650

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited				Audited				
12	INVESTMENTS	Note	March 31, 2020				December 31, 2019			
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
12.1	Investments by type:									
Rupees '000										
Held-for-trading securities										
	Federal Government securities		26,202,921	-	37,905	26,240,826	31,073,816	-	1,002	31,074,818
	Shares		731,152	-	1,467	732,619	164,344	-	900	165,244
			26,934,073	-	39,372	26,973,445	31,238,160	-	1,902	31,240,062
Available-for-sale securities										
	Federal Government securities	12.3	120,656,728	-	1,181,786	121,838,514	104,109,013	-	115,329	104,224,342
	Shares		8,020,837	1,666,749	(779,283)	5,574,805	8,322,582	1,745,897	878,857	7,455,542
	Non Government debt securities		42,701,931	559,787	5,021,758	47,163,902	42,711,443	559,787	4,553,216	46,704,872
			171,379,496	2,226,536	5,424,261	174,577,221	155,143,038	2,305,684	5,547,402	158,384,756
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	13,802,584	1,538,767	-	12,263,817	13,916,034	1,543,597	-	12,372,437
			15,399,632	1,538,767	-	13,860,865	15,513,082	1,543,597	-	13,969,485
Total Investments			213,713,201	3,765,303	5,463,633	215,411,531	201,894,280	3,849,281	5,549,304	203,594,303

	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000		
<b>12.2</b> Bai Muajjal - gross	<b>2,212,625</b>	2,212,625
Less: deferred income	<b>(349,351)</b>	(400,462)
Less: profit receivable shown in other assets	<b>(266,226)</b>	(215,115)
Bai Muajjal - net	<b>1,597,048</b>	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, 2019: 12.84%) maturing in December, 2021.

	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000		
<b>12.3 Investments given as collateral</b>	<b>6,846,983</b>	21,747,989
- Market treasury bills		
<b>12.4 Provision for diminution in value of investments</b>		
<b>12.4.1</b> Opening balance	<b>3,849,281</b>	3,541,667
Charge / (reversals)		
Charge for the period / year	<b>260,598</b>	366,100
Reversals on disposals	<b>(344,576)</b>	(58,486)
	<b>(83,978)</b>	307,614
Closing Balance	<b>3,765,303</b>	3,849,281

**12.4.2** As at March 31, 2020, the bank had an impairment of Rs 1,042.395 million under the significant criteria pertaining to the equity portfolio of the Holding Company. The Holding Company has opted to record impairment of Rs 260.599 million only in these condensed interim consolidated financial statements, and has deferred the recognition of impairment amounting to Rs 781.796 million to the subsequent periods as allowed by the SBP vide BPRD circular letter No. 13 dated March 26, 2020.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 12.4.3 Particulars of provision against debt securities

Category of classification

Un-audited March 31, 2020		Audited December 31, 2019	
Non-performing investments	Provision	Non-performing investments	Provision
Rupees '000			
<b>Domestic</b>			
- Loss	<u>2,098,554</u>	<u>2,098,554</u>	<u>2,103,384</u>
		<u>2,103,384</u>	<u>2,103,384</u>

**12.5** The market value of securities classified as held-to-maturity as at March 31, 2020 amounted to Rs. 12,455.432 million (December 31, 2019: Rs. 12,564.225 million).

## 13 ADVANCES

Performing		Non performing		Total	
Un-audited March 31, 2020	Audited December 31, 2019	Un-audited March 31, 2020	Audited December 31, 2019	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000					

Loans, cash credits, running finances, etc.	166,577,027	182,560,477	28,764,090	28,777,157	195,341,117	211,337,634
Islamic financing and related assets	125,914,098	114,980,031	1,021,411	1,096,671	126,935,509	116,076,702
Bills discounted and purchased	8,847,656	5,860,886	569,754	535,455	9,417,410	6,396,341
Advances - gross	<u>301,338,781</u>	<u>303,401,394</u>	<u>30,355,255</u>	<u>30,409,283</u>	<u>331,694,036</u>	<u>333,810,677</u>

Provision against advances

- specific	-	-	(23,790,446)	(23,475,724)	(23,790,446)	(23,475,724)
- general	(758,345)	(761,951)	-	-	(758,345)	(761,951)
	<u>(758,345)</u>	<u>(761,951)</u>	<u>(23,790,446)</u>	<u>(23,475,724)</u>	<u>(24,548,791)</u>	<u>(24,237,675)</u>

Advances - net of provision	<u>300,580,436</u>	<u>302,639,443</u>	<u>6,564,809</u>	<u>6,933,559</u>	<u>307,145,245</u>	<u>309,573,002</u>
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## 13.1 Particulars of advances (gross)

	Un-audited March 31, 2020	Audited December 31, 2019
- in local currency	327,948,846	331,186,964
- in foreign currencies	<u>3,745,190</u>	<u>2,623,713</u>
	<u>331,694,036</u>	<u>333,810,677</u>

**13.2** Advances include Rs. 30,355 million (December 31, 2019: Rs. 30,409 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited March 31, 2020		Audited December 31, 2019	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees '000				
<b>Domestic</b>				
- other assets especially mentioned	1,376,602	-	1,483,618	10
- substandard	1,531,882	237,694	1,528,058	262,576
- doubtful	4,314,127	1,340,221	4,305,081	1,164,514
- loss	23,132,644	22,212,531	23,092,526	22,048,624
Total	<u>30,355,255</u>	<u>23,790,446</u>	<u>30,409,283</u>	<u>23,475,724</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 13.3 Particulars of provision against advances

	Un-audited			Audited		
	March 31, 2020			December 31, 2019		
	Specific	General	Total	Specific	General	Total
Rupees '000						
Opening balance	23,475,724	761,951	24,237,675	23,135,261	678,187	23,813,448
Charge for the period / year	634,411	-	634,411	2,374,327	83,764	2,458,091
Reversals during the period / year	(316,058)	(3,606)	(319,664)	(1,812,748)	-	(1,812,748)
	318,353	(3,606)	314,747	561,579	83,764	645,343
Amounts written off	(3,631)	-	(3,631)	(220,887)	-	(220,887)
Amounts charged off -						
agriculture financing	-	-	-	(229)	-	(229)
Closing balance	23,790,446	758,345	24,548,791	23,475,724	761,951	24,237,675

**13.3.1** As allowed by the SBP the Holding Company has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 1,943.361 million (December 31, 2019: Rs 1,996.336 million) relating to advances while determining the provisioning requirement against non-performing financing as at March 31, 2020. The additional profit arising from availing the FSV benefit - net of tax as at March 31, 2020 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,185.450 million (December 31, 2019: Rs 1,217.765 million).

**13.3.2** 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.

**13.3.3** 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.

		Un-audited March 31, 2020	Audited December 31, 2019
	Note		
		Rupees '000	
14	FIXED ASSETS		
	Capital work-in-progress	14.1 1,050,614	1,158,440
	Property and equipment	23,241,693	23,083,104
		24,292,307	24,241,544

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 14.1 Capital work-in-progress

Civil works  
Equipment  
Furniture and fixture  
Vehicles

Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000	
322,181	393,327
685,414	658,014
36,649	44,591
6,370	62,508
<u>1,050,614</u>	<u>1,158,440</u>

## 14.2 Additions to fixed assets

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

### Capital work-in-progress

553,465 452,225

### Property and equipment

Furniture and fixture  
Electrical office and computer equipment  
Vehicles  
Others

64,711	44,613
300,919	176,451
58,765	1,192
237,889	84,944
662,284	307,200
<u>1,215,749</u>	<u>759,425</u>

### Total

## 14.3 Disposal of fixed assets

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

Furniture and fixture  
Electrical office and computer equipment  
Vehicles  
Total

3	3
3,777	212
29	928
<u>3,809</u>	<u>1,143</u>

## 15 INTANGIBLE ASSETS

Capital work-in-progress  
Computer softwares  
Customer relationship  
Goodwill  
Management rights

Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000	
320,198	412,380
374,018	294,945
732,191	780,215
238,484	238,484
114,600	114,600
1,459,293	1,428,244
<u>1,779,491</u>	<u>1,840,624</u>

### Total

### Capital work-in-progress

Computer software

320,198 412,380

## 15.1 Additions to intangible assets

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

Directly purchased

Un-audited March 31, 2020	March 31, 2019
Rupees '000	
117,234	32,854



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
		Rupees '000	
<b>16 OTHER ASSETS</b>			
Income / mark-up accrued in local currency - net of provision		9,094,606	9,599,119
Income / mark-up accrued in foreign currency - net of provision		95,631	82,615
Advances, deposits, advance rent and other prepayments		961,030	898,295
Advance taxation (payments less provisions)		1,736,423	2,653,656
Non-banking assets acquired in satisfaction of claims		1,269,528	1,271,386
Mark to market gain on forward foreign exchange contracts		4,097,678	859,265
Fair value of derivative contracts		19,578	90,937
Acceptances	21	10,691,414	9,142,924
Credit cards and other products fee receivable		372,526	574,288
Receivable from brokers against sale of shares		12,285	183,606
Dividend receivable		116,665	75,348
Receivable from 1Link (Private) Limited		411,189	363,052
Rent and amenities receivable		45,008	45,008
Rebate receivable - net		54,505	54,505
Others		535,555	315,416
		<u>29,513,621</u>	<u>26,209,420</u>
Less: provision held against other assets	16.1	<u>(256,222)</u>	<u>(256,222)</u>
Other assets (net of provision)		29,257,399	25,953,198
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
Other assets - total		<u>30,711,185</u>	<u>27,406,984</u>
<b>16.1 Provision held against other assets</b>			
Dividend receivable		75,348	75,348
SBP penalties		51,135	51,135
Fraud forgery theft and account receivable		21,662	21,662
Security deposits		22,994	22,994
Others		81,037	85,083
		<u>252,176</u>	<u>256,222</u>
<b>16.1.1 Movement in provision held against other assets</b>			
Opening balance		256,222	262,243
Charge for the period / year		-	7,860
Reversals during the period / year		-	(13,881)
		-	(6,021)
Closing balance		<u>256,222</u>	<u>256,222</u>
<b>17 BILLS PAYABLE</b>			
In Pakistan		<u>7,418,845</u>	<u>8,356,460</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
		----- Rupees '000 -----	
<b>18 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - part I and II		9,682,353	10,598,970
- under long term financing facility		3,305,678	2,426,974
- under long term financing facility for renewable power energy (RPE)		895,435	896,508
- under scheme of financing facility for storage of agricultural produce		77,168	86,316
- under Islamic export refinance scheme		10,717,560	8,087,560
		24,678,194	22,096,328
Repurchase agreement borrowings		6,841,710	21,721,810
<b>Total secured</b>		<b>31,519,904</b>	<b>43,818,138</b>
<b>Unsecured</b>			
Call borrowings		4,326,052	1,783,448
Overdrawn nostro accounts		236,363	438,722
Musharaka acceptances		11,095,000	18,020,000
Other borrowings	18.1	14,152,645	8,686,487
<b>Total unsecured</b>		<b>29,810,060</b>	<b>28,928,657</b>
		<b>61,329,964</b>	<b>72,746,795</b>

**18.1** This represents borrowings from foreign financial institutions. The mark-up rates on these borrowings are ranging from 2.42% to 3.64% per annum (December 31, 2019: 3.32% to 3.43%) with maturities upto September 2020.

## 19 DEPOSITS AND OTHER ACCOUNTS

	Un-audited March 31, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees '000 -----					
<b>Customers</b>						
Current deposits – remunerative	11,176,794	-	11,176,794	12,358,523	-	12,358,523
Current deposits – non-remunerative	114,332,515	18,656,467	132,988,982	117,835,756	16,723,542	134,559,298
Savings deposits	138,859,313	16,448,745	155,308,058	137,494,568	15,672,852	153,167,420
Term deposits	135,773,358	4,212,833	139,986,191	122,761,268	4,921,337	127,682,605
Margin deposits	2,899,114	22,095	2,921,209	2,715,024	19,177	2,734,201
	403,041,094	39,340,140	442,381,234	393,165,139	37,336,908	430,502,047
<b>Financial institutions</b>						
Current deposits	802,261	22,590	824,851	1,120,002	55,570	1,175,572
Savings deposits	10,456,174	-	10,456,174	19,638,764	-	19,638,764
Term deposits	7,317,340	-	7,317,340	6,468,800	-	6,468,800
	18,575,775	22,590	18,598,365	27,227,566	55,570	27,283,136
	421,616,869	39,362,730	460,979,599	420,392,705	37,392,478	457,785,183

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
----- Rupees '000 -----			
<b>20 DEFERRED TAX (LIABILITIES) / ASSETS</b>			
<b>Deductible temporary differences on</b>			
- provision for diminution in the value of investments		134,348	182,987
- provision against advances, off balance sheet, etc.		1,307,267	1,307,267
- provision against other assets		99,703	99,703
- surplus on revaluation of investments		(2,115,461)	(2,163,487)
- defined benefit obligation		44	44
- unused tax losses		14,148	11,937
		(559,951)	(561,549)
<b>Taxable temporary differences on</b>			
- surplus on revaluation of fixed assets		(1,663,813)	(1,676,037)
- surplus on revaluation of non banking assets		(14,113)	(14,113)
- fair value adjustment relating to net assets acquired upon amalgamation		(285,554)	(304,285)
- fair value adjustment relating to net assets acquired upon business combination		(52,540)	(52,496)
- accelerated tax depreciation		(123,545)	(195,201)
- fair valuation of previously held equity interest of FAML		(13,117)	(13,117)
		(2,152,682)	(2,255,249)
		<u>(2,712,633)</u>	<u>(2,816,798)</u>
<b>21 OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		5,288,111	3,729,655
Mark-up / return / interest payable in foreign currency		33,004	27,021
Unearned commission and income on bills discounted		740,562	725,288
Accrued expenses		2,165,254	2,382,341
Acceptances	16	10,691,414	9,142,924
Unclaimed dividends		45,808	45,822
Mark to market loss on forward foreign exchange contracts		1,843,217	2,228,384
Charity fund balance		2,959	2,278
Provision against off-balance sheet obligations	21.1	114,090	113,676
Security deposits against lease		1,055,862	1,201,214
Withholding tax payable		103,022	189,403
Federal excise duty payable		40,557	58,494
Payable to brokers against purchase of shares		35,332	77,747
Fair value of derivative contracts		1,372,836	1,032,154
Credit cards and other products payables		1,110,499	1,119,464
Lease liability against right-of-use asset		8,345,463	8,309,852
Token money against disposal of assets		570,591	565,357
Funds held as security		237,399	232,572
Payable to 1Link (Private) Limited		55,532	125,263
Insurance payable		128,502	144,552
Clearing and settlement accounts		1,439,763	1,172,824
Provision for gratuity		89,110	118,965
Others		381,520	204,620
		<u>35,890,407</u>	<u>32,949,870</u>
<b>21.1 Provision against off-balance sheet obligations</b>			
Opening balance		113,676	125,238
Charge for the period / year		414	-
Reversals during the period / year		-	(11,562)
		414	(11,562)
Closing balance		<u>114,090</u>	<u>113,676</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
		Rupees '000	
<b>22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) on revaluation of:			
- Available for sale securities		5,424,261	5,547,402
- Fixed assets		7,592,079	7,600,529
- Non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
		14,470,126	14,601,717
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(2,115,462)	(2,163,487)
- Fixed assets		(1,686,707)	(1,676,037)
- Non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
		(3,816,282)	(3,853,637)
		10,653,844	10,748,080
<b>23 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	26,161,135	24,074,333
Commitments	23.2	190,540,452	208,211,812
Other contingent liabilities	23.3	4,293,244	4,293,244
		220,994,831	236,579,389
<b>23.1 Guarantees:</b>			
Financial guarantees		7,252,135	7,099,400
Performance guarantees		5,038,740	4,870,710
Other guarantees		13,870,260	12,104,223
		26,161,135	24,074,333
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		36,847,670	30,343,743
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	118,872,682	126,281,305
- forward government securities transactions	23.2.2	6,843,678	21,760,786
- derivatives - cross currency and interest rate swaps (notional principal)	23.2.3	9,750,515	9,244,773
- extending credit (irrevocable)	23.4	17,979,343	20,281,111
Commitments for acquisition of:			
- operating fixed assets		96,911	185,919
- intangible assets		149,653	114,175
		190,540,452	208,211,812
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		81,318,044	84,264,725
Sale		37,554,638	42,016,580
		118,872,682	126,281,305

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

	Note	Un-audited March 31, 2020	Audited December 31, 2019
----- Rupees '000 -----			
<b>23.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		6,843,678	21,760,786
Sale		-	-
		<u>6,843,678</u>	<u>21,760,786</u>

### 23.2.3 Commitments in respect of derivatives

Purchase	-	-
Sale	9,750,515	9,244,773
	<u>9,750,515</u>	<u>9,244,773</u>

### 23.3 Other contingent liabilities

#### 23.3.1 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 Indemnity issued favouring the Honorable High Court in one of the cases Cantonment tax Karachi Cantonment Board (KCB)  
Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan

	2,510,000	2,510,000
	457,543	457,543
(i)	171,000	171,000
(ii)	1,154,701	1,154,701
	<u>4,293,244</u>	<u>4,293,244</u>

- (i) The Executive Officer, Karachi Cantonment Board (KCB), vide its notice CBR No. 1 dated March 08, 2017 has proposed revised rates for assessment of shops and flats "A" category in which a fresh sub-category "Banks (self-occupied)" has been introduced for the purpose of cantonment tax in the limit of KCB. This has resulted in additional demand of Rs 171 million (December 31, 2019: Rs 171 million) by KCB which includes demand on reassessment for the years from 2013 to 2017. On the basis of legal grounds agreed in consultation with legal counsel, the Holding Company has filed a suit in the Honorable High Court of Sindh against such levy of tax. A stay order has been granted by the Honorable High Court of Sindh in respect of payment of this additional demand.

The impact of revised rates would result in an additional demand of Rs 103 million in respect of the years ended December 31, 2018 and 2019.

- (ii) Income tax assessments of the Bank have been finalised upto the tax year 2019 (accounting year 2018).

The department and the Holding Company have disagreements 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, 2019: Rs. 1,154.701 million). The Commissioner Inland Revenue (Appeals) [(CIR(A)] has deleted the said additional tax liability, however the income tax department has filed an appeal with the Appellate Tribunal Inland Revenue against the order of CIR(A). The management and tax advisors of the Holding Company are confident that the matter will be decided in the Holding Company's favor and accordingly, no provision has been recorded in these condensed interim consolidated financial statements in respect of this matter.

- (iii) There are certain claims against the Bank not acknowledged as debt amounting to Rs 34,711 million (December 31, 2019: Rs 34,194 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

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

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, 2019: 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 advice 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.

### 23.3.2 Subsidiary Company:

- (i) The income tax returns of the Subsidiary Company for the tax years 2004 to 2019 (financial year ended June 30, 2004 to 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.
- (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
			<u>818</u>

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

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

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 period from July 1, 2019 to December 31, 2019, the audit of the tax year 2013 (financial year ended June 30, 2013) has been 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) demanded 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.

## 23.4 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 17,979 million (December 31, 2019: Rs 20,281 million) which are irrevocable in nature.

## 24 DERIVATIVE INSTRUMENTS

Cross currency swaps (notional principal)

Interest rate swap (notional principal)

Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000	
9,250,404	8,780,230
500,111	464,543

## 24.1 Product analysis

Counterparties	March 31, 2020 (Un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / loss	Notional principal	Mark to market gain / loss
Rupees '000				
<b>With banks for</b>				
Hedging	-	-	-	-
Market making	4,553,284	(722,725)	500,111	7,730
<b>With other entities for</b>				
Hedging	-	-	-	-
Market making	4,697,120	(638,264)	-	-
<b>Total</b>				
Hedging	-	-	-	-
Market making	9,250,404	(1,360,989)	500,111	7,730
Counterparties	December 31, 2019 (Audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / loss	Notional principal	Mark to market gain / loss
Rupees '000				
<b>With banks for</b>				
Hedging	-	-	-	-
Market making	4,273,153	(569,222)	464,543	(31)
<b>With other entities for</b>				
Hedging	-	-	-	-
Market making	4,507,077	(371,964)	-	-
<b>Total</b>				
Hedging	-	-	-	-
Market making	8,780,230	(941,186)	464,543	(31)

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited	
		March 31, 2020	March 31, 2019
		Rupees '000	
<b>25</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
On:			
a)	loans and advances	10,643,124	8,457,758
b)	investments	6,134,776	3,130,072
c)	lendings to financial institutions	22,923	15,842
d)	balances with banks	12,374	21,117
e)	securities purchased under resale agreements	388,745	580,241
		<u>17,201,942</u>	<u>12,205,030</u>
<b>26</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits		8,303,591	5,892,231
Securities sold under repurchase agreements		66,669	118,580
Other short term borrowings		10,321	26,882
SBP borrowings		151,209	94,751
Short sale of Pakistan Investment Bonds		49,154	17,272
Bai Muajjal		102,405	-
Musharaka acceptances		409,092	229,504
Lease liability against right-of-use assets		250,592	189,269
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,332,247	689,408
		<u>10,675,280</u>	<u>7,257,897</u>
<b>27</b>	<b>FEE AND COMMISSION INCOME</b>		
Branch banking customer fees		178,391	139,951
Consumer finance related fees		94,947	80,674
Card related fees (debit and credit cards)		441,642	381,131
Credit related fees		20,393	24,314
Investment banking fees		27,791	50,997
Commission on trade		69,113	68,850
Commission on guarantees		29,349	20,004
Commission on cash management		17,378	9,878
Commission on remittances including home remittances		12,322	8,425
Commission on bancassurance		104,459	88,370
Sales commission on FAML		34,166	4,625
Management fee		27,601	22,660
Advisory fee		224	-
Sales load		-	2,385
Others		2,543	8,022
		<u>1,060,319</u>	<u>910,286</u>
<b>28</b>	<b>GAIN / (LOSS) ON SECURITIES</b>		
Realised - net		433,975	(40,608)
Unrealised - held for trading - net		37,471	(3,516)
		<u>471,446</u>	<u>(44,124)</u>
<b>28.1</b>	<b>Realised gain / (loss) on:</b>		
Federal Government securities		226,942	(10,038)
Shares		192,365	(34,430)
Open end mutual funds		14,668	3,860
		<u>433,975</u>	<u>(40,608)</u>
<b>29</b>	<b>OTHER INCOME</b>		
Rent on property		26,687	32,797
Gain on sale of fixed assets - net		5,654	2,355
Loss on short sale of Pakistan Investment Bonds (PIBs)		(88,139)	(3,440)
Notice pay		1,689	1,638
Scrap income		505	148
Others		677	301
		<u>(52,927)</u>	<u>33,799</u>



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited	
		March 31, 2020	March 31, 2019
		Rupees '000	
<b>30</b>	<b>OPERATING EXPENSES</b>		
	<b>Total compensation expense</b>	<b>1,775,964</b>	<b>1,452,433</b>
	<b>Property expense</b>		
	Rent and taxes	50,823	36,893
	Insurance	13,534	21,954
	Utilities cost	149,221	125,365
	Security (including guards)	187,829	152,644
	Repair and maintenance (including janitorial charges)	108,935	86,548
	Depreciation on owned fixed assets	126,047	99,528
	Depreciation on non-banking assets	1,395	3,564
	Depreciation on right-of-use assets	380,806	468,649
	Others	18,740	18,086
		<b>1,037,330</b>	<b>1,013,231</b>
	<b>Information technology expenses</b>		
	Software maintenance	441,162	338,742
	Hardware maintenance	75,948	49,892
	Depreciation	87,784	78,093
	Amortisation	38,159	29,510
	Network charges	70,159	55,709
	Others	2,025	-
		<b>715,237</b>	<b>551,946</b>
	<b>Other operating expenses</b>		
	Directors' fees and allowances	31,365	12,347
	Legal and professional charges	19,310	8,556
	Outsourced services costs - staff	83,950	99,611
	Travelling and conveyance	29,628	26,529
	NIFT clearing charges	13,840	12,570
	Depreciation	100,357	58,658
	Training and development	6,402	3,806
	Postage and courier charges	46,380	23,435
	Communication	26,521	26,153
	Marketing, advertisement and publicity	168,021	82,345
	Donations	-	69,431
	Auditors remuneration	13,674	11,978
	Insurance	173,760	144,965
	Stationery and printing	102,677	62,498
	Bank fees and charges	24,013	26,515
	Brokerage and commission	20,214	10,537
	Deposit protection premium	87,627	73,737
	Credit card bonus points redemption	54,284	51,173
	Others	132,097	91,484
		<b>1,134,120</b>	<b>896,328</b>
		<b>4,662,651</b>	<b>3,913,938</b>
<b>31</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by the State Bank of Pakistan	<b>107,907</b>	<b>6,177</b>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

		Un-audited	
	Note	March 31, 2020	March 31, 2019
		Rupees '000	
32	PROVISION / (REVERSAL OF PROVISION) AND RECOVERIES AGAINST WRITTEN-OFF DEBTS - NET		
	Provision for diminution in value of investments	12.4 (83,978)	(1,353)
	Provision / (reversal of provision) against loans and advances	13.3 314,747	(191,003)
	Bad debts written off directly	3,017	3,174
	Recovery of written off / charged off bad debts	(14,437)	(23,895)
	Provision against off balance sheet obligations	21.1 414	6,773
		219,763	(206,304)
33	TAXATION		
	Current	1,365,628	1,198,177
	Prior years	40,000	298,934
	Deferred	(36,551)	(106,543)
		1,369,077	1,390,568
34	BASIC EARNINGS PER SHARE		
	Profit after tax for the period	2,054,591	1,600,516
		Number of shares in thousands	
	Weighted average number of ordinary shares	1,517,697	1,517,697
		Rupees	
	Basic earnings per share	1.35	1.05
34.1	Diluted earnings per share has not been presented as the Holding Company does not have any convertible instruments in issue at March 31, 2020 and March 31, 2019 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.

### 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:

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

**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:

	March 31, 2020 (Un-audited)			
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
<b>On-balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government securities	-	148,079,340	-	148,079,340
Shares	2,503,264	3,071,541	-	5,574,805
Non-Government debt securities	40,012,595	7,151,307	-	47,163,902
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Non-Government debt securities	-	12,455,432	-	12,455,432
<b>Non-financial assets - measured at fair value</b>				
Fixed assets (land and buildings)	-	-	11,265,990	11,265,990
Non-banking assets acquired in satisfaction of claims	-	-	2,723,314	2,723,314
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	82,753,900	-	82,753,900
Forward sale of foreign exchange	-	39,396,817	-	39,396,817
Derivatives sales	-	9,750,515	-	9,750,515
<b>December 31, 2019 (Audited)</b>				
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
<b>On-balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government securities	-	135,299,160	-	135,299,160
Shares	5,356,303	2,264,483	-	7,620,786
Non-Government debt securities	39,550,000	7,154,872	-	46,704,872
<b>Financial assets - disclosed but not measured at fair value</b>				
Investments				
Non-Government debt securities	-	12,564,225	-	12,564,225
<b>Non-financial assets - measured at fair value</b>				
Fixed assets (land and buildings)	-	-	11,389,113	11,389,113
Non-banking assets acquired in satisfaction of claims	-	-	2,725,172	2,725,172
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	81,296,151	-	81,296,151
Forward sale of foreign exchange	-	41,387,194	-	41,387,194
Derivatives sales	-	8,780,230	-	8,780,230

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## FOR THE QUARTER ENDED MARCH 31, 2020

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 Group to exercise such transfers.

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

### 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.
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 as per the accounting policy disclosed in the financial statements of the Holding Company for the year ended December 31 2019.
Non-banking assets acquired in satisfaction of claims	NBAs are valued by professionally qualified valuers as per the accounting policy disclosed in the financial statements of the Holding Company for the year ended 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.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## 36 SEGMENT INFORMATION

### 36.1 Segment details with respect to business activities

	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
	Rupees '000					
<b>Profit and loss for the quarter ended March 31, 2020 (Un-audited)</b>						
Net mark-up / return / profit	(5,399,079)	7,924,035	3,876,175	104,159	21,372	6,526,662
Inter segment revenue - net	9,396,729	(7,199,598)	(3,460,486)	(70,822)	1,334,177	-
Non mark-up / return / interest income	1,114,105	206,275	767,795	520	(126,769)	1,961,926
Total Income	5,111,755	930,712	1,183,484	33,857	1,228,780	8,488,588
Segment direct expenses	2,975,670	135,404	87,501	26,165	1,620,417	4,845,157
Inter segment expense allocation	1,384,847	145,058	29,967	28,209	(1,588,081)	-
Total expenses	4,360,517	280,462	117,468	54,374	32,336	4,845,157
Provisions	46,459	156,745	(79,147)	82,517	13,189	219,763
Profit before tax	704,779	493,505	1,145,163	(103,034)	1,183,255	3,423,668
<b>Statement of financial position as at March 31, 2020 (Un-audited)</b>						
Cash and bank balances	21,278,551	-	24,868,747	-	-	46,147,298
Investments	-	19,294,061	195,944,120	3,298,820	639,833	219,176,834
- Investment provision	-	-	(781,377)	(2,983,926)	-	(3,765,303)
Net inter segment lending	359,277,022	-	-	-	(359,277,022)	-
Advances - performing	60,801,389	240,233,157	-	-	304,235	301,338,781
Advances - non-performing	4,422,956	1,079,672	-	24,830,950	21,677	30,355,255
- Advances - provisions	(4,608,144)	(1,139,509)	-	(18,785,356)	(15,782)	(24,548,791)
Others	11,695,019	6,696,556	2,976,976	(2,755,360)	38,169,784	56,782,975
<b>Total assets</b>	<b>452,866,793</b>	<b>266,163,937</b>	<b>223,008,466</b>	<b>3,605,128</b>	<b>(320,157,275)</b>	<b>625,487,049</b>
Borrowings	2,541,242	21,702,605	37,086,117	-	-	61,329,964
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	434,947,190	24,753,647	-	117,138	1,161,624	460,979,599
Net inter segment borrowing	-	218,888,316	184,537,407	3,426,490	(406,852,213)	-
Others	15,378,361	819,369	(1,923,857)	61,500	31,686,512	46,021,885
<b>Total liabilities</b>	<b>452,866,793</b>	<b>266,163,937</b>	<b>219,699,667</b>	<b>3,605,128</b>	<b>(374,004,077)</b>	<b>568,331,448</b>
Equity	-	-	3,308,799	-	53,846,802	57,155,601
<b>Total equity and liabilities</b>	<b>452,866,793</b>	<b>266,163,937</b>	<b>223,008,466</b>	<b>3,605,128</b>	<b>(320,157,275)</b>	<b>625,487,049</b>
<b>Contingencies and commitments</b>	<b>11,031,891</b>	<b>51,207,749</b>	<b>-</b>	<b>1,226,708</b>	<b>-</b>	<b>63,466,348</b>
	2019					
	Retail	CIBG	Treasury	SAM	Others	Total
	Rupees '000					
<b>Profit and loss for the quarter ended March 31, 2019 (Un-audited)</b>						
Net mark-up / return / profit	(3,510,422)	6,489,689	1,899,375	35,402	33,089	4,947,133
Inter segment revenue - net	6,495,194	(5,826,292)	(1,308,494)	(36,725)	676,317	-
Non mark-up / return / interest income	930,854	167,622	774,656	520	(52,809)	1,820,843
Total Income	3,915,626	831,019	1,365,537	(803)	656,597	6,767,976
Segment direct expenses	2,603,544	111,402	79,476	31,955	1,156,819	3,983,196
Inter segment expense allocation	943,573	121,246	30,320	23,633	(1,118,772)	-
Total expenses	3,547,117	232,648	109,796	55,588	38,047	3,983,196
Provisions	(4,106)	108,604	(4,909)	(317,185)	11,292	(206,304)
Profit before tax	372,615	489,767	1,260,650	260,794	607,258	2,991,084
<b>Statement of financial position as at December 31, 2019 (audited)</b>						
Cash and bank balances	22,325,193	-	40,878,883	-	-	63,204,076
Investments	-	19,516,432	184,463,090	3,298,820	165,242	207,443,584
- Investment provision	-	-	(883,015)	(2,966,266)	-	(3,849,281)
Net inter segment lending	348,653,144	-	-	-	(348,653,144)	-
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	62,582,195	237,193,175	-	-	3,626,024	303,401,394
Advances - non-performing	6,266,681	3,807,114	-	20,289,645	45,843	30,409,283
- Advances - provisions	(4,503,653)	(1,033,307)	-	(18,697,708)	(3,007)	(24,237,675)
Others	10,416,842	13,994,465	1,352,471	243,892	27,481,482	53,489,152
<b>Total assets</b>	<b>445,740,402</b>	<b>273,477,879</b>	<b>225,811,429</b>	<b>2,168,383</b>	<b>(317,337,560)</b>	<b>629,860,533</b>
Borrowings	1,931,729	20,088,523	50,726,543	-	-	72,746,795
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	428,356,703	27,972,150	-	115,674	1,340,656	457,785,183
Net inter segment borrowing	-	216,745,546	170,558,318	1,985,797	(389,289,661)	-
Others	15,451,970	8,671,660	1,142,652	66,912	18,789,934	44,123,128
<b>Total liabilities</b>	<b>445,740,402</b>	<b>273,477,879</b>	<b>222,427,513</b>	<b>2,168,383</b>	<b>(369,159,071)</b>	<b>574,655,106</b>
Equity	-	-	3,383,916	-	51,821,511	55,205,427
<b>Total equity and liabilities</b>	<b>445,740,402</b>	<b>273,477,879</b>	<b>225,811,429</b>	<b>2,168,383</b>	<b>(317,337,560)</b>	<b>629,860,533</b>
<b>Contingencies and commitments</b>	<b>8,944,978</b>	<b>44,725,691</b>	<b>-</b>	<b>1,204,950</b>	<b>-</b>	<b>54,875,619</b>

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## 37 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:

March 31, 2020 (Un-audited)		Rupees'000			
Parent	Directors	Key management personnel	Associates	Other related parties	
-	-	-	-	4,742,110	-
-	-	-	-	5,744,759	-
-	-	-	-	(5,068,059)	-
-	-	-	-	-	-
-	-	-	-	5,418,810	-
-	-	-	-	2,364,553	-
-	-	-	-	-	-
-	-	226,887	-	9,441,893	-
-	-	1,375	-	254,922	-
-	-	(6,580)	-	(1,654,825)	-
-	-	221,682	-	8,041,990	-
-	-	-	-	2,925,840	-

  

December 31, 2019 (Audited)		Rupees'000			
Parent	Directors	Key management personnel	Associates	Other related parties	
-	-	-	-	5,453,991	-
-	-	-	-	16,502,481	-
-	-	-	-	(17,214,362)	-
-	-	-	-	-	-
-	-	-	-	4,742,110	-
-	-	-	-	2,364,199	-
-	-	176,873	-	5,002,325	-
-	-	90,859	-	5,579,340	-
-	-	(40,845)	-	(1,139,772)	-
-	-	226,887	-	9,441,893	-
-	-	-	-	2,925,840	-

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

	March 31, 2020 (Un-audited)				December 31, 2019 (Audited)					
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	Rupees '000									
<b>Other assets</b>										
Interest / mark-up accrued	-	-	219	-	1,850,137	-	-	189	-	1,900,806
Commission income receivable	-	-	-	-	18,871	-	-	-	-	11,279
Remuneration receivable	-	-	-	-	7,541	-	-	-	-	11,110
Receivable against reimbursement of expenses	-	-	-	-	5,036	-	-	-	-	3,541
Receivable from defined contribution plan	-	-	-	-	-	-	-	-	-	647
Front end load receivable	-	-	-	-	232	-	-	-	-	2,209
Acceptances	-	-	-	-	1,380,626	-	-	-	-	2,004,043
Others	-	-	-	-	411,189	-	-	2,293	-	378,175
	-	-	219	-	3,673,632	-	-	2,482	-	4,311,810
Provision against other assets	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>										
Opening balance	182	37,985	156,482	-	3,074,185	182	26,496	159,986	-	3,416,265
Received during the period / year	-	10,255	434,569	-	16,955,286	-	58,204	1,415,830	-	84,679,688
Withdrawn during the period / year	-	(3,326)	(409,443)	-	(17,227,887)	-	(46,715)	(1,419,334)	-	(85,021,768)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	182	44,914	181,608	-	2,801,584	182	37,985	156,482	-	3,074,185
<b>Other liabilities</b>										
Interest / mark-up payable	-	205	366	-	9,990	-	196	28	-	9,970
Payable to staff retirement fund	-	-	-	-	118,814	-	-	-	-	118,965
Payable against reimbursement of expenses	-	-	-	-	2,780	-	-	-	-	-
Other liabilities	-	-	-	-	125,263	-	2,625	320	-	125,263
	-	205	366	-	256,847	-	2,821	348	-	254,198
<b>Contingencies and commitments</b>										
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	1,019,397	-	-	-	-	29,397
Trade related commitments	-	-	-	-	1,540,799	-	-	-	-	407,541
	-	-	-	-	2,560,196	-	-	-	-	436,938

\* represents outstanding guarantee

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## FOR THE QUARTER ENDED MARCH 31, 2020

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

### RELATED PARTY TRANSACTIONS

	March 31, 2020 (Un-audited)				Other related parties	March 31, 2019 (Un-audited)				
	Parent	Directors	Key management personnel	Associates		Parent	Directors	Key management personnel	Associates	Other related parties
	Rupees '000									
<b>Income</b>										
Mark-up / return / interest earned	-	-	3,085	-	64,587	-	-	3,515	-	74,437
Fee and commission income	-	-	-	-	58,256	-	-	9	-	30,409
Distribution commission income	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	114	-	-	-	-	-
Net (loss) / gain on sale of securities	-	-	-	-	17,289	-	-	-	-	6,209
Maintenance income	-	-	-	-	-	-	-	-	-	-
Occupancy and conservancy income	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>										
Mark-up / return / interest paid	-	18	2,029	-	75,475	-	-	2,687	-	55,677
Reimbursement of expenses	-	-	-	-	(186)	-	-	-	-	(936)
Interest expense on lease liability	-	-	-	-	-	-	-	-	-	-
Director's fee and other expenses	-	31,365	-	-	-	-	12,347	-	-	-
Remuneration of key management personnel	-	-	229,869	-	-	-	-	119,818	-	-
<b>Others</b>										
Shares / units purchased during the period	-	-	-	-	4,331,015	-	-	-	-	3,090,064
Shares / units sold during the period	-	-	-	-	4,130,169	-	-	-	-	3,643,639
Government securities purchased during the period	-	-	213,494	-	4,331,015	-	-	128,506	-	2,380,676
Government securities sold during the period	-	-	186,302	-	4,147,458	-	-	128,478	-	2,495,613
Lease rentals during the period	-	-	-	-	-	-	-	-	-	-



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

	Un-audited March 31, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
<b>38 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum capital requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>15,176,965</u>	<u>15,176,965</u>
<b>Capital adequacy ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	<u>44,886,323</u>	<u>42,824,225</u>
Eligible additional tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>44,886,323</u>	<u>42,824,225</u>
Eligible tier 2 capital	<u>9,972,457</u>	<u>10,070,358</u>
Total eligible capital (tier 1 + tier 2)	<u>54,858,780</u>	<u>52,894,583</u>
Risk weighted assets (RWAs):		
Credit risk	<u>222,258,551</u>	<u>214,599,394</u>
Market risk	<u>19,123,544</u>	<u>18,939,653</u>
Operational risk	<u>43,819,754</u>	<u>43,587,833</u>
Total	<u>285,201,849</u>	<u>277,126,880</u>
<b>Common equity tier 1 capital adequacy ratio</b>	<u>15.74%</u>	<u>15.45%</u>
<b>Tier 1 Capital adequacy ratio</b>	<u>15.74%</u>	<u>15.45%</u>
<b>Total Capital adequacy ratio</b>	<u>19.24%</u>	<u>19.09%</u>
<b>Leverage ratio (LR):</b>		
Eligible tier-1 capital	<u>44,886,324</u>	<u>42,824,225</u>
Total exposures	<u>725,995,030</u>	<u>737,934,261</u>
Leverage ratio (%)	<u>6.18%</u>	<u>5.80%</u>
<b>Liquidity coverage ratio (LCR):</b>		
Total high quality liquid assets	<u>224,496,927</u>	<u>174,038,707</u>
Total net cash outflow	<u>119,021,280</u>	<u>123,796,400</u>
Liquidity coverage ratio (Ratio)	<u>1.886</u>	<u>1.406</u>
<b>Net stable funding ratio (NSFR):</b>		
Total available stable funding	<u>411,027,744</u>	<u>406,344,452</u>
Total required stable funding	<u>285,967,773</u>	<u>299,623,500</u>
Net stable funding ratio (%)	<u>143.73%</u>	<u>135.62%</u>

## 39 ISLAMIC BANKING BUSINESS

The Holding Company is operating 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1). The statement of financial position and profit and loss account of these branches for the period ended March 31, 2020 are as follows:

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

## Statement of financial position as at December 31, 2019

### ASSETS

Cash and balances with treasury banks  
Balances with other banks  
Investments  
Islamic financing and related assets - net  
Fixed assets  
Intangible assets  
Other assets

Note	Un-audited March 31, 2020	Audited December 31, 2019
Rupees '000		
	13,863,588	13,320,776
	282,406	432,379
39.1	31,536,694	31,443,777
39.2	126,406,563	115,537,150
	8,836,362	8,798,322
	79,288	84,501
	7,759,513	10,256,104
	188,764,414	179,873,009
	2,077,227	2,029,226
	23,395,659	26,721,776
39.3	126,882,474	119,214,500
	11,727,624	8,333,416
	11,217,430	10,965,857
	175,300,414	167,264,775
	13,464,000	12,608,234

### LIABILITIES

Bills payable  
Due to financial institutions  
Deposits and other accounts  
Due to head office  
Other liabilities

### NET ASSETS

### REPRESENTED BY

Islamic banking fund  
Reserves  
Surplus on revaluation of assets - net of tax  
Unappropriated profit

	9,180,000	9,180,000
	-	-
	750,742	633,831
39.7	3,533,258	2,794,403
	13,464,000	12,608,234

### CONTINGENCIES AND COMMITMENTS

39.4

## Profit and loss account

Profit / return earned  
Profit / return expensed  
**Net profit / return**

	Un-audited March 31, 2020	March 31, 2019
Rupees '000		
39.5	5,147,552	2,945,532
39.6	2,836,866	1,826,070
	2,310,686	1,119,462

### Other income

Fee and commission income  
Dividend income  
Foreign exchange income  
Income / (loss) from derivatives  
Loss on securities  
Other income  
Total other income

245,879	127,386
-	-
12,785	30,150
-	-
-	-
2,630	696
261,294	158,232

### Total income

2,571,980	1,277,694
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### Other expenses

Operating expenses  
Workers welfare fund  
Other charges  
Total other expenses

1,371,342	947,335
-	-
7	-
1,371,349	947,335

Profit before provisions  
Provisions and write offs - net

1,200,631	330,359
(10,607)	27,411

### Profit before taxation

Taxation

1,211,238	302,948
472,383	106,032

### Profit after taxation

738,855	196,916
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# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

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

Rupees '000

## 39.1 Investments by segments:

### Federal Government securities:

- Ijarah Sukuks	6,000,000	-	-	6,000,000	6,000,000	-	(60,000)	5,940,000
- Other Federal								
Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
	7,597,048	-	-	7,597,048	7,597,048	-	(60,000)	7,537,048

### Non Government

#### Debt securities:

- Unlisted	23,215,206	-	724,440	23,939,646	23,258,691	-	648,038	23,906,729
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<b>Total investments</b>	<b>30,812,254</b>	<b>-</b>	<b>724,440</b>	<b>31,536,694</b>	<b>30,855,739</b>	<b>-</b>	<b>588,038</b>	<b>31,443,777</b>
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## 39.2 Islamic financing and related assets

Un-audited  
March 31,  
2020

Audited  
December 31,  
2019

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

Ijarah	-	-
Murabaha	2,459,325	2,221,977
Musharaka	7,164	7,164
Diminishing Musharaka	75,315,149	68,640,076
Salam	-	-
Istisna	1,597,484	1,245,270
Musawamah	5,375	409
Running Musharaka	18,552,584	17,241,885
Fixed assets Ijarah financing - net	78,507	87,735
Musharaka - Islamic export refinance scheme	9,517,560	7,137,560
Advance against Murabaha financing	365,041	1,599,406
Advanced against Diminishing Musharaka	6,861,536	10,539,406
Advance against Ijarah	2,062,305	2,062,305
Advance against Istisna	6,881,018	3,787,505
Advance against Islamic export refinance - LTF	1,506,565	790,884
Inventory related to Islamic financing	1,725,896	715,120
Gross Islamic financing and related assets	126,935,509	116,076,702
Less: provision against Islamic financings		
- specific	(394,269)	(413,156)
- general	(134,677)	(126,396)
	(528,946)	(539,552)
<b>Islamic financing and related assets - net of provision</b>	<b>126,406,563</b>	<b>115,537,150</b>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2020

Un-audited			Audited		
March 31, 2020			December 31, 2019		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total

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

## 39.3 Deposits

### Customers

Current deposits	49,141,568	3,412,074	52,553,642	52,057,424	2,880,515	54,937,939
Savings deposits	36,269,489	1,034,497	37,303,986	27,174,303	845,567	28,019,870
Term deposits	25,686,002	500,431	26,186,433	20,396,083	360,828	20,756,911
	111,097,059	4,947,002	116,044,061	99,627,810	4,086,910	103,714,720

### Financial institutions

Current deposits	89,572	8,057	97,629	62,592	7,661	70,253
Savings deposits	9,356,734	-	9,356,734	11,985,727	-	11,985,727
Term deposits	1,384,050	-	1,384,050	3,443,800	-	3,443,800
	10,830,356	8,057	10,838,413	15,492,119	7,661	15,499,780
	121,927,415	4,955,059	126,882,474	115,119,929	4,094,571	119,214,500

## 39.4 CONTINGENCIES AND COMMITMENTS

	Un-audited March 31, 2020	Audited December 31, 2019
Guarantees	6,113,059	5,104,218
Commitments	20,114,860	14,245,313
	26,227,919	19,349,531

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

### Profit earned on:

	Un-audited March 31, 2020	March 31, 2019
Financing	4,168,983	2,198,567
Investments	978,569	746,965
	5,147,552	2,945,532

## 39.6 Profit on deposits and other dues expensed

Deposits and other accounts	1,783,030	826,674
Other short term borrowings	875,722	999,396
Lease liability against right-of-use assets	178,114	-
	2,836,866	1,826,070

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE QUARTER ENDED MARCH 31, 2020

	Un-audited March 31, 2020	Audited December 31, 2019
<b>39.7 Islamic Banking Business Unappropriated Profit</b>	----- Rupees '000 -----	
Opening balance	2,794,403	2,231,877
Add: Islamic Banking profit for the period / year	1,211,238	922,174
Less: taxation	(472,383)	(359,648)
Less: reserves	-	-
Remitted to Head Office	-	-
Closing balance	<u>3,533,258</u>	<u>2,794,403</u>

### 40 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.

### 41 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on May 13, 2020 by the Board of Directors of the Holding Company.

**Registered Office:**

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