

نیا دور، نئی پہچان وہی اسلامی اقدار

faysalbank



فیسال بینک

THIRD QUARTER
ENDED SEPTEMBER 30, 2020
UNAUDITED FINANCIAL STATEMENTS

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Registered Office

Faysal House, St-02, Commercial Lane,
Main Shahra-e-Faisal, Karachi, Pakistan
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
Ms. Fatima Asad Khan	Independent Director
Mr. Mohsin Tariq	Independent Director

Board Audit & Corporate Governance Committee

Mian Muhammad Younis	Chairman
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Member
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. Ali Munir	Member
Ms. Fatima Asad Khan	Member

Board Strategy Committee

Mr. Farooq Rahmatullah Khan	Chairman
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Member
Mr. Juma Hasan Ali Abul	Member
Ms. Fatima Asad Khan	Member
Mr. Mohsin Tariq	Member
Mr. Yousaf Hussain	Member

CORPORATE INFORMATION

Board IT Committee

Mr. Ali Munir	Chairman
Mr. Abdulelah Ebrahim Mohamed AlQasimi	Member
Mr. Abdulla Abdulaziz Ali Taleb	Member
Mr. Mohsin Tariq	Member
Mr. Yousaf Hussain	Member

Shariah Board

Mufti Muhammad Mohib-ul-Haq Siddiqui	Chairman Shariah Board
Dr. Mufti Khalil Ahmad Aazami	Shariah Board Member
Mufti Muhammad Abdullah	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
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Share Registrar

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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 and nine months ended September 30, 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.

The Bank's footprint 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 Islamic and offering dedicated sharia-compliant banking services. Islamic Banking windows are also operating in 24 conventional branches.

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. 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 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

According to State Bank of Pakistan (SBP), after an estimated contraction of 0.4% in FY 20, real Gross Domestic Product (GDP) growth is expected to recover to slightly above 2% during FY 21. In July 20, industrial production posted its first expansion since December 2019, while a rise in cement sales pointed to upbeat construction activity. The large-scale manufacturing (LSM) index also returned to expansion in the first month of the quarter under review, growing at 5% year on year (YoY). In line with the gradual pick-up in economic activity, the Federal Board of Revenue (FBR) has achieved its first quarter tax collection target of PKR 970 Billion and pooled PKR 1 trillion. Less positively, after rebounding in July, exports dived in August by 19% as monsoon rains caused widespread supply chain disruptions. Nevertheless, the fall in exports was markedly softer on average in July–August compared to the previous quarter, signaling surging external demand as lockdowns ended globally. To ensure accommodative financial conditions amidst rising consumer confidence, the Monetary Policy Committee (MPC) decided at its meeting on September 21, 2020 to keep the policy rate unchanged at 7 percent, so that the real interest rates remained below zero. With the policy rate constant, KSE 100 Index continued its surge from 34,889 at the beginning of the quarter to 40,571 on September 30, 2020.

DIRECTORS' REVIEW

Pakistan's Current Account Balance (CAB) continued to be in surplus for the second consecutive month, standing at USD 297 million for the month of August and USD 805 million cumulatively for FY 21. Overseas Pakistani remitted USD 2.095 billion in August '20, a rise of 24.4% from the corresponding period last year. The trade deficit between July to September widened to USD 5.804 billion, up 2.02% from USD 5.689 billion. During 1QFY21, overall import bill marginally increased by 0.56% to USD 11.262 billion against USD 11.199 billion over the corresponding months of last year. Export proceeds during July to September '20 declined by 0.94% to USD 5.458 billion as against USD 5.510 billion over the corresponding months of last year. With imports expected to surge as global economic activity will be regained, the SBP expects Pakistan's current account deficit to remain at around 2 percent of GDP in FY 21.

Relief in debt repayments amid coronavirus pandemic has enabled building up of forex reserves, which as of September 25, 2020 stood at USD 19.53 billion, up by 28.28% YoY. Consequently, SBP's foreign exchange reserves have been restored to pre-pandemic level of around USD 12.36 billion, which are adequate to cover three months of imports. With the Real Effective Exchange Rate (REER) showing Pakistan's currency to be undervalued against USD and no apparent demand side pressure for USD, Pakistani rupee is expected to remain range bound at current levels in medium term.

Resumption of economic activity after easing of lockdowns has enabled a recovery in business confidence as indicated by the diffusion index number of 62 (higher than 50 implies more positive expectations than negative). But a resurgence of Covid-19 cases in recent weeks means that major stakeholders now hold their breath in anticipation of possible repercussions of a second wave. With YoY inflation rising above 9% for the month of September, primarily owing to food inflation, expectations of policy rate hike in near term have increased. Controlling the Covid-19 infection will be the key for a smooth transitioning onto the path of economic recovery.

Bank's Performance

Awards & Recognition

It gives us great pleasure to inform you that Faysal Bank has been awarded "Best Emerging Islamic Bank 2020" and "Excellence Award for Transformation & Market Strategy" by Global Islamic Finance Awards (GIFA). These most coveted Global awards recognize Islamic banks for their contribution and excellence in Islamic finance. President & CEO of the Bank received these prestigious awards from Dr. Arif Alvi, the President of Pakistan.

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 Business Units, Product Development, Information Technology, Human Resources and

DIRECTORS' REVIEW

Marketing teams with the support of our capable Shariah and other back office units remain the backbone of materializing our commitment to this goal.

Effective decision-making and adaptations to navigate the Covid-19 impact has, Alhamdulillah, ensured that our conversion to Islamic remained on track. FBL improved its share of Islamic financing to more than half i.e. 51.5% (Dec '19: 37.3%) as at September '20 end. Correspondingly, almost one third of the Bank's total deposits i.e. 32.9% (Dec '19: 26.0%) are now Islamic. The Bank has recently received SBP approval to convert savings accounts using deemed acceptance approach; this would give additional impetus to our pace of conversion. We are thankful to the SBP for their support in this respect. We remain confident that by the grace of Allah and with all the stakeholders' support, the Bank will be able to achieve its objective of full conversion by 2023.

Project Financing and Syndication

The Bank actively participated in project financing transactions during the period, some of the significant ones are listed below:

- FBL acted as the Shariah advisor of a bridge finance facility of Rs. 28.3 billion for the construction of a 900-megawatt Regasified Liquefied Natural Gas (RLNG) power plant being set up by the only vertically integrated utility company in Pakistan.
- FBL acted as the mandated lead advisor and arranger in the Islamic financing facility of Rs. 1.5 billion for the construction, installation and commissioning of various vehicle assembly lines for a large automobile manufacturer operating in Pakistan.
- FBL acted as the mandated lead advisor for the syndicated Standby Letter of Credit facility of Rs. 2.1 billion to partially cover the coal price payments for one of the coal-based power projects under CPEC.

Retail Banking

With a view to offer continued services and innovative products to our customers, Retail Banking launched various initiatives during the year, some of these are given below:

Liability Products

FBL is one of the banks selected by SBP to launch Overseas Pakistani Savings Schemes. Overseas Pakistanis can digitally open and operate a Non-resident Rupee Accounts and Foreign Currency (FCY) accounts from abroad. This facility is available through DigiBank Internet and Mobile Banking Application. FBL is also working with the SBP on stage II in which customers will get an option to invest in various investment schemes.

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Consumer Finance

On the financing side, various customer-focused campaigns were launched during the period:

- Despite the Covid'19 pandemic and aggressive competition in auto financing sector; Faysal Car Finance observed healthy growth in portfolio during the quarter under review. Various initiatives were launched during the quarter aimed at improving the portfolio quality and increasing volume which yielded desired results.
- Faysal Bank became part of the Steering Committee of six banks involved in developing the Low-Cost Housing Scheme Product Program. For the Low-Cost Housing segment, the Bank has formulated a comprehensive plan covering product development, marketing and sales to support this initiative.
- FBL Credit Card introduced various innovative solutions for its customers to facilitate them during the pandemic. These included higher rewards on grocery and utility bills, facilitating digital payments, offering attractive discounts on dining and lifestyle spending and facilitating conversion of transactions on installment plans etc.
- Highest ever credit cards customers were onboarded in September '20 while emphasizing on premium segment i.e. "Titanium, Platinum & World". This will result in higher revenues and spend volumes, going forward.

Financial Highlights

	Rs. in million		
Key Balance Sheet Numbers	September '20	December '19	Growth %
Investment	269,299	204,069	32.0%
Financing	310,188	309,573	0.2%
Total assets	695,185	629,853	10.4%
Deposits	514,636	457,789	12.4%
Profit & Loss Account	September '20	September '19	Growth %
Total revenue	25,318	20,345	24.4%
Non mark-up expenses	14,166	12,142	16.7%
Profit before tax and provisions	11,151	8,203	35.9%
Net provisions	2,082	728	185.9%
Profit before tax	9,070	7,475	21.3%
Tax	3,555	3,048	16.6%
Profit after tax	5,515	4,427	24.6%
Earnings per share (Rupees)	3.63	2.92	0.71

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Total revenue of the Bank for the nine months ended September 30, 2020 has shown strong growth of 24.4% over the corresponding period of previous year. This growth was achieved in the face of the far reaching adverse economic impact that the Country has experienced during 2020 due to COVID 19. The growth is attributable mainly to increase in net mark-up income due to low cost deposit mobilization strategy and higher non markup income. Despite the sharp policy rate cut of 625 bps during the first nine months of 2020, bank's net markup income increased by 25.7%.

The general slowdown in economy owing to the country-wide lock down during the second quarter '20 led to a decline of 11.0% in fee and commission revenue over the corresponding period. Further foreign exchange income was also lower by Rs. 622 million or 28.5% due to the relative USD/PKR parity stability during 2020. However, higher gains on government and equity securities of Rs. 2,330 million led to increase in total non-markup income by Rs. 1,085 million or 20.8% over the first nine months of CY '19.

Due to opening of 68 branches since September '19 which represent 14.0% growth in network coupled with higher inflation and devaluation of PKR, operating expenses have increased by 16.1% during the period under review. However, cost-to-income ratio of the Bank continues to move in the right direction and decreased to 54.8% from 58.7%.

Net provisions for the nine months ended September 30, 2020 reflected charge of Rs. 2,082 million as compared to 728 million last year. The additional charge reflects prudent approach of the Bank in managing credit risk through these difficult times. As a result, provision coverage has substantially improved from 77.2% to 84.80% at period end. Further, Non-Performing Advances (NPA) ratio has also marginally improved to 8.8% as compared to 9.1% in December '19. The Bank has recognized impairment on equity portfolio of Rs. 380 million during the period.

On account of strong growth in revenue supported by effective cost and risk management, the Bank was able to generate a robust growth of 24.6% in profit after tax over the corresponding period of previous year. Earnings per share improved to Rs. 3.63 per share from 2.92 per share in the corresponding period last year.

On the balance sheet side, deposits grew by 12.4% to Rs. 515 billion. The Bank concentrated on reducing cost of deposit during the period and saw significant improvement in current and low-cost savings deposits. As a result, current deposit ratio in total deposits increased from 32.9% to 36.1%. The Bank has a reasonable Advances to Deposit Ratio (ADR) and keeping in view current economic uncertainties remained cautious on lending side. As a result, the advances of the Bank remained almost stagnant at Rs. 310 billion as compared to December '19. The liquidity generated from deposits was invested in government securities as such investments show a growth of 32.0%. Total assets increased to Rs. 695 billion translating in growth of 10.4% from 2019 end.

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Risk Management

COVID – 19 and the measures to reduce its spread has impacted the economy significantly. The current environment has impacted the banks in Pakistan from various facets. Following are some of the major steps taken by the Bank to address various risks arising in the existing peculiar scenario:

Credit Risk Management, in coordination with the Business Units, continued to closely monitor the portfolio - in line with the findings of multiple Rapid Portfolio Reviews & industry analysis carried out by the Bank to assess the impact of Covid-19. Regular follow-up was maintained with the customers to proactively identify, monitor and manage credit relationships in these unprecedented times. Bank also participated actively in various refinancing schemes launched by the SBP to support revival of economic activity.

Retail Risk Management function continued to provide support to the Consumer Finance Business in order to effectively manage the portfolio amid Covid-19; while also growing the portfolio in profitable segments. Retail Risk Management ensured deeper engagement with the Business Unit for prudent portfolio management.

A special committee, headed by the Chief Risk Officer, continued to oversee effective & timely implementation of the measures required to ensure well-being of the employees, customers and community at large.

Enterprise Risk Management function maintained enhanced monitoring of market, liquidity & operational risks during the period.

Outlook

Despite continuous relaxations in lockdown restrictions over the past couple of months, new Covid-19 infections have plateaued. Although the Government has had to implement micro smart lockdowns to contain outbreaks in some areas, new cases have by and large remained under control. This augurs well for the resumption of economic activities. While the significant reduction in interest rate will support revival of economic activities, the Bank's net markup income is likely to be affected, going forward. The Bank will continue to focus on low cost deposit mobilization and retention strategy to safeguard margins. Further, focus on cost control measures will continue in order to preserve and improve profitability.

The next couple of quarters are also important in terms of monitoring asset quality. As mentioned above, the Risk Management teams are actively engaged with the respective businesses to identify and manage risks in this regard. Prudent capital management has enabled your Bank to maintain a strong Capital Adequacy Ratio of 19.74% which is well above the regulatory requirement. This will hold the Bank in good stead in managing operations effectively, going forward.

DIRECTORS' REVIEW

FBL will, in sha Allah, resume branch conversion process in the last quarter of 2020 as per the Bank's strategic plan. Further the Bank will continue to monitor the situation to open new Islamic Banking branches to expand our outreach to customers even further.

FBL remains committed to providing top class services to 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.

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 for their guidance and our employees 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 October 22, 2020 and signed by the Chief Executive Officer and a director.

President & CEO
Karachi
Dated: October 22, 2020

Chairman / Director

ڈائریکٹرز کا جائزہ

کریڈٹ ریٹنگ:

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) اور پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے درج ذیل درجہ بندی برقرار رکھی:

طویل المیعاد: AA

قلیل المیعاد: A1+

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

بعد از واقعات

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

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 تن وہی 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 کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 22 اکتوبر، 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

22 اکتوبر، 2020

ڈائریکٹر کا جائزہ

- ریٹیل رسک مینجمنٹ فنکشن نے کرونا وائرس کے دوران پورٹ فولیو کو منظم کرنے کے پیش نظر کنزرویٹو پرفمنس برنس کو مسلسل تعاون جاری رکھا ہوا ہے جبکہ پورٹ فولیو کو منافع بخش شعبہ بنانے کی کوششیں بھی جاری ہیں۔ ریٹیل رسک مینجمنٹ نے فورٹ فولیو کی موثر مینجمنٹ کے لیے برنس یونٹ کے ساتھ گہری وابستگی کو یقینی بنایا۔
- چیف رسک آفیسر کی سربراہی میں ایک اسپیشل کمیٹی، ملازمین، صارفین اور معاشرے کی صحت کو یقینی بنانے کے لیے مطلوبہ اقدامات کی بروقت تعمیل اور موثر نگرانی کے امور جاری رکھے ہوئے ہے۔
- انٹرپرائز رسک مینجمنٹ نے اس مدت کے دوران مارکیٹ، لیکویڈٹی اور آپریشنل رسکس سے متعلق موثر نگرانی کے امور کو بہتر انداز میں جاری رکھا۔

مستقبل پر نظر

گزشتہ کچھ مہینوں کے دوران لاک ڈاؤن میں نرمی کے باوجود، کرونا کے نئے مریض سامنے آرہے ہیں۔ تاہم حکومت نے کچھ علاقوں میں اس وبا کو روکنے کے لیے میکرو وائرس لاک ڈاؤن پر عمل کیا ہے اور یہ وبائی صورتحال مجموعی طور پر کنٹرول میں رہی ہے۔ اس صورتحال سے معیشت کی بحالی کی سرگرمیوں میں مدد ملے گی۔ دوسری جانب شرح سود میں کمی سے بھی معاشی سرگرمیوں کی بحالی میں مدد ملے گی تاہم مستقبل میں بینک کی نیٹ مارک۔ اپ آمدنی متاثر ہو سکتی ہے۔ بینک کم قیمت ڈپازٹ بڑھانے اور منافع جات کو محفوظ بنانے کی حکمت عملی پر توجہ جاری رکھے گا۔ اس کے علاوہ، منافع جات کو محفوظ بنانے اور بڑھانے کے لیے اخراجات کو کم کرنے کے اقدامات جاری رکھے جائیں گے۔

آئندہ چند سہ ماہیوں کے دوران اثاثوں کے معیار کی نگرانی بہت ضروری ہے۔ جیسا کہ اوپر بتایا گیا ہے کہ، رسک مینجمنٹ کی ٹیمیں خطرات کی نشاندہی اور رسک مینجمنٹ کے لیے متعلقہ شعبہ جات کے ساتھ مصروف عمل ہیں۔ پروڈکٹ کیپٹل مینجمنٹ نے آپ کے بینک کو 19.74 فیصد مستحکم کیپٹل ایڈیکوئیسی ریشو برقرار رکھنے کے قابل بنایا ہے جو کہ قانونی تقاضوں سے قدر بہتر ہے۔ اس طرح بینک کو مشکل اوقات میں اپنے آپریٹرز کو مؤثر طریقے سے چلانے میں مدد ملے گی۔

فیصل بینک لمیٹڈ انشاء اللہ آئندہ سہ ماہی میں بھی اپنی حکمت عملی کے مطابق شاخوں کی اسلامی بینکاری کی طرف منتقلی کے منصوبے پر عمل جاری رکھے گا۔ علاوہ ازیں بینک مزید صارفین تک اپنی رسائی کو وسعت دینے کے لیے نئی اسلامی شاخیں کھولنے پر بھی توجہ جاری رکھے گا۔

فیصل بینک لمیٹڈ ان حالات میں بھی جدید متبادل جینلز اور ڈیجیٹل پلٹ فارمز کے ذریعے اپنے صارفین کو اعلیٰ معیاری خدمات فراہم کرنے کے لیے کوشاں ہے۔

ڈائریکٹرز کا جائزہ

گزشتہ سال کے 728 ملین روپے کے مقابلے میں 30 ستمبر 2020 کو ختم شدہ 9 ماہ کے لیے نیٹ پروویژن چارجز 2,082 ملین روپے ہو گئے ہیں۔ چارجز میں اضافے کی وجہ بینک کی جانب سے مشکل اوقات میں کریڈٹ رسک کی مد میں احتیاطی اقدامات ہیں۔ دوسری جانب نان پرفارمنگ ایڈوانسز (NPA) ریشڈ سمبر 2019 کے 9.1 فیصد کے مقابلے میں 8.8 فیصد کی سطح پر برقرار رہا تاہم پروویژن کوریج 77.2 فیصد سے بڑھ کر 84.8 فیصد ہو گئی ہے۔ بینک نے رواں عرصے کے دوران ایکویٹی پورٹ فولیو میں 380 ملین روپے کا نقصان برداشت کیا۔

اخراجات میں کنٹرول اور رسک مینجمنٹ کے ساتھ ریونیو میں زیادہ اضافے کی بدولت، بینک گزشتہ سال اسی عرصے کے مقابلے میں 24.6 فیصد کا شاندار منافع بعد از ٹیکس حاصل کرنے میں کامیاب رہا۔ گزشتہ سال کے اسی عرصے کے دوران 2.92 روپے کے مقابلے میں فی حصص آمدنی بڑھ کر 3.63 روپے ہو گئی۔

بیلنس شیٹ پر مجموعی ڈپازٹس 12.4 فیصد اضافے کے ساتھ 515 ارب روپے رہے۔ رواں مدت کے دوران بینک نے ڈپازٹس کے اخراجات کم کرنے پر بھرپور توجہ دی اور کم قیمت ڈپازٹس میں خاطر خواہ اضافہ دیکھے میں آیا۔ جس کے نتیجے میں مجموعی ڈپازٹس میں کرنٹ ڈپازٹ ریشڈ 32.9 فیصد سے بڑھ کر 36.1 فیصد ہو گیا۔ بینک کا ایڈوانسز ٹو ڈپازٹ ریشڈ (ADR) مناسب ہے اور موجودہ غیر یقینی معاشی صورتحال کے پیش نظر قرضوں کے اجراء میں محتاط رہنے پر توجہ دی گئی ہے۔ جس کے نتیجے میں، بینک کے ایڈوانسز دسمبر 2019 کے مقابلے میں 310 ارب روپے ہو گئے ہیں۔ ڈپازٹس سے حاصل ہونے والی لیکویڈٹی کی سرکاری سیکورٹیز میں سرمایہ کاری کی گئی اور اس سے سرمایہ کاری میں 32.0 فیصد اضافہ ریکارڈ کیا گیا۔ سال 2019 کے اختتام سے مجموعی اثاثے 10.4 فیصد اضافے کے ساتھ 695 ارب روپے ہو گئے۔

رسک مینجمنٹ

کورونا کی وبا کو کم کرنے کے لیے اٹھائے گئے اقدامات نے معیشت کو بہت زیادہ متاثر کیا ہے۔ موجودہ حالات نے پاکستان میں بینکوں کو مختلف طریقوں سے متاثر کیا ہے۔ بینک کی جانب سے موجودہ حالات کے پیش نظر مختلف خطرات سے نمبر آ رہا ہونے کے لیے اٹھائے گئے اہم اقدامات درج ذیل ہیں:

- کریڈٹ رسک مینجمنٹ نے بزنس یونٹس کے تعاون سے کورونا کے اثرات میں ریسپڈ پورٹ فولیو ریویوز اور انڈسٹری کا جائزہ لینے کے لیے مختلف اقدامات کیے ہیں۔ ان غیر معمولی حالات میں کریڈٹ کے تعلقات کی نشاندہی، نگرانی اور انھیں برقرار رکھنے کے لیے صارفین کے ساتھ مستقل فالو اپ کو برقرار رکھا گیا۔ بینک نے اسٹیٹ بینک آف پاکستان کی جانب سے شروع کردہ مختلف ری فنانسنگ اسکیمز میں بھرپور حصہ لیا تاکہ معاشی سرگرمیوں کی بحالی یقینی ہو۔

ڈائریکٹرز کا جائزہ

(ملین روپے)

نفع اور نقصان اکاؤنٹ	ستمبر ۲۰۲۰ء	ستمبر ۲۰۱۹ء	اضافہ
مجموعی آمدنی	25,318	20,345	24.4 فیصد
نان۔ مارک اپ اخراجات	14,166	12,142	16.7 فیصد
منافع قبل از ٹیکس اور پروویژن	11,151	8,203	35.9 فیصد
نیٹ پروویژنز	2,082	728	185.9 فیصد
منافع قبل از ٹیکس	9,070	7,475	21.3 فیصد
ٹیکس	3,555	3,048	16.6 فیصد
منافع بعد از ٹیکس	5,515	4,427	24.6 فیصد
نی حصص آمدن (روپے)	3.63	2.92	0.71

30 ستمبر، 2020 کو ختم شدہ 9 مہینوں کے لیے بینک کی مجموعی آمدنی میں گزشتہ سال اسی مدت کے مقابلے میں 24.4 فیصد کا مستحکم اضافہ نظر آیا۔ یہ اضافہ کورونا وائرس کی وجہ سے مالی سال 2020 کے دوران ملکی معیشت پر منفی اثرات کے باوجود حاصل کیا گیا۔ اضافے کی اہم وجوہات میں کم قیمت ڈپازٹ بڑھانے کی حکمت عملی سے حاصل ہونے والی نیٹ مارک۔ اپ آمدنی اور نان مارک۔ اپ کی آمدنی میں اضافہ شامل ہیں۔ 2020 کے پہلے 9 مہینوں میں 625 bps تک پالیسی ریٹ میں کمی کے باوجود بینک کی نیٹ مارک۔ اپ آمدنی میں 25.7 فیصد اضافہ ہوا۔

ملک بھر میں لاک ڈاؤن کی وجہ سے مالی سال 2020 کی دوسری سہ ماہی کے دوران معاشی سرگرمیاں سست روی کا شکار رہیں، جس کی وجہ سے گزشتہ سال پہلے نو ماہ کے مقابلے میں فیس اور کمیشن سے حاصل ہونے والی آمدنی میں 11.0 فیصد کمی ریکارڈ کی گئی۔ مالی سال 2020 کے دوران امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں استحکام کے باعث فارن ایکسچینج کی آمدنی بھی 622 ملین روپے یا 28.5 فیصد کم رہی۔ البتہ سرکاری اور ایکویٹی سیکورٹیز سے 2,330 ملین روپے کے زائد منافع جات حاصل ہونے سے مالی سال 2019 کے پہلے 9 ماہ کے مقابلے میں مجموعی نان مارک۔ اپ آمدنی میں 1,085 ملین روپے یا 20.8 فیصد اضافہ ریکارڈ کیا گیا۔

ستمبر 2019 سے اب تک 68 شاخیں کھولنے کی وجہ سے نیٹ ورک میں 14.0 فیصد اضافہ ہوا اس کے علاوہ مہنگائی میں زیادہ اضافے اور پاکستانی روپے کی قدر میں کمی کے باعث زیر جائزہ عرصے کے دوران آپریٹنگ اخراجات بھی 16.1 فیصد بڑھ گئے۔ البتہ بینک کے اخراجات اور آمدنی کے تناسب میں بہتری آئی ہے اور یہ 58.7 فیصد سے کم ہو کر 54.8 فیصد تک آ گیا ہے۔

ڈائریکٹر ز کا جائزہ

کنزیومر فنانس

رواں سال کے دوران فنانسنگ کے شعبے میں، مختلف سرگرمیوں اور صارفین پر توجہ سے متعلق اقدامات کی تفصیلات درج ذیل ہیں:

- کو رونا وباء کے باعث اور آٹو فنانسنگ سیکٹر میں سخت مقابلے کے باوجود، فیصل کارفنانس نے زیر جائزہ سہ ماہی کے دوران قابل قدر ترقی حاصل کی۔ سہ ماہی کے دوران پورٹ فولیو کو اوپن میں بہتری اور والیوم میں اضافے کے لیے مختلف اقدامات اٹھائے گئے جن سے مطلوبہ نتائج حاصل ہوئے۔
- فیصل بینک لمیٹڈ لوکاسٹ ہاؤسنگ اسکیم پروڈکٹ پروگرام بنانے والی چھ بینکوں کی اسٹیزنگ کمیٹی کا حصہ بن گیا ہے۔ کم قیمت گھروں کے اس اقدام کو عملی جامہ پہنانے کے لیے بینک نے پروڈکٹ کی تیاری، مارکیٹنگ اور سیلز کے حوالے سے جامع منصوبہ تیار کر لیا ہے۔
- فیصل بینک لمیٹڈ کریڈٹ کارڈز نے اس وبائی صورتحال کے دوران صارفین کی سہولت کے لیے مختلف قسم کے جدید حل متعارف کرائے۔ جس میں گروسری اور یوٹیلیٹی بلز پر زیادہ ریوارڈ پوائنٹس، ڈیجیٹل ادائیگیوں کی سہولت، ڈائمنگ اور لائف اسٹائل سے متعلق اخراجات پر پرکشش ڈسکاؤنٹس اور ادائیگیوں کی اقساط میں تبدیلی وغیرہ جیسی سہولیات شامل ہیں۔
- ستمبر 20 میں ”ٹائٹنم، پلائنم اور ورلڈ“ پر پیم کارڈز کے لیے سب سے زیادہ کسٹمرز کو آن بورڈ کیا گیا، نتیجتاً آمدنی میں اضافہ اور استعمال بڑھنے کے اثرات مرتب ہوں گے۔

مالیاتی جھلکیاں:

بیلنس شیٹ	ستمبر ۲۰۲۰ء	دسمبر ۲۰۱۹ء	اضافہ
سرمایہ کاری	269,299	204,069	32.0 فیصد
فنانسنگ	310,188	309,573	0.2 فیصد
مجموعی اثاثہ جات	695,185	629,853	10.4 فیصد
ڈپازٹس	514,636	457,789	12.4 فیصد

ڈائریکٹرز کا جائزہ

پروجیکٹ فنانسنگ اینڈ سنڈیکیشن

رواں عرصے کے دوران بینک نے پروجیکٹ فنانسنگ ٹرانزیکشنز میں منوثر طور پر شرکت کی جن میں سے چند اہم کامیابیوں کی جھلکیاں درج ذیل ہیں:

- فیصل بینک لمیٹڈ نے پاکستان میں واحد وٹیکلی انٹی گریٹڈ پمپنگ کمپنی کی جانب سے 900 میگا واٹ ری گیسفائیڈ لیکوئیفائیڈ نیچرل گیس (RLNG) پاور پلانٹ کی تعمیر کے لیے 28.3 ارب روپے برج فنانس فیسلٹی میں شریعہ ایڈوائزور کے طور پر حصہ لیا۔
- فیصل بینک لمیٹڈ نے پاکستان میں ایک بڑی آٹوموبائل مینوفیکچرر آپریٹنگ کمپنی کے لیے مختلف گاڑیوں کی اسمبلی لائنز کی تعمیر، تنصیب اور قیام کے لیے 1.5 ارب روپے کی اسلامک فنانسنگ فیسلٹی میں مینڈیٹڈ ایڈوائزور اور انجنیر کے طور پر حصہ لیا۔
- فیصل بینک لمیٹڈ نے سی پیک کے تحت کوئلے سے بجلی بنانے والے پروجیکٹ کے لیے کوئلے کی قیمت کی جزوی ادائیگی کے لیے 2.1 ارب روپے کی سینڈیکلیڈ اسٹینڈ بائی لیئر آف کریڈٹ فیسلٹی کے لیے مینڈیٹڈ ایڈوائزور کے طور پر حصہ لیا۔

ریٹیل بینکنگ

اپنے صارفین کو مستقل بنیادوں پر خدمات کی پیشکش اور جدید پروڈکٹس کے ساتھ ریٹیل بینکنگ نے رواں سال کے دوران مختلف اقدامات کیے ہیں، جن میں سے کچھ کی تفصیلات درج ذیل ہیں:

لائسنسی پروڈکٹس

- فیصل بینک لمیٹڈ ان بینکوں میں سے ایک ہے جنہیں اسٹیٹ بینک آف پاکستان نے اوور سیز پاکستانیز سیولٹس اسکیمز کے لیے منتخب کیا ہے۔ سمندر پار رہائش پذیر پاکستانی بیرون ملک سے ہی ڈیجیٹل وسائل کے ذریعے نان ریزیڈنٹ روپی اکاؤنٹس (NRAR) اور فارن کرنسی (FCY) اکاؤنٹ کھول اور استعمال کر سکتے ہیں۔ یہ سہولت ڈیجیٹل بینک انٹرنیٹ اور موبائل بینکنگ ایپلی کیشن کے ذریعے دستیاب ہے۔ فیصل بینک لمیٹڈ، اسٹیٹ بینک آف پاکستان کے ساتھ مل کر اسٹیج II پر بھی مصروف عمل ہے جس میں صارفین کو سرمایہ کاری کی مختلف اسکیموں میں سرمایہ کاری کا موقع مل سکے گا۔

ڈائریکٹر زکا جائزہ

سرگرمیاں برقرار رکھیں گے۔ اشیائے خورد و نوش کی قیمتیں بڑھنے کی وجہ سے سال بہ سال (۷۰۷) کے لحاظ سے ستمبر کے مہینے میں افراط زر میں 9% سے زائد اضافہ ہوا ہے، آنے والی سہ ماہی میں پالیسی شرح سود میں بھی اضافے کی توقعات بڑھ گئی ہیں۔ کورونا وائرس کے انفیکشن پر قابو پانے سے معاشی بحالی کے لیے آسان راستہ میسر ہوگا۔

بینک کی کارکردگی

انعامات و اعزازات

ہمیں آپ کو یہ بتاتے ہوئے بے حد خوشی ہے کہ فیصل بینک کو گلوبل اسلامک فنانس ایوارڈز (GIFA) کی جانب سے ”بیسٹ ایمریکنگ اسلامک بینک 2020“ اور ”انکسی لینس ایوارڈ فار ٹرانسفریشن اینڈ مارکیٹ اسٹریٹیجی“ سے نوازا گیا ہے۔ عالمی سطح پر سب سے اعلیٰ یہ ایوارڈز اسلامی بینکوں کی جانب سے اسلامی بینکاری میں پیشہ ورانہ مہارت اور حسداری کو تسلیم کرتے ہیں۔ بینک کے صدر اور سی ای او نے صدر مملکت پاکستان ڈاکٹر عارف علوی سے یہ اعلیٰ ایوارڈز وصول کیے۔

اسلامی بینکاری

بینک کے ”اثاثہ جات“ کو مکمل طور پر اسلامی بینکاری میں تبدیل کرنے کے لیے ابتدائی طور پر فرنچائز ویلیو 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۔

الحمد للہ، کورونا وائرس کے اثرات کو ختم کرنے کے لیے منوثر فیصلہ سازی اور احتیاطی تدابیر پر عملدرآمد کے نتیجے میں بینک کو اسلامی بینکاری میں تبدیل کرنے کا سفر یقینی طور پر جاری رہا۔ فیصل بینک لمیٹڈ نے اسلامی فنانسنگ میں اپنے حصے کو نصف سے بھی زائد تک کر دیا ہے جو ستمبر 2020 کے آخر میں 51.5% (دسمبر 2019 : 37.3%) رہا۔ اسی طرح، بینک کے مجموعی ڈپازٹس میں سے تقریباً ایک تہائی یعنی 32.9% (دسمبر 2019 : 26.0%) ڈپازٹس اب اسلامی ہیں۔ بینک نے حال ہی میں اسٹیٹ بینک آف پاکستان سے صارفین کی جانب سے قبولیت کے طریقہ کار کو استعمال کرتے ہوئے سیونگزر اکاؤنٹس کو تبدیل کرنے کی اجازت حاصل کر لی ہے؛ اس اجازت نامہ سے ہماری اسلامی بینکاری میں تبدیلی کی رفتار مزید بڑھ جائے گی۔ اس سلسلے میں تعاون پر ہم اسٹیٹ بینک آف پاکستان کے شکرگزار ہیں۔ ہم پر امید ہیں کہ اللہ تعالیٰ کی مدد اور اسٹیک ہولڈرز کے تعاون سے بینک 2023 تک مکمل طور پر اسلامی بینک میں تبدیل ہونے کا مقصد حاصل کر لے گا۔

ڈائریکٹرز کا جائزہ

کے برعکس، جولائی اور اگست میں گزشتہ سہ ماہی کی نسبت برآمدات میں کمی کی شرح بہت کم تھی، جس سے اس بات کی نشاندہی ہو رہی ہے کہ عالمی سطح پر لاک ڈاؤن ختم ہونے کی وجہ سے بیرونی طلب بڑھتی جا رہی ہے۔ اس بات کو یقینی بنانے کے لیے کہ مالیاتی حالات بہتر بنانے سے صارفین کا اعتماد بڑھ رہا ہے، مانیٹری پالیسی کمیٹی (MPC) نے مورخہ 21 ستمبر، 2020 کے اپنے اجلاس میں فیصلہ کیا کہ پالیسی شرح سود کو 7 فیصد پر برقرار رکھا جائے، اس طرح اصل شرح سود صفر سے نیچے رہے گی۔ پالیسی شرح سود کے برقرار رہنے سے سہ ماہی کے آغاز سے کے ایس ای 100 انڈیکس 34,889 سے بڑھ کر 30 ستمبر، 2020 کو 40,571 پوائنٹس تک جا پہنچا۔

پاکستان کا کرنٹ اکاؤنٹ بیلنس (CAB) مسلسل دوسرے مہینے بھی سرپلس میں رہا اور اگست کے مہینے کے لیے 297 ملین امریکی ڈالرز تک جا پہنچا جبکہ مالی سال 2021 کے لیے مجموعی طور پر 805 ملین امریکی ڈالرز ہو گیا۔ سمندر پار پاکستانیوں نے اگست 2020 میں 2.095 ارب امریکی ڈالرز ارسال کیے، جو گزشتہ سال اسی عرصے کے مقابلے میں 24.4% اضافی ہیں۔ جولائی سے ستمبر کے درمیان تجارتی خسارہ مزید بڑھ کر 5.804 ارب امریکی ڈالرز تک جا پہنچا جو کہ 5.689 ارب امریکی ڈالرز کے مقابلے میں 2.02% زیادہ رہا۔ مالی سال 2021 کی پہلی سہ ماہی کے دوران مجموعی درآمدی بل گزشتہ سال اسی عرصے کے 11.199 ارب امریکی ڈالرز کے مقابلے میں 0.56% کے معمولی اضافے کے ساتھ 11.262 ارب امریکی ڈالرز رہا۔ برآمدات جولائی تا ستمبر 2020 کے دوران گزشتہ سال اسی عرصے کے 5.510 ارب امریکی ڈالرز کے مقابلے میں 0.94% کمی کے ساتھ 5.458 ارب امریکی ڈالرز رہیں۔ عالمی سطح پر معاشی سرگرمیاں بحال ہونے کے ساتھ ہی درآمدات میں اضافے کی توقع ہے، اسٹیٹ بینک آف پاکستان کی توقع ہے کہ مالی سال 2021 میں پاکستان کا کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے 2 فیصد کے برابر ہوگا۔

کورونا وائرس کی وجہ سے قرضوں کی واپسی میں سہولت کے باعث غیر ملکی زرمبادلہ کے ذخائر میں اضافہ ہوا ہے، جو کہ 25 ستمبر، 2020 کو سال بہ سال (YoY) کے لحاظ سے 28.28% اضافے کے ساتھ 19.53 ارب امریکی ڈالرز تک جا پہنچے ہیں۔ اسی طرح، اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر بھی وائرس کی وبائی صورتحال سے پہلی کی سطح 12.36 ارب امریکی ڈالرز کے قریب آ گئے ہیں، جو کہ تین ماہ کی درآمدات کے تخمینہ کے برابر ہیں۔ ریئل اسٹیٹ کیلکولیشنز ریٹ (REER) کے اعتبار سے امریکی ڈالر کے مقابلے میں پاکستانی کرنسی کی قدر میں کمی دیکھی گئی اور اب امریکی ڈالر کی طلب میں فوری اضافہ نظر نہیں آ رہا، اس لیے درمیانی مدت میں پاکستانی روپے کی قدر اسی سطح پر برقرار رہنے کی امید ہے۔

لاک ڈاؤن میں نرمی کے بعد معاشی سرگرمیوں کی بحالی کے بعد کاروبار صورتحال بہتر ہوئی ہے جس کی نشاندہی ڈیفیوژن انڈیکس کے نمبر 62 سے ہوتی ہے (50 سے زیادہ کا مطلب منفی سے زیادہ مثبت توقعات ہیں)۔ لیکن گزشتہ چند ہفتوں میں کورونا کے کیسز میں دوبارہ اضافے کا مطلب ہے کہ بڑے شراکت دار کورونا وائرس کی ممکنہ دوسری وبائی لہر کی وجہ سے اب انتہائی محتاط انداز میں کاروباری

ڈائریکٹرز کا جائزہ

فیصل بینک لمیٹڈ ("FBL" یا "the Bank") کے بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کی خدمت میں 30 ستمبر، 2020 کو ختم شدہ نو ماہ 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 ریتیل، سہل اینڈ میڈیم سائز ڈانٹر پرائزز، کمرشل، زراعت پڑتی 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 شعبوں میں 5555 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 بلا واسطہ طور پر بینک کے 66.78% (دسمبر 2019: 66.78%) 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

اسٹیٹ بینک آف پاکستان کے مطابق، مالی سال 2020 میں اندازاً 0.4% کی کمی کے بعد مالی سال 2021 کے دوران اصل گراس ڈومینک پروڈکٹ (GDP) میں بحالی کی توقع ہے جو کہ 2% سے کچھ زیادہ ممکن ہے۔ دسمبر 2019 کے بعد جولائی 2020 میں صنعتی پیداوار میں پہلی بار اضافہ ریکارڈ کیا گیا، جبکہ سیمنٹ کی فروخت میں اضافہ تعمیراتی سرگرمیاں بڑھنے کی نشاندہی ہے۔ لارج اسکیل مینوفیکچرنگ (LSM) انڈیکس میں بھی زیر جائزہ سہ ماہی کے پہلے مہینے میں وسعت دیکھی گئی، جو کہ سال بہ سال (YoY) 5% رہی۔ معاشی سرگرمی میں مرحلہ وار بہتری آنے سے فیڈرل بورڈ آف ریونیو (FBR) نے پہلی سہ ماہی میں 970 ارب روپے ٹیکس وصولی کا ہدف حاصل کر لیا اور مجموعی طور پر ایک کھرب روپے جمع کر لیے۔ بہت زیادہ مون سون بارشوں کی وجہ سے سپلائی چین میں شدید مشکلات کی وجہ سے جولائی میں بحالی کی جانب گامزن برآمدات کو اگست میں 19% کمی کا سامنا کرنا پڑا۔ اس

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		----- Rupees '000 -----	
ASSETS			
Cash and balances with treasury banks	9	57,209,352	60,368,417
Balances with other banks	10	8,441,653	2,835,570
Lendings to financial institutions	11	1,996,880	-
Investments	12	269,299,320	204,068,952
Advances	13	310,188,295	309,573,002
Fixed assets	14	23,907,792	24,183,424
Intangible assets	15	1,369,330	1,487,541
Deferred tax assets		-	-
Other assets	16	22,772,814	27,335,751
		695,185,436	629,852,657
LIABILITIES			
Bills payable	17	11,191,837	8,356,460
Borrowings	18	73,359,479	72,746,795
Deposits and other accounts	19	514,636,444	457,789,109
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	20	1,733,211	2,763,998
Other liabilities	21	34,759,977	32,932,422
		635,680,948	574,588,784
NET ASSETS		59,504,488	55,263,873
REPRESENTED BY			
Share capital		15,176,965	15,176,965
Reserves		9,743,071	9,830,958
Surplus on revaluation of assets - net	22	9,475,470	10,748,080
Unappropriated profit		25,108,982	19,507,870
		59,504,488	55,263,873
CONTINGENCIES AND COMMITMENTS			
	23		

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2020

		Quarter ended		Nine months ended	
	Note	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		Rupees '000			
Mark-up / return / interest earned	25	12,343,174	15,537,744	44,300,167	41,268,014
Mark-up / return / interest expensed	26	6,535,399	10,455,402	25,275,137	26,130,815
Net mark-up / interest income		5,807,775	5,082,342	19,025,030	15,137,199
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	963,175	958,342	2,618,016	2,941,498
Dividend income		40,298	80,922	271,878	319,309
Foreign exchange income		630,863	548,683	1,559,427	2,181,212
Income from derivatives		(21,350)	58,586	79,693	132,306
Gain / (loss) on securities	28	675,533	(226,946)	1,690,708	(639,758)
Other income	29	60,794	62,751	72,870	273,163
Total non mark-up / interest income		2,349,313	1,482,338	6,292,592	5,207,730
Total income		8,157,088	6,564,680	25,317,622	20,344,929
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	4,749,576	4,214,586	13,864,392	11,945,542
Workers Welfare Fund		47,764	44,758	195,891	166,247
Other charges	31	(1,989)	13,083	106,023	30,102
Total non mark-up / interest expenses		4,795,351	4,272,427	14,166,306	12,141,891
Profit before provisions		3,361,737	2,292,253	11,151,316	8,203,038
Provision and write-offs - net	32	616,951	56,515	2,081,759	728,058
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		2,744,786	2,235,738	9,069,557	7,474,980
Taxation	33	1,040,183	830,994	3,555,005	3,047,956
PROFIT AFTER TAXATION		1,704,603	1,404,744	5,514,552	4,427,024
Rupees					
Basic / diluted earnings per share	34	1.12	0.93	3.63	2.92

The annexed notes 1 to 41 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 AND NINE MONTHS ENDED SEPTEMBER 30, 2020

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Rupees '000			
Profit after taxation for the period	1,704,603	1,404,744	5,514,552	4,427,024
Other comprehensive income / (loss)				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
- Movement in surplus on revaluation of investments - net of tax	(200,629)	98,377	(1,186,050)	181,301
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
- Movement in surplus on revaluation of operating fixed assets - net of tax	(86,560)	-	(86,560)	(116,672)
- Movement in surplus on revaluation of non-banking assets - net of tax	-	(2,672)	-	(21,721)
	(287,189)	95,705	(1,272,610)	42,908
Total comprehensive income	1,417,414	1,500,449	4,241,942	4,469,932

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

-- Rupees '000

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

CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Nine months ended	
	September 30, 2020	September 30, 2019
	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,069,557	7,474,980
Less: dividend income	(271,878)	(319,309)
	8,797,679	7,155,671
Adjustments:		
Depreciation on owned fixed assets	993,724	734,268
Amortisation of intangible assets	141,056	99,232
Depreciation on right-of-use assets	1,010,522	1,028,190
Depreciation on non-banking assets	4,649	9,508
Workers Welfare Fund	195,891	166,247
Provision against loans and advances - net	2,129,066	295,640
(Reversal of provision) / provision for diminution in value of investments - net	(63,511)	515,992
Reversal of provision against off balance sheet obligations - net	(9,621)	(11,476)
Loss / (gain) on securities unrealised - held for trading - net	39,278	(13,789)
Gain on sale of fixed assets - net	(15,899)	(9,722)
Gain on sale of non-banking assets	-	(8,989)
Charge for defined benefit plan	125,646	133,127
Income from derivative contracts - net	(79,693)	(132,306)
Mark-up / return / interest expensed - lease liability against right-of-use assets	776,436	698,026
Bad debts written off directly	12,723	10,431
	5,260,267	3,514,379
	14,057,946	10,670,050
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,996,880)	(4,002,514)
Held-for-trading securities	1,348,582	15,745,248
Advances	(2,757,082)	(10,656,922)
Others assets (excluding advance taxation)	2,040,845	3,284,671
	(1,364,535)	4,370,483
Increase / (decrease) in operating liabilities		
Bills payable	2,835,377	(16,338,134)
Borrowings from financial institutions	340,897	(19,894,832)
Deposits	56,847,335	24,346,765
Other liabilities (excluding current taxation)	1,566,890	1,059,370
	61,590,499	(10,826,831)
Income tax paid	(1,359,630)	(2,485,936)
Contribution to gratuity fund	(244,460)	-
Net cash generated from operating activities	72,679,820	1,727,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (investment) / divestment in available for sale securities	(69,627,395)	1,982,812
Net divestment in held to maturity securities	1,128,333	1,562,943
Dividends received	261,446	258,531
Investment in operating fixed assets	(1,031,020)	(1,691,821)
Investment in intangible assets	(166,922)	(305,598)
Proceeds from sale of fixed assets	31,159	12,939
Proceeds from sale of non-banking assets	-	161,209
Net cash (used in) / generated from investing activities	(69,404,399)	1,981,015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(1,100,054)	(1,195,998)
Dividend paid	(136)	-
Net cash used in financing activities	(1,100,190)	(1,195,998)
Increase in cash and cash equivalents during the period	2,175,231	2,512,783
Cash and cash equivalents at the beginning of the period	62,765,265	44,879,962
Cash and cash equivalents at the end of the period	64,940,496	47,392,745

The annexed notes 1 to 41 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 (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 Ordinance, 1984 (now Companies Act, 2017). 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' (December 31, 2019: 'AA') and the short term rating as 'A1+' (December 31, 2019: 'A1+') on June 26, 2020 and June 29, 2020.

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

3 STATEMENT OF COMPLIANCE

- 3.1** These condensed interim unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34 'Interim financial reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017.
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017.
 - Provisions of, and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017, and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

- 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 September 30, 2020, the Bank has adjusted amortisation of intangible assets amounting to Rs. 87.887 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 annual audited unconsolidated financial statements, and are limited based on the format prescribed by the State Bank of Pakistan through BPRD Circular Letter No. 05 dated March 22, 2019 and IAS 34, and should be read in conjunction with the annual 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 period:**
- 3.4.1** There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on 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 following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2021 *
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provision, contingent liabilities and contingent assets' (amendments)	January 1, 2022

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

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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.

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 JUDGEMENTS

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

8 FINANCIAL RISK MANAGEMENT

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

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year, to 7% till September 30, 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- reduction in the capital conservation buffer by 100 basis points to 1.5%;
- increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- relaxing the debt burden ratio for consumer loans from 50% to 60%;
- The timeline for classification of 'trade bills' as non-performing has been extended from 180 days overdue to 365 days overdue;
- The financing facilities of obligors which have requested for deferment or rescheduling / restructuring are not required to be classified unless the payment obligations are past due by 180 days;
- allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

COVID-19 will impact banks in Pakistan on a number of fronts including increase in credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels.

8.1 Credit risk management

The risk management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in light of the COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak.

8.2 Liquidity risk management

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

8.3 Equity risk management

The carrying value of the Bank's investment in listed equity securities classified as available-for-sale, amounts to Rs 7,153.478 million as at September 30, 2020. The Bank has recorded an impairment of Rs 379.785 million in the condensed interim unconsolidated financial statements of the current period.

8.4 Operational risk management

The Bank is closely monitoring the situation and has invoked required actions to ensure the safety and security of the Bank's staff and uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

8.5 Capital adequacy ratio

Under the current scenario, the Banks are under pressure to extend further credit to their borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio (CAR) 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 result in reduced Risk Weighted Assets (RWA) 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Un-audited September 30, 2020	Audited December 31, 2019
9 CASH AND BALANCES WITH TREASURY BANKS	Rupees '000	
In hand		
- local currency	14,337,297	10,322,390
- foreign currencies	4,755,026	3,601,723
	19,092,323	13,924,113
With State Bank of Pakistan in		
- local currency current account	25,881,805	32,960,190
- foreign currency current account	2,159,430	1,873,656
- foreign currency deposit account	4,486,439	5,325,652
	32,527,674	40,159,498
With National Bank of Pakistan in		
- local currency current account	5,581,331	5,574,470
Prize bonds	8,024	710,336
	57,209,352	60,368,417

10 BALANCES WITH OTHER BANKS

In Pakistan		
- in current account	908,829	1,426,975
Outside Pakistan		
- in current account	7,532,824	1,352,850
- in deposit account	-	55,745
	8,441,653	2,835,570

11 LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (reverse repo)	1,996,880	-
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12 INVESTMENTS

12.1 Investments by type:

		Un-audited				Audited			
INVESTMENTS		September 30, 2020				December 31, 2019			
Investments by type:		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees '000									
Held-for-trading securities									
Federal Government securities		29,430,395	-	(18,681)	29,411,714	31,073,816	-	1,002	31,074,818
Shares		294,839	-	(19,595)	275,244	-	-	-	-
		29,725,234	-	(38,276)	29,686,958	31,073,816	-	1,002	31,074,818
Available-for-sale securities									
Federal Government securities	12.2	163,508,300	-	581,717	164,090,017	104,109,013	-	115,329	104,224,342
Shares		8,672,853	1,692,184	172,809	7,153,478	8,322,582	1,745,897	878,857	7,455,542
Non Government debt securities		52,089,280	559,787	2,848,531	54,378,024	42,711,443	559,787	4,553,216	46,704,872
		224,270,433	2,251,971	3,603,057	225,621,519	155,143,038	2,305,684	5,547,402	158,384,756
Held-to-maturity securities									
Federal Government securities	12.3	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
Non Government debt securities	12.5	12,787,701	1,533,799	-	11,253,902	13,916,034	1,543,597	-	12,372,437
		14,384,749	1,533,799	-	12,850,950	15,513,082	1,543,597	-	13,969,485
Subsidiary *									
Fully paid up ordinary shares of									
Faysal Asset Management Limited	12.6	1,139,893	-	-	1,139,893	639,893	-	-	639,893
Total Investments		269,520,309	3,785,770	3,564,781	269,299,320	202,369,829	3,849,281	5,548,404	204,068,952

* related party

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Un-audited September 30, 2020	Audited December 31, 2019
	Rupees '000	
12.2 Investments given as collateral		
- Market treasury bills	19,811,080	21,747,989
12.3 Bai Muajjal - gross	2,212,625	2,212,625
Less: deferred income	(246,568)	(400,462)
Less: profit receivable shown in other assets	(369,009)	(215,115)
Bai Muajjal - net	1,597,048	1,597,048

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

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
12.4 Provision for diminution in value of investments			
12.4.1 Opening balance		3,849,281	3,541,667
Charge / (reversals)			
Charge for the period / year	8.3	379,785	366,100
Reversals on disposals for the period / year		(443,296)	(58,486)
		(63,511)	307,614
Closing Balance		3,785,770	3,849,281

	Un-audited September 30, 2020		Audited December 31, 2019	
12.4.2 Particulars of provision against debt securities	Non-performing investments	Provision	Non-performing investments	Provision
Category of classification				
Domestic				
- Loss	2,093,586	2,093,586	2,103,384	2,103,384

12.5 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 11,365.997 million (December 31, 2019: Rs. 12,564.225 million).

12.6 Investment in subsidiary

Faysal Asset Management Limited (the Company) was incorporated in Pakistan under the requirements of the Companies Ordinance, 1984 (now Companies Act, 2017) on August 6, 2003 as an unlisted public limited company. The Company commenced its operations on November 14, 2003. The Company is a non-banking finance company (NBFC). The Company has obtained 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.

	Un-audited For the nine months ended	
	September 30, 2020	September 30, 2019
	Rupees '000	
Particulars of the assets and liabilities of the subsidiary		
Revenue	150,283	99,128
Net profit / (loss)	4,546	(25,006)
Total assets	889,216	336,454
Total liabilities	94,981	35,457
Net assets	794,235	300,997
Percentage (%) holding of the Bank	99.99%	99.99%

During the current period, the Bank made further investment in Faysal Asset Management Limited (FAML) amounting to Rs. 500 million by subscribing to the right shares issued by FAML.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

13 ADVANCES

	Performing		Non-performing		Total	
	Un-audited September 30, 2020	Audited December 31, 2019	Un-audited September 30, 2020	Audited December 31, 2019	Un-audited September 30, 2020	Audited December 31, 2019
Rupees '000						
Loans, cash credits, running finances, etc.	143,898,928	182,560,477	27,492,074	28,777,157	171,391,002	211,337,634
Islamic financing and related assets	159,199,288	114,980,031	1,381,985	1,096,671	160,581,273	116,076,702
Bills discounted and purchased	3,261,510	5,860,886	568,187	535,455	3,829,697	6,396,341
Advances - gross	306,359,726	303,401,394	29,442,246	30,409,283	335,801,972	333,810,677
Provision against advances						
- specific	-	-	(24,959,074)	(23,475,724)	(24,959,074)	(23,475,724)
- general	(654,603)	(761,951)	-	-	(654,603)	(761,951)
	(654,603)	(761,951)	(24,959,074)	(23,475,724)	(25,613,677)	(24,237,675)
Advances - net of provision	305,705,123	302,639,443	4,483,172	6,933,559	310,188,295	309,573,002

13.1 Particulars of advances (gross)

	Rupees '000	
- in local currency	334,645,710	331,186,964
- in foreign currencies	1,156,262	2,623,713
	335,801,972	333,810,677

13.2 Advances include Rs. 29,442 million (December 31, 2019: Rs. 30,409 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited September 30, 2020		Audited December 31, 2019	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees '000				
Domestic				
- other assets especially mentioned	306,838	-	1,483,618	10
- substandard	1,063,304	143,306	1,528,058	262,576
- doubtful	967,484	251,775	4,305,081	1,164,514
- loss	27,104,620	24,563,993	23,092,526	22,048,624
Total	29,442,246	24,959,074	30,409,283	23,475,724

13.3 Particulars of provision against advances

	Un-audited September 30, 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	3,192,201	-	3,192,201	2,374,327	83,764	2,458,091
Reversals during the period / year	(955,787)	(107,348)	(1,063,135)	(1,812,748)	-	(1,812,748)
	2,236,414	(107,348)	2,129,066	561,579	83,764	645,343
Amounts written off	(753,064)	-	(753,064)	(220,887)	-	(220,887)
Amounts charged off - agriculture financing	-	-	-	(229)	-	(229)
Closing balance	24,959,074	654,603	25,613,677	23,475,724	761,951	24,237,675

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

13.3.1 As allowed by the SBP, the Bank has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,722.883 million (December 31, 2019: Rs 1,996.336 million) relating to advances while determining the provisioning requirement against non-performing financing as at September 30, 2020. The additional profit arising from availing the FSV benefit - net of tax as at September 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,660.959 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 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.

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

Note	Un-audited September 30, 2020	Audited December 31, 2019
	Rupees '000	
14 FIXED ASSETS		
Capital work-in-progress	14.1 729,898	1,158,140
Property and equipment	23,177,894	23,025,284
	<u>23,907,792</u>	<u>24,183,424</u>
14.1 Capital work-in-progress		
Civil works	174,538	393,327
Equipment	539,890	657,714
Furniture and fixture	13,043	44,591
Vehicles	2,427	62,508
	<u>729,898</u>	<u>1,158,140</u>
14.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	994,946	1,995,495
Property and equipment		
Building on freehold land	36,075	120,492
Furniture and fixture	113,736	83,119
Electrical office and computer equipment	629,200	826,117
Vehicles	127,181	11,986
Others	553,070	365,568
Right-of-use assets	712,854	1,173,408
	<u>2,172,116</u>	<u>2,580,690</u>
Right-of-use assets due to adoption of IFRS 16	-	7,531,556
Total	<u>3,167,062</u>	<u>12,107,741</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

14.3 Disposal of fixed assets

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

	Un-audited For the nine months ended	
	September 30, 2020	September 30, 2019
	Rupees '000	
Furniture and fixture	3,583	3
Electrical office and computer equipment	247	316
Vehicles	11,430	2,929
Total	15,260	3,248

15 INTANGIBLE ASSETS

	Un-audited September 30, 2020		Audited December 31, 2019	
	Rupees '000			
Capital work-in-progress	15.1	345,033		412,380
Computer softwares		388,157		294,946
Customer relationship		636,140		780,215
		1,024,297		1,075,161
Total		1,369,330		1,487,541

15.1 Capital work-in-progress

Computer software		345,033		412,380
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15.2 Additions to intangible assets

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

Computer softwares - directly purchased		234,269		305,598
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16 OTHER ASSETS

	Un-audited September 30, 2020		Audited December 31, 2019	
	Rupees '000			
Income / mark-up accrued in local currency - net of provision		7,173,827		9,599,120
Income / mark-up accrued in foreign currencies - net of provision		89,297		82,615
Advances, deposits, advance rent and other prepayments		962,435		891,027
Advance taxation (payments less provisions)		5,000		2,612,575
Non-banking assets acquired in satisfaction of claims		1,230,661		1,271,386
Mark to market gain on forward foreign exchange contracts		390,157		859,265
Fair value of derivative contracts		64,257		90,937
Acceptances	21	10,175,582		9,142,924
Credit cards and other products fee receivable		357,342		574,288
Receivable from brokers against sale of shares		142,738		183,606
Dividend receivable		85,780		75,348
Receivable from 1Link (Private) Limited		470,297		363,052
Rent and amenities receivable		26,604		45,008
Rebate receivable - net		91,488		54,505
Others		361,112		288,485
		21,626,577		26,134,141
Less: provision held against other assets	16.1	(307,549)		(252,176)
Other assets - net of provision		21,319,028		25,881,965
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,453,786		1,453,786
Other assets - total		22,772,814		27,335,751

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
16.1 Provision held against other assets			
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		136,410	81,037
		<u>307,549</u>	<u>252,176</u>
16.1.1 Movement in provision held against other assets			
Opening balance		252,176	257,564
Charge for the period / year		55,373	7,860
Reversals during the period / year		-	(13,248)
		<u>55,373</u>	<u>(5,388)</u>
Closing balance		<u>307,549</u>	<u>252,176</u>
17 BILLS PAYABLE			
In Pakistan		<u>11,191,837</u>	<u>8,356,460</u>
18 BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - part I and II		7,874,345	10,598,970
- under long term financing facility		4,439,924	2,426,974
- under long term financing facility for renewable power energy (RPE)		2,167,129	896,508
- under scheme of financing facility for storage of agricultural produce		58,798	86,316
- under Islamic export refinance scheme		17,090,701	8,087,560
- under refinance scheme of wages and salaries		9,514,043	-
- under refinance scheme for combating COVID-19		176,710	-
- under Islamic temporary refinance scheme		1,485,177	-
		<u>42,806,827</u>	<u>22,096,328</u>
Repurchase agreement borrowings		19,799,590	21,721,810
Total secured		<u>62,606,417</u>	<u>43,818,138</u>
Unsecured			
Call borrowings		1,500,000	1,783,448
Overdrawn nostro accounts		710,509	438,722
Musharaka acceptances		4,400,000	18,020,000
Other borrowings	18.1	<u>4,142,553</u>	<u>8,686,487</u>
Total unsecured		<u>10,753,062</u>	<u>28,928,657</u>
		<u>73,359,479</u>	<u>72,746,795</u>

18.1 This represents borrowing from foreign financial institution. The mark-up rate on these borrowing are 1.75% per annum (December 31, 2019: 3.32% to 3.43%) with maturities upto January 2021.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

19 DEPOSITS AND OTHER ACCOUNTS

	Un-audited September 30, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees '000 -----						
Customers						
Current deposits – remunerative	9,311,197	-	9,311,197	12,358,523	-	12,358,523
Current deposits – non-remunerative	149,944,389	21,925,358	171,869,747	117,835,756	16,723,542	134,559,298
Savings deposits	146,882,370	17,993,348	164,875,718	137,498,494	15,672,852	153,171,346
Term deposits	143,708,317	3,543,751	147,252,068	122,761,268	4,921,337	127,682,605
Margin deposits	3,196,657	21,072	3,217,729	2,715,024	19,177	2,734,201
	453,042,930	43,483,529	496,526,459	393,169,065	37,336,908	430,505,973
Financial institutions						
Current deposits	1,161,041	83,971	1,245,012	1,120,002	55,570	1,175,572
Savings deposits	14,063,233	-	14,063,233	19,638,764	-	19,638,764
Term deposits	2,801,740	-	2,801,740	6,468,800	-	6,468,800
	18,026,014	83,971	18,109,985	27,227,566	55,570	27,283,136
	471,068,944	43,567,500	514,636,444	420,396,631	37,392,478	457,789,109

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

20 DEFERRED TAX LIABILITIES

Deductible temporary differences on

- provision for diminution in the value of investments
- provision against advances, off balance sheet, etc.
- provision against other assets

(173,536)	(182,987)
(1,384,764)	(1,307,267)
(121,299)	(99,703)
(1,679,599)	(1,589,957)

Taxable temporary differences on

- surplus on revaluation of investments
- surplus on revaluation of fixed assets
- surplus on revaluation of non banking assets
- fair value adjustment relating to net assets acquired upon amalgamation
- accelerated tax depreciation

1,405,192	2,163,487
1,620,695	1,676,037
14,113	14,113
248,099	304,285
124,711	196,033
3,412,810	4,353,955
1,733,211	2,763,998

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000 -----	
21	OTHER LIABILITIES		
Mark-up / return / interest payable in local currency		4,422,182	3,729,656
Mark-up / return / interest payable in foreign currencies		16,864	27,021
Unearned commission and income on bills discounted		920,331	725,288
Provision for taxation		274,038	-
Accrued expenses		1,997,803	2,374,642
Acceptances	16	10,175,582	9,142,924
Unclaimed dividends		45,681	45,817
Mark to market loss on forward foreign exchange contracts		672,947	2,228,384
Charity fund balance		1,188	2,278
Provision against off-balance sheet obligations	21.1	104,055	113,676
Security deposits against lease		788,775	1,201,214
Withholding tax payable		98,766	180,845
Federal excise duty payable		45,016	58,494
Payable to brokers against purchase of shares		208,591	77,747
Fair value of derivative contracts		1,144,866	1,032,154
Credit cards and other products payables		1,160,934	1,119,464
Lease liability against right-of-use asset		8,709,220	8,319,984
Token money against disposal of assets		450,673	565,357
Funds held as security		242,227	232,572
Payable to 1Link (Private) Limited		143,873	125,263
Insurance payable		114,862	144,552
Clearing and settlement accounts		2,635,694	1,172,824
Provision for gratuity		-	118,814
Others		385,809	193,452
		<u>34,759,977</u>	<u>32,932,422</u>
21.1	Provision against off-balance sheet obligations		
Opening balance		113,676	125,238
Charge for the period / year		379	-
Reversals during the period / year		(10,000)	(11,562)
		(9,621)	(11,562)
Closing balance		<u>104,055</u>	<u>113,676</u>
22	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus on revaluation of:			
- available for sale securities		3,603,057	5,547,402
- fixed assets		7,458,689	7,600,529
- non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
		12,515,532	14,601,717
Deferred tax on surplus on revaluation of:			
- available for sale securities		(1,405,192)	(2,163,487)
- fixed assets		(1,620,757)	(1,676,037)
- non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
		(3,040,062)	(3,853,637)
		<u>9,475,470</u>	<u>10,748,080</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
23 CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	27,947,411	24,074,333
Commitments	23.2	189,802,974	208,211,812
Other contingent liabilities	23.3	4,122,244	4,293,244
		<u>221,872,629</u>	<u>236,579,389</u>
23.1 Guarantees:			
Financial guarantees		7,420,989	7,099,400
Performance guarantees		4,918,341	4,870,710
Other guarantees		15,608,081	12,104,223
		<u>27,947,411</u>	<u>24,074,333</u>
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		35,111,023	30,343,743
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	95,918,745	126,281,305
- forward government securities transactions	23.2.2	21,812,186	21,760,786
- derivatives - cross currency and interest rate swaps (notional principal)	23.2.3	8,841,115	9,244,773
- extending credit (irrevocable)	23.5	27,969,741	20,281,111
Commitments for acquisition of:			
- operating fixed assets		67,973	185,919
- intangible assets		82,191	114,175
		<u>189,802,974</u>	<u>208,211,812</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		65,869,307	84,264,725
Sale		30,049,438	42,016,580
		<u>95,918,745</u>	<u>126,281,305</u>
23.2.2 Commitments in respect of forward government securities transactions			
Purchase		19,814,920	21,760,786
Sale		1,997,266	-
		<u>21,812,186</u>	<u>21,760,786</u>
23.2.3 Commitments in respect of derivatives			
Sale		8,841,115	9,244,773
23.3 Other contingent liabilities			
Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case			
Indemnity issued favouring the Honorable High Court in one of the cases		2,510,000	2,510,000
Cantonment tax Karachi Cantonment Board (KCB)	23.3.1	457,543	457,543
Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan	23.3.2	-	171,000
		<u>1,154,701</u>	<u>1,154,701</u>
		<u>4,122,244</u>	<u>4,293,244</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

23.3.1 The Executive Officer, Karachi Cantonment Board (KCB), vide its notice CBR No. 1 dated March 08, 2017 had proposed revised rates for assessment of shops and flats "A" category in which a fresh sub-category "Banks (self-occupied)" was introduced for the purpose of cantonment tax in the limit of KCB. This resulted in additional demand of Rs 171 million by the KCB which included demand on reassessment for the years 2016-2017 and 2017-2018. On the basis of legal grounds agreed in consultation with legal counsel, the Bank had filed a suit in the Honorable High Court of Sindh against such levy of tax. A stay order was granted by the Honorable High Court of Sindh in respect of payment of this additional demand and no such payment in this respect had been made till December 31, 2019.

In February 2020, KCB communicated to the Bank that the board resolution passed by the KCB in 2017 regarding the special category of 'Bank (self-occupied)' has been annulled and the properties of banks shall be treated like any other commercial property. Following this communication, the KCB submitted the revised demand and the Bank has paid Rs 59.104 million being the house and conservancy tax for the periods 2016-2017 to 2019-2020 on March 16, 2020 as a full and final settlement of the levy under consideration. Accordingly, the suit filed by the Bank in the Honorable High Court of Sindh will be withdrawn in due course.

23.3.2 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.

23.4 There are certain claims against the Bank not acknowledged as debt amounting to Rs 33,390 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.

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.

23.5 Commitments to extend credits

The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 27,970 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 September 30, 2020	Audited December 31, 2019
----- Rupees '000 -----	
8,344,009	8,780,230
497,106	464,543

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

24.1 Product analysis

Counterparties	September 30, 2020 (un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
----- Rupees '000 -----				
With banks for				
Hedging	-	-	-	-
Market making	3,659,116	(203,066)	497,106	9,601
With other entities for				
Hedging	-	-	-	-
Market making	4,684,893	(887,144)	-	-
Total				
Hedging	-	-	-	-
Market making	8,344,009	(1,090,210)	497,106	9,601

Counterparties	December 31, 2019 (audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
----- Rupees '000 -----				
With banks for				
Hedging	-	-	-	-
Market making	4,273,153	(569,222)	464,543	(31)
With other entities for				
Hedging	-	-	-	-
Market making	4,507,077	(371,964)	-	-
Total				
Hedging	-	-	-	-
Market making	8,780,230	(941,186)	464,543	(31)

Un-audited	
For the nine months ended	
September 30, 2020	September 30, 2019
----- Rupees '000 -----	

25 MARK-UP / RETURN / INTEREST EARNED

On:		
Loans and advances	25,914,194	28,245,518
Investments	17,399,977	11,519,476
Lendings to financial institutions	45,198	44,717
Balances with banks	14,601	71,836
Securities purchased under resale agreements	926,197	1,386,467
	<u>44,300,167</u>	<u>41,268,014</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

		Un-audited	
		For the nine months ended	
26	MARK-UP / RETURN / INTEREST EXPENSED	September 30, 2020	September 30, 2019
		Rupees '000	
	On:		
	Deposits	20,265,878	20,219,065
	Securities sold under repurchase agreements	166,713	1,385,733
	Other short term borrowings	24,463	90,963
	SBP borrowings	430,361	283,662
	Short sale of Pakistan Investment Bonds	42,219	115,318
	Bai Muajjal	178,419	-
	Musharaka acceptances	633,290	625,468
	Lease liability against right-of-use assets	776,436	698,026
	Cost of foreign currency swaps against foreign currency deposits / borrowings	2,757,358	2,712,580
		<u>25,275,137</u>	<u>26,130,815</u>
27	FEE AND COMMISSION INCOME		
	Branch banking customer fees	370,021	509,160
	Consumer finance related fees	232,213	262,470
	Card related fees (debit and credit cards)	1,075,500	1,207,227
	Credit related fees	36,565	75,989
	Investment banking fees	118,737	126,459
	Commission on trade	199,576	208,064
	Commission on guarantees	66,350	89,982
	Commission on cash management	46,594	40,986
	Commission on remittances including home remittances	106,507	84,567
	Commission on bancassurance	225,209	197,745
	Commission on sale of funds unit	90,190	62,305
	Others	50,554	76,544
		<u>2,618,016</u>	<u>2,941,498</u>
28	GAIN / (LOSS) ON SECURITIES		
	Realised - net	1,729,986	(653,547)
	Unrealised - held for trading - net	(39,278)	13,789
		<u>1,690,708</u>	<u>(639,758)</u>
28.1	Realised gain / (loss) on:		
	Federal Government securities	1,187,116	(24,260)
	Shares	512,650	(638,994)
	Open end mutual funds	30,220	9,707
		<u>1,729,986</u>	<u>(653,547)</u>
29	OTHER INCOME		
	Rent on property	140,063	143,412
	Gain on sale of fixed assets - net	15,899	9,722
	Gain on sale of non-banking assets - net	-	8,989
	(Loss) / gain on short sale of Pakistan Investment Bonds (PIBs)	(88,139)	105,374
	Notice pay	3,375	3,020
	Scrap income	1,291	1,445
	Others	381	1,201
		<u>72,870</u>	<u>273,163</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

		Un-audited	
		For the nine months ended	
Note		September 30, 2020	September 30, 2019
		Rupees '000	
30	OPERATING EXPENSES		
	Total compensation expense	5,480,855	4,772,136
	Property expense		
	Rent and taxes	156,010	120,120
	Insurance	45,854	36,070
	Utilities cost	532,641	469,832
	Security (including guards)	564,138	447,697
	Repair and maintenance (including janitorial charges)	359,155	294,658
	Depreciation on owned fixed assets	388,989	316,911
	Depreciation on non-banking assets	4,649	9,508
	Depreciation on right-of-use assets	1,010,522	1,028,190
	Others	54,573	56,849
		3,116,531	2,779,835
	Information technology expenses		
	Software maintenance	1,199,542	954,637
	Hardware maintenance	197,290	253,221
	Depreciation	280,732	227,496
	Amortisation	141,056	99,232
	Network charges	192,454	186,417
	Others	2,025	1,792
		2,013,099	1,722,795
	Other operating expenses		
	Directors' fees and allowances	115,741	68,392
	Legal and professional charges	56,563	59,542
	Outsourced services costs - staff	280,548	231,154
	Travelling and conveyance	49,191	82,899
	NIFT clearing charges	35,782	36,475
	Depreciation	324,003	189,860
	Training and development	16,042	18,155
	Postage and courier charges	121,398	84,943
	Communication	103,358	98,023
	Marketing, advertisement and publicity	293,621	303,155
	Donations	77,424	69,431
	Auditors remuneration	12,436	33,269
	Insurance	613,247	439,769
	Stationery and printing	264,091	164,890
	Bank fees and charges	86,210	73,333
	Brokerage and commission	51,564	32,558
	Deposit protection premium	292,992	262,864
	Credit card bonus points redemption	134,357	164,557
	Others	325,339	257,507
		3,253,907	2,670,776
		13,864,392	11,945,542
31	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	106,023	30,102
32	PROVISION AND WRITE-OFFS - NET		
	(Reversal of provision) / provision for diminution in value of investments - net	12.4 (63,511)	515,992
	Provision against loans and advances - net	13.3 2,129,066	295,640
	Bad debts written off directly	12,723	10,431
	Recovery of written off / charged off bad debts	(42,271)	(84,491)
	Reversal of provision against off balance sheet obligations - net	21.1 (9,621)	(11,476)
	Provision against other assets - net	16.1.1 55,373	1,962
		2,081,759	728,058

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

33	TAXATION	Un-audited	
		For the nine months ended	
		September 30, 2020	September 30, 2019
		Rupees '000	
	Current	3,751,314	3,183,639
	Prior years	20,000	289,934
	Deferred	(216,309)	(425,617)
		<u>3,555,005</u>	<u>3,047,956</u>

34	BASIC / DILUTED EARNINGS PER SHARE	Un-audited			
		For the quarter ended		For the nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		Rupees '000			
	Profit after tax for the period	<u>1,704,603</u>	<u>1,404,744</u>	<u>5,514,552</u>	<u>4,427,024</u>
		----- Number of shares in thousands -----			
	Weighted average number of ordinary shares	<u>1,517,697</u>	<u>1,517,697</u>	<u>1,517,697</u>	<u>1,517,697</u>
		----- Rupees -----			
	Basic earnings per share	<u>1.12</u>	<u>0.93</u>	<u>3.63</u>	<u>2.92</u>

- 34.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at September 30, 2020 and September 30, 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 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:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	September 30, 2020 (un-audited)			
	Level 1	Level 2	Level 3	Total
	Rupees '000			
On-balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	193,501,731	-	193,501,731
Shares	4,741,232	2,687,490	-	7,428,722
Non-Government debt securities	47,830,670	6,547,354	-	54,378,024
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	11,365,997	-	11,365,997
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,183,350	11,183,350
Non-banking assets acquired in satisfaction of claims	-	-	2,684,447	2,684,447
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	65,869,307	-	65,869,307
Forward sale of foreign exchange	-	30,049,438	-	30,049,438
Derivatives sales	-	8,841,115	-	8,841,115

	December 31, 2019 (audited)			
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	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
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	12,564,225	-	12,564,225
Non-financial assets - measured at fair value				
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
Off-balance sheet financial instruments - measured at fair value				
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

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.

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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 unconsolidated 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 unconsolidated 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 used a market based approach to arrive at the fair value of the Bank's properties. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a quantitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial statements.

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
Profit and loss account for the nine months ended September 30, 2020 (un-audited)	Rupees '000					
Net mark-up / return / profit	(12,915,126)	18,902,652	12,807,042	170,080	60,382	19,025,030
Inter segment revenue - net	24,825,284	(16,110,495)	(12,332,440)	(151,987)	3,769,638	-
Non mark-up / return / interest income	2,671,065	764,781	3,275,359	5,198	(423,811)	6,292,592
Total Income	14,581,223	3,556,938	3,749,961	23,291	3,406,209	25,317,622
Segment direct expenses	8,153,714	392,847	263,031	93,367	5,263,347	14,166,306
Inter segment expense allocation	4,587,542	483,949	100,743	89,908	(5,262,142)	-
Total expenses	12,741,256	876,796	363,774	183,275	1,205	14,166,306
Provisions	785,587	1,459,979	(58,543)	(172,377)	67,113	2,081,759
Profit before tax	1,054,380	1,220,163	3,444,730	12,393	3,337,891	9,069,557

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

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	2020					Total
	Retail	CIBG	Treasury	SAM	Others	
Statement of financial position	Rupees '000					
as at September 30, 2020 (un-audited)						
Cash and bank balances	25,587,289	-	40,063,716	-	-	65,651,005
Investments	-	17,841,673	250,804,706	3,298,820	1,139,891	273,085,090
- Investment provision	-	-	(1,692,184)	(2,093,586)	-	(3,785,770)
Net inter segment lending	404,703,018	-	-	-	(404,703,018)	-
Lendings to financial institutions	-	-	1,996,880	-	-	1,996,880
Advances - performing	59,868,054	240,502,604	-	-	5,989,068	306,359,726
Advances - non-performing	6,901,624	4,019,649	-	18,484,081	36,892	29,442,246
- Advances - provisions	(5,294,206)	(2,493,286)	-	(17,802,895)	(23,290)	(25,613,677)
Others	11,864,299	14,224,757	2,801,900	211,808	18,947,172	48,049,936
Total assets	503,630,078	274,095,397	293,975,018	2,098,228	(378,613,285)	695,185,436
Borrowings	4,220,187	38,580,138	30,559,154	-	-	73,359,479
Deposits and other accounts	481,707,486	31,444,415	-	209,335	1,275,208	514,636,444
Net inter segment borrowing	-	194,231,389	258,753,709	1,875,687	(454,860,785)	-
Others	17,702,405	9,839,455	1,059,097	13,206	19,070,862	47,685,025
Total liabilities	503,630,078	274,095,397	290,371,960	2,098,228	(434,514,715)	635,680,948
Equity	-	-	3,603,058	-	55,901,430	59,504,488
Total equity and liabilities	503,630,078	274,095,397	293,975,018	2,098,228	(378,613,285)	695,185,436
Contingencies and commitments	10,727,039	51,516,118	-	1,272,820	-	63,515,977

	2019					Total
	Retail	CIBG	Treasury	SAM	Others	
Profit and loss account for the nine months ended September 30, 2019 (un-audited)	Rupees '000					
Net mark-up / return / profit	(12,653,696)	21,445,268	6,213,146	199,437	(66,956)	15,137,199
Inter segment revenue - net	22,247,420	(19,727,325)	(5,175,253)	(144,000)	2,799,158	-
Non mark-up / return / interest income	3,069,623	625,269	1,767,816	6,302	(261,280)	5,207,730
Total Income	12,663,347	2,343,212	2,805,709	61,739	2,470,922	20,344,929
Segment direct expenses	8,006,997	358,323	227,368	99,994	3,449,209	12,141,891
Inter segment expense allocation	2,858,608	374,972	78,827	72,290	(3,384,697)	-
Total expenses	10,865,605	733,295	306,195	172,284	64,512	12,141,891
Provisions	346,383	391,828	477,677	(503,695)	15,865	728,058
Profit before tax	1,451,359	1,218,089	2,021,837	393,150	2,390,545	7,474,980

Statement of financial position as at December 31, 2019 (audited)

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
Total assets	445,740,313	273,477,879	225,811,429	2,168,383	(317,345,347)	629,852,657
Borrowings	1,931,729	20,088,523	50,726,543	-	-	72,746,795
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
Total liabilities	445,740,313	273,477,879	222,427,513	2,168,383	(369,225,304)	574,588,784
Equity	-	-	3,383,916	-	51,879,957	55,263,873
Total equity and liabilities	445,740,313	273,477,879	225,811,429	2,168,383	(317,345,347)	629,852,657
Contingencies and commitments	8,944,978	44,725,691	-	1,204,950	-	54,875,619

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RELATED PARTY TRANSACTIONS

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

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:

	September 30, 2020 (un-audited)					December 31, 2019 (audited)				
	Parent	Directors	Key management personnel	Subsidiaries	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Other related parties
Investments										
Opening balance	-	-	-	639,893	4,576,828	-	-	-	639,893	5,183,885
Investment made during the period / year	-	-	-	500,000	15,450,000	-	-	-	-	14,126,928
Investment redeemed / disposed off during the period / year	-	-	-	-	(14,894,547)	-	-	-	-	(14,733,985)
Closing balance	-	-	-	1,139,893	5,132,281	-	-	-	639,893	4,576,828
Provision for diminution in value of investments	-	-	-	-	2,366,899	-	-	-	-	2,364,199
Advances										
Opening balance	-	-	226,887	-	9,441,893	-	-	176,873	-	5,002,325
Addition during the period / year	-	-	63,612	-	1,762,830	-	-	90,859	-	5,579,340
Repaid during the period / year	-	-	(37,443)	-	(5,261,811)	-	-	(40,845)	-	(1,139,772)
Written off during the period / year	-	-	-	-	(739,674)	-	-	-	-	-
Closing balance	-	-	253,056	-	5,203,238	-	-	226,887	-	9,441,893
Provision held against advances	-	-	-	-	2,124,578	-	-	-	-	2,925,840
Fixed assets - right-of-use assets										
Opening balance	-	-	-	12,750	-	-	-	-	-	-
Addition during the period / year	-	-	-	-	-	-	-	-	14,806	-
Depreciation for the period / year	-	-	-	(3,702)	-	-	-	-	(2,056)	-
Closing balance	-	-	-	9,048	-	-	-	-	12,750	-
Accumulated depreciation	-	-	-	5,758	-	-	-	-	2,056	-

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	September 30, 2020 (un-audited)					December 31, 2019 (audited)				
	Parent	Directors	Key management personnel	Subsidiaries	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Other related parties
Other assets										
Interest / mark-up accrued	-	-	312	-	55,816	-	-	189	-	1,900,806
Commission income receivable	-	-	-	-	35,494	-	-	-	-	11,279
Maintenance receivable	-	-	-	1,081	-	-	-	-	1,502	-
Rent receivable	-	-	-	3,992	-	-	-	-	5,544	-
Sale bad receivable	-	-	-	-	-	-	-	-	8	-
Acceptances	-	-	-	-	-	-	-	-	-	2,004,043
Others	-	-	-	1,900	471,492	-	-	-	1,200	363,052
	-	-	312	6,973	562,802	-	-	189	8,254	4,279,180
Deposits and other accounts										
Opening balance	182	37,985	156,482	5,469	3,074,185	182	26,496	159,986	2,734	3,416,265
Received during the period / year	-	108,310	1,320,315	11,924,965	89,102,180	-	58,204	1,415,830	13,478,138	84,679,688
Withdrawn during the period / year	-	(95,378)	(1,306,498)	(11,922,181)	(89,107,437)	-	(46,715)	(1,419,334)	(13,475,403)	(85,021,768)
Closing balance	182	50,917	170,299	8,253	3,068,928	182	37,985	156,482	5,469	3,074,185
Other liabilities										
Interest / mark-up payable	-	89	90	-	31,094	-	196	28	-	9,970
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	118,814
Lease liability against right-of-use asset	-	-	-	5,448	-	-	-	-	10,132	-
Other liabilities	-	-	-	-	143,873	-	-	-	-	125,263
	-	89	90	5,448	174,967	-	196	28	10,132	254,047
Contingencies and commitments										
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	29,397	-	-	-	-	29,397
Trade related commitments	-	-	-	-	508,134	-	-	-	-	407,541
	-	-	-	-	537,530	-	-	-	-	436,938

* represents outstanding guarantee

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

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

RELATED PARTY TRANSACTIONS

Nine months ended September 30, 2020 (un-audited)					Nine months ended September 30, 2019 (un-audited)				
Parent	Directors	Key management personnel	Subsidiaries	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Other related parties

Income									
Mark-up / return / interest earned	-	9,711	-	254,422	-	-	7,528	-	257,142
Fee and commission income	-	39	40	108,081	-	-	97	-	73,606
Distribution commission income	-	-	-	-	-	-	-	3,026	-
Dividend income	-	-	-	146,919	-	-	-	-	87,324
Net gain on sale of securities	-	-	-	30,220	-	-	-	-	9,510
Occupancy and conservancy income	-	-	4,985	-	-	-	-	17,201	-
Maintenance income	-	-	18,406	-	-	-	-	-	-
Other income	-	-	700	-	-	-	-	3,003	-
Expense									
Mark-up / return / interest paid	-	1,797	6,025	1,151	-	1,469	10,058	3,985	170,434
Interest expense on lease liability	-	-	-	976	-	-	-	-	-
Director's fee and other expenses	-	115,741	-	-	-	68,392	-	-	-
Remuneration of key management personnel	-	-	413,222	1,343	-	-	374,012	-	-
Consultancy fee	-	-	-	578	-	-	-	-	-
Charge for defined benefit plan	-	-	-	125,646	-	-	-	-	133,127
Contribution to defined contribution plan	-	-	-	170,138	-	-	-	-	138,945
Others									
Shares / units purchased during the period	-	-	-	500,000	-	-	-	-	10,009,015
Shares / units sold during the period	-	-	-	14,852,291	-	-	-	-	10,508,817
Government securities purchased during the period	-	-	539,806	-	-	-	420,707	-	3,248,638
Government securities sold during the period	-	-	562,901	7,186,930	-	-	461,466	-	6,580,782
Contribution to defined benefit plan	-	-	-	244,460	-	-	-	-	-

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Un-audited September 30, 2020	Audited December 31, 2019
	Rupees '000	
38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	15,176,965	15,176,965
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	48,707,481	43,235,482
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	48,707,481	43,235,482
Eligible tier 2 capital	8,690,400	10,070,358
Total eligible capital (tier 1 + tier 2)	57,397,881	53,305,840
Risk weighted assets (RWAs):		
Credit risk	218,581,125	216,126,150
Market risk	28,406,492	18,811,120
Operational risk	43,725,881	43,523,481
Total	290,713,498	278,460,751
Common equity tier 1 capital adequacy ratio	16.75%	15.53%
Tier 1 Capital adequacy ratio	16.75%	15.53%
Total Capital adequacy ratio	19.74%	19.14%
Leverage ratio (LR):		
Eligible tier-1 capital	48,707,481	43,235,482
Total exposures	819,904,660	738,294,782
Leverage ratio (%)	5.94%	5.86%
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	252,890,140	174,038,704
Total net cash outflow	121,679,911	122,919,223
Liquidity coverage ratio (Ratio)	2.078	1.416
Net stable funding ratio (NSFR):		
Total available stable funding	467,448,108	406,300,952
Total required stable funding	286,604,864	299,630,986
Net stable funding ratio (%)	163.10%	135.60%

39 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 September 30, 2020 are as follows:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
Rupees '000			
Statement of financial position			
ASSETS			
Cash and balances with treasury banks		13,507,622	13,320,776
Balances with other banks		7,089,817	432,379
Investments	39.1	47,425,555	31,443,777
Islamic financing and related assets - net	39.2	159,849,021	115,537,150
Fixed assets		8,559,908	8,798,322
Intangible assets		55,030	84,501
Other assets		5,854,634	10,256,104
		242,341,587	179,873,009
LIABILITIES			
Bills payable		2,777,418	2,029,226
Due to financial institutions		43,919,605	26,721,776
Deposits and other accounts	39.3	169,102,651	119,214,500
Due to head office		2,103,699	8,333,416
Other liabilities		9,911,965	10,965,857
		227,815,338	167,264,775
NET ASSETS		14,526,249	12,608,234
REPRESENTED BY			
Islamic banking fund		9,180,000	9,180,000
Surplus on revaluation of assets - net of tax		573,712	633,831
Unappropriated profit	39.4	4,772,537	2,794,403
		14,526,249	12,608,234
CONTINGENCIES AND COMMITMENTS			
	39.5		
Un-audited			
For the nine months ended			
		September	September
		30, 2020	30, 2019
Rupees '000			
Profit and loss account			
Profit / return earned	39.6	13,780,751	10,858,894
Profit / return expensed	39.7	6,539,478	7,435,555
Net profit / return		7,241,273	3,423,339
Other income			
Fee and commission income		588,812	424,944
Foreign exchange income		189,848	71,904
Gain on securities		225	-
Others		3,734	3,721
Total other income		782,619	500,569
Total income		8,023,892	3,923,908
Other expenses			
Operating expenses		4,541,327	3,161,040
Other charges		47,022	5
Total other expenses		4,588,349	3,161,045
Profit before provisions		3,435,543	762,863
Provision and write offs - net		192,700	174,877
Profit before taxation		3,242,843	587,986
Taxation		1,264,709	229,315
Profit after taxation		1,978,134	358,671

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

39.1 Investments by segments:

	Un-audited September 30, 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								
Federal Government securities:								
- Ijarah Sukuks	13,456,030	-	34,520	13,490,550	6,000,000	-	(60,000)	5,940,000
- Other Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
	15,053,078	-	34,520	15,087,598	7,597,048	-	(60,000)	7,537,048
Non Government debt securities:								
- Unlisted	31,893,009	-	444,948	32,337,957	23,258,691	-	648,038	23,906,729
Total investments	46,946,087	-	479,468	47,425,555	30,855,739	-	588,038	31,443,777

**Un-audited
September 30,
2020**
**Audited
December 31,
2019**

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

39.2 Islamic financing and related assets - net

Murabaha	3,958,691	2,221,977
Musharaka	7,164	7,164
Diminishing Musharaka	83,203,826	68,640,076
Istisna	949,436	1,245,270
Musawamah	40,609	409
Running Musharaka	23,516,307	17,241,885
Fixed assets Ijarah financing - net	78,056	87,735
Musharaka - Islamic export refinance scheme	13,983,701	7,137,560
Istisna - Islamic export refinance scheme	1,390,000	-
Advance against Murabaha financing	1,143,763	1,599,406
Advanced against diminishing Musharaka	9,897,253	10,539,406
Advance against Ijarah	1,499,844	2,062,305
Advance against Istisna	5,465,229	3,787,505
Advance against Tijarah	300,000	-
Advance against Islamic export refinance - LTF	10,973,673	790,884
Inventory related to Islamic financing	4,173,721	715,120
Gross Islamic financing and related assets	160,581,273	116,076,702
Less: provision against Islamic financings		
- specific	(609,347)	(413,156)
- general	(122,905)	(126,396)
	(732,252)	(539,552)
Islamic financing and related assets - net of provision	159,849,021	115,537,150

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

39.3 Deposits

	Un-audited September 30, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees '000 -----						
Customers						
Current deposits	68,419,610	4,015,901	72,435,511	52,057,424	2,880,515	54,937,939
Savings deposits	43,485,685	1,565,969	45,051,654	27,174,303	845,567	28,019,870
Term deposits	36,903,716	213,763	37,117,479	20,396,083	360,828	20,756,911
	<u>148,809,011</u>	<u>5,795,633</u>	<u>154,604,644</u>	<u>99,627,810</u>	<u>4,086,910</u>	<u>103,714,720</u>
Financial institutions						
Current deposits	376,697	8,008	384,705	62,592	7,661	70,253
Savings deposits	12,756,252	-	12,756,252	11,985,727	-	11,985,727
Term deposits	1,357,050	-	1,357,050	3,443,800	-	3,443,800
	<u>14,489,999</u>	<u>8,008</u>	<u>14,498,007</u>	<u>15,492,119</u>	<u>7,661</u>	<u>15,499,780</u>
	<u>163,299,010</u>	<u>5,803,641</u>	<u>169,102,651</u>	<u>115,119,929</u>	<u>4,094,571</u>	<u>119,214,500</u>

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

39.4 Islamic Banking Business Unappropriated Profit

Opening balance	2,794,403	2,231,877
Add: Islamic banking profit for the period / year	3,242,843	922,174
Less: taxation	(1,264,709)	(359,648)
Closing balance	<u>4,772,537</u>	<u>2,794,403</u>

39.5 CONTINGENCIES AND COMMITMENTS

Guarantees	8,184,231	5,104,218
Commitments	<u>28,950,982</u>	<u>14,245,313</u>
	<u>37,135,213</u>	<u>19,349,531</u>

Un-audited
For the nine months ended
September 30, 2020
September 30, 2019
----- Rupees '000 -----

39.6 Profit / return earned of financing, investments and placement

Profit earned on:		
Financing	10,916,946	8,265,747
Investments	<u>2,863,805</u>	<u>2,593,147</u>
	<u>13,780,751</u>	<u>10,858,894</u>

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Un-audited	
For the nine months ended	
September 30, 2020	September 30, 2019
----- Rupees '000 -----	

39.7 Profit on deposits and other dues expensed

Deposits and other accounts	4,255,011	3,066,418
Other short term borrowings	1,758,643	3,958,635
Lease liability against right-of-use assets	525,824	410,502
	<u>6,539,478</u>	<u>7,435,555</u>

40 GENERAL

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

41 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on October 22, 2020 by the Board of Directors of the Bank.

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 nine months ended September 30, 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		
	September '20	December '19	Growth %
Investment	268,764	203,594	32.0%
Financing	310,188	309,573	0.2%
Total assets	695,214	629,861	10.4%
Deposits	514,633	457,785	12.4%

DIRECTORS' REVIEW

Profit & Loss Account	September '20	September '19	Growth %
Total revenue	25,440	20,435	24.5%
Non mark-up expenses	14,269	12,259	16.4%
Profit before tax and provisions	11,171	8,177	36.6%
Net provisions	2,082	727	186.4%
Profit before tax	9,089	7,449	22.0%
Tax	3,566	3,047	17.0%
Profit after tax	5,523	4,402	25.5%
Earnings per share (Rupees)	3.64	2.90	0.74

Faysal Bank Ltd.'s consolidated profit for the nine months ended September 30, 2020 at PKR 5,523 million is 25.5% higher than corresponding previous period, resulting in EPS of PKR 3.64.

The changes brought about post acquisition of control over FAML have started to yield results. Despite very challenging business environment especially during 2nd quarter of the current year, FAML showed remarkable performance and Assets Under Management (AUMs) have grown by 161% over December '19 to Rs. 41 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 Q1 '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's commitment towards FAML and will assist the subsidiary in achieving envisioned results.

FAML has turned a corner and has recorded profit after tax of Rs. 4.5 million during the nine months ended September 30, 2020 as against a loss of Rs. 25.1 million during the same period previous year.

DIRECTORS' REVIEW

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 Q1 '20, 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% (2019: 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.

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

DIRECTORS' REVIEW

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 October 22, 2020 and signed by the Chief Executive Officer and a director.

President & CEO

Karachi

Dated: October 22, 2020

Chairman / Director

ڈائریکٹرز کا جائزہ

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 شکرگزار ہیں۔ گروپ کی بھرپور ترقی یقینی بنانے کے لیے پوری لگن اور تن دہی 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 22 اکتوبر، 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 دیے ہیں۔

چیئر مین / ڈائریکٹر

صدر اور سی ای او

کراچی

تاریخ: 22 اکتوبر، 2020

ڈائریکٹرز کا جائزہ

ایف اے ایم ایل نے شاندار کارکردگی کا مظاہرہ کرتے ہوئے گزشتہ سال اسی عرصے کے دوران 25.1 ملین روپے خسارے کے مقابلے میں 30 ستمبر، 2020 کو ختم شدہ نو ماہ کے دوران 4.5 ملین روپے کا بعد از ٹیکس منافع حاصل کر لیا۔

کریڈٹ ریٹنگ

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) اور پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے فیصل بینک لمیٹڈ کے لیے درج ذیل درجہ بندی کی تصدیق کی ہے:

طویل المیعاد: AA

قلیل المیعاد: A1+

مذکورہ بالا کریڈٹ ریٹنگ ایجنسیز نے ”مستحکم“ حالت کی درجہ بندی تفویض کی ہے۔

وی آئی ایس کریڈٹ ریٹنگ کمپنی نے مالی سال 2020 کی پہلی 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 بلا واسطہ طور پر بینک کے 66.78% (2019 : 66.78%)

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۔

بعد از اوقات

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۔

ڈائریکٹرز کا جائزہ

نفع اور نقصان اکاؤنٹ	ستمبر ۲۰۲۰ء	ستمبر ۲۰۱۹ء	اضافہ
مجموعی آمدنی	25,440	20,435	24.5 فیصد
نان۔ مارک اپ اخراجات	14,269	12,259	16.4 فیصد
منافع قبل از ٹیکس اور پروویژن	11,171	8,177	36.6 فیصد
نیٹ پروویژنز	2,082	727	186.4 فیصد
منافع قبل از ٹیکس	9,089	7,449	22.0 فیصد
ٹیکس	3,566	3,047	17.0 فیصد
منافع بعد از ٹیکس	5,523	4,402	25.5 فیصد
فی حصص آمدن (روپے)	3.64	2.90	0.74

30 ستمبر، 2020 کو ختم ہونے والے نو ماہ میں فیصل بینک لمیٹڈ گروپ کا مجموعی منافع 5,523 ملین روپے رہا جو کہ گزشتہ سال اسی مدت کے مقابلے میں 25.5 فیصد زیادہ ہے، جس کے نتیجے میں فی حصص آمدنی (EPS) 3.64 روپے ریکارڈ کی گئی۔

ایف اے ایم ایل کا کنٹرول حاصل کرنے کے بعد کی جانے والی تبدیلیوں کے نتائج آنا شروع ہو گئے ہیں۔ انتہائی مشکل کاروباری ماحول خاص طور پر رواں سال کی دوسری سہ ماہی کے دوران ایف اے ایم ایل کے ایسیٹس انڈر مینجمنٹ (AUMs) دسمبر 2019 کے مقابلے میں 161 فیصد اضافے کے ساتھ 41 ارب روپے تک جا پہنچے 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 سلاز بڑھائی۔

مالی سال 2020 کی پہلی سہ ماہی 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 30 ستمبر، 2020 کو ختم ہونے والے نو ماہ کے لیے 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 ایک ان - لسٹ 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 انٹرنیشنل ریگولیشنز، 2008 کے تحت ایسیٹ مینجمنٹ اور سرمایہ کاری کے لیے ایڈوائزری 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	ستمبر ۲۰۲۰ء	دسمبر ۲۰۱۹ء	اضافہ (ملین روپے)
سرمایہ کاری	268,764	203,594	32.0 فیصد
فنانسنگ	310,188	309,573	0.2 فیصد
مجموعی اثاثہ جات	695,214	629,861	10.4 فیصد
ڈپازٹس	514,633	457,785	12.4 فیصد

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		----- Rupees '000 -----	
ASSETS			
Cash and balances with treasury banks	10	57,209,431	60,368,426
Balances with other banks	11	8,441,732	2,835,650
Lendings to financial institutions	12	1,996,880	-
Investments	13	268,764,348	203,594,303
Advances	14	310,188,295	309,573,002
Fixed assets	15	23,967,665	24,241,544
Intangible assets	16	1,722,414	1,840,624
Deferred tax assets		-	-
Other assets	17	22,923,371	27,406,984
		695,214,136	629,860,533
LIABILITIES			
Bills payable	18	11,191,837	8,356,460
Borrowings	19	73,359,479	72,746,795
Deposits and other accounts	20	514,633,180	457,785,183
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	21	1,784,162	2,816,798
Other liabilities	22	34,791,189	32,949,870
		635,759,847	574,655,106
		59,454,289	55,205,427
NET ASSETS			
REPRESENTED BY			
Share capital		15,176,965	15,176,965
Reserves		9,743,071	9,830,958
Surplus on revaluation of assets - net	23	9,475,470	10,748,080
Unappropriated profit		25,058,771	19,449,413
Total equity attributable to the equity holders of the parent		59,454,277	55,205,416
Non-controlling interest		12	11
		59,454,289	55,205,427
CONTINGENCIES AND COMMITMENTS			
	24		

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

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2020

		Quarter ended		Nine months ended	
	Note	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		Rupees '000			
Mark-up / return / interest earned	26	12,343,214	15,538,005	44,300,287	41,268,289
Mark-up / return / interest expensed	27	6,535,177	10,454,810	25,274,019	26,126,239
Net mark-up / interest income		5,808,037	5,083,195	19,026,268	15,142,050
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	1,013,635	987,286	2,727,888	3,018,383
Dividend income		43,937	80,922	283,825	322,998
Foreign exchange income		630,863	548,683	1,559,427	2,181,212
Income from derivatives		(21,350)	58,586	79,693	132,306
Gain / (loss) on securities	29	689,156	(221,507)	1,713,102	(630,136)
Other income	30	59,310	72,705	50,045	268,671
Total non mark-up / interest income		2,415,551	1,526,675	6,413,980	5,293,434
Total income		8,223,588	6,609,870	25,440,248	20,435,484
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	4,788,029	4,267,749	13,967,341	12,062,758
Workers Welfare Fund		47,764	44,758	195,891	166,247
Other charges	32	(1,789)	12,683	106,223	29,902
Total non mark-up / interest expenses		4,834,004	4,325,190	14,269,455	12,258,907
Profit before provisions		3,389,584	2,284,680	11,170,793	8,176,577
Provision and write-offs - net	33	616,951	56,515	2,081,759	727,425
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		2,772,633	2,228,165	9,089,034	7,449,152
Taxation	34	1,043,855	831,173	3,566,235	3,046,735
PROFIT AFTER TAXATION		1,728,778	1,396,992	5,522,799	4,402,417
Attributable to:					
Equity holders of the parent		1,728,775	1,396,995	5,522,798	4,402,420
Non-controlling interest		3	(3)	1	(3)
		1,728,778	1,396,992	5,522,799	4,402,417
Rupees					
Basic / diluted earnings per share	35	1.14	0.77	3.64	2.90

The annexed notes 1 to 42 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 AND NINE MONTHS ENDED SEPTEMBER 30, 2020

	Quarter ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	Rupees '000			
Profit after taxation for the period	1,728,778	1,396,992	5,522,799	4,402,417
Other comprehensive income / (loss)				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
- Movement in surplus on revaluation of investments - net of tax	(200,629)	98,377	(1,186,050)	181,301
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
- Movement in surplus on revaluation of operating fixed assets - net of tax	(86,560)	-	(86,560)	(116,672)
- Movement in surplus on revaluation of non-banking assets - net of tax	-	(2,672)	-	(21,721)
	(287,189)	95,705	(1,272,610)	42,908
Total comprehensive income	1,441,589	1,492,697	4,250,189	4,445,325
Attributable to:				
Equity holders of the parent	1,441,586	1,492,700	4,250,188	4,445,328
Non-controlling interest	3	(3)	1	(3)
	1,441,589	1,492,697	4,250,189	4,445,325

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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			
		Share premium	Non-distributable capital reserve (NCR) - gain on bargain purchase								
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
Profit after taxation for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	4,402,420	(3)	4,402,417
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	181,301	(138,393)	42,908	-	-	42,908
Total comprehensive income / (loss)	-	-	-	-	-	181,301	(138,393)	42,908	4,402,420	(3)	4,445,325
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(57,415)	(57,415)	57,415	-	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	(126,776)	-	-	(126,776)	-	-	-	-	(126,776)
Balance as at September 30, 2019 (un-audited)	15,176,965	10,131	505,230	23,952	8,112,819	8,652,132	(254,645)	5,333,805	5,079,160	18,885,044	13 47,793,314
Profit after taxation for the period from October 1, 2019 to December 31, 2019	-	-	-	-	-	-	-	-	1,601,626	(2)	1,601,624
Other comprehensive income - net of tax	-	-	-	-	-	3,638,560	2,143,240	5,781,800	57,989	-	5,839,789
Total comprehensive income	-	-	-	-	-	3,638,560	2,143,240	5,781,800	1,659,615	(2)	7,441,413
Transfer to statutory reserve	-	-	-	-	1,208,126	1,208,126	-	-	-	(1,208,126)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(19,058)	(19,058)	19,058	-	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	(93,822)	(93,822)	93,822	-	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	(29,300)	-	-	(29,300)	-	-	-	-	(29,300)
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	19,449,413	11 55,205,427
Profit after taxation for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	5,522,798	1	5,522,799
Other comprehensive loss - net of tax	-	-	-	-	-	(1,186,050)	-	(1,186,050)	-	-	(1,186,050)
Total comprehensive income / (loss)	-	-	-	-	-	(1,186,050)	-	(1,186,050)	5,522,798	1	4,336,749
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(86,560)	(86,560)	86,560	-	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	(87,887)	-	-	(87,887)	-	-	-	-	(87,887)
Balance as at September 30, 2020 (un-audited)	15,176,965	10,131	388,043	23,952	9,320,945	9,743,071	2,197,865	7,277,605	9,475,470	25,058,771	12 59,454,289

The annexed notes 1 to 42 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 NINE MONTHS ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: dividend income

Adjustments:

Depreciation on owned fixed assets
Amortisation of intangible assets
Depreciation on right-of-use assets
Depreciation on non-banking assets
Workers Welfare Fund
Provision against loans and advances - net
(Reversal of provision) / provision for diminution in value of investments - net
Reversal of provision against off balance sheet obligations - net
Loss / (gain) on securities unrealised - held for trading - net
Gain on sale of fixed assets - net
Gain on sale of non-banking assets
Charge for defined benefit plan
Income from derivative contracts - net
Mark-up / return / interest expensed - lease liability against right-of-use assets
Bad debts written off directly

(Increase) / decrease in operating assets

Lendings to financial institutions
Held-for-trading securities
Advances
Others assets (excluding advance taxation)

Increase / (decrease) in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits
Other liabilities (excluding current taxation)

Income tax paid

Contribution to gratuity fund

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net (investment) / divestment in available for sale securities

Net divestment in held to maturity securities

Dividends received

Investment in operating fixed assets

Investment in intangible assets

Proceeds from sale of fixed assets

Proceeds from sale of non-banking assets

Net cash (used in) / generated from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of lease liability against right-of-use assets

Dividend paid

Net cash used in financing activities

Increase in cash and cash equivalents during the period

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

Nine months ended	
September 30, 2020	September 30, 2019
Rupees '000	
9,089,034	7,449,152
(283,825)	(322,998)
8,805,209	7,126,154
995,010	736,406
141,056	99,341
1,006,820	1,028,190
4,649	9,508
195,891	166,247
2,129,066	295,640
(63,511)	515,992
(9,621)	(11,476)
32,633	(13,940)
(16,167)	(9,753)
-	(8,989)
134,805	134,788
(79,693)	(132,306)
776,452	698,026
12,723	10,431
5,260,113	3,518,105
14,065,322	10,644,259
(1,996,880)	(4,002,514)
914,650	15,857,188
(2,757,082)	(10,656,922)
1,697,127	3,320,558
(2,142,185)	4,518,310
2,835,377	(16,338,134)
340,897	(19,894,832)
56,847,997	24,317,746
1,615,612	1,000,484
61,639,883	(10,914,736)
(1,107,416)	(2,526,446)
(253,770)	-
72,201,834	1,721,387
(69,127,395)	1,982,812
1,128,333	1,562,943
273,393	262,220
(1,031,689)	(1,695,588)
(166,922)	(305,598)
32,759	12,970
-	161,209
(68,891,521)	1,980,968
(1,134,876)	(1,195,998)
(137)	5
(1,135,013)	(1,195,993)
2,175,300	2,506,362
62,765,354	44,879,962
64,940,654	47,386,324

The annexed notes 1 to 42 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 (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 Ordinance, 1984 (now the Companies Act, 2017). Its shares are listed on the Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank 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	
	September 30, 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' (December 31, 2019: 'AA') and the short term rating as 'A1+' (December 31, 2019: 'A1+') on June 26, 2020 and June 29, 2020.

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

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

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.

2.2 In accordance with the directives issued by SBP, the statement of financial position and the profit and loss account of Islamic banking branches of the Holding Company are disclosed in note 40 to these condensed interim consolidated financial statements.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

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

4.2 As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as non-distributable capital reserve (NCR). The SBP allowed the Holding Company to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets identified as a result of such acquisition. Accordingly, during the period ended September 30, 2020, the Group has adjusted amortisation of intangible assets amounting to Rs. 87.887 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 annual audited 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 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 period:

4.4.1 There are certain 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 following revised standards, amendments and interpretations with respect to the accounting and reporting standards would be effective from the dates mentioned below against the respective standards, amendments or interpretations:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2021 *
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provision, contingent liabilities and contingent assets' (amendments)	January 1, 2022

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

- * 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 an impact on all the assets of the Group which are exposed to credit risk.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 annual consolidated financial statements of the Group for the year ended December 31, 2019.

9 FINANCIAL RISK MANAGEMENT

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a number of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (the SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points since the beginning of the year to 7% till September 30, 2020. Other key regulatory measures to provide an impetus to economic activity include the following:

- reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- increasing the regulatory limit on extension of credit to SMEs from Rs 125 million to Rs 180 million;
- relaxing the debt burden ratio for consumer loans from 50% to 60%;
- The timeline for classification of 'trade bills' as non-performing has been extended from 180 days overdue to 365 days overdue;
- The financing facilities of obligors which have requested for deferment or rescheduling / restructuring are not required to be classified unless the payment obligations are past due by 180 days;
- allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID-19 will impact banks in Pakistan on a number of fronts including increase in credit risk pertaining to the loans and advances portfolio, reduced fee income due to overall slowdown in economic activity, continuity of business operations and managing cybersecurity threat as a significant number of the Bank's staff is working from home and an ever increasing number of customers are being encouraged to use digital channels. Major aspects of COVID 19 on the Holding Company's risk management policies are given below:

9.1 Credit risk management

The risk management function of the Holding Company is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Holding Company has further strengthened its credit review procedures in light of the COVID-19. The Holding Company is continuously reviewing its portfolio to identify accounts susceptible to higher risk resulting from the COVID-19 outbreak.

9.2 Liquidity risk management

In view of the relaxation granted by SBP for deferral of principal and mark-up and rescheduling of loans there, will be an impact on the maturity profile of the Holding Company. The asset and liability committee (ALCO) of the Holding Company is continuously monitoring the liquidity position and the Holding Company is confident that the liquidity buffer currently maintained is sufficient to cater any adverse movement in the cash flow maturity profile.

9.3 Equity risk management

The carrying value of the Group's investment in listed equity securities classified as available-for-sale amounts to Rs 7,153.478 million as at September 30, 2020. The Group has recorded an impairment of Rs 379.785 million in the condensed interim consolidated financial statements of the current period.

9.4 Operational risk management

The Group is closely monitoring the situation and has invoked required actions to ensure the safety and security of the Group's staff and uninterrupted service to customers. The senior management is continuously monitoring the situation and is taking timely decisions to resolve any concerns.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Business Continuity Plans (BCP) for respective areas are in place and tested. The Group has significantly enhanced monitoring of cybersecurity risk during these times. Remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Group's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Group has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored and the Bank continues to meet the expectations of its employees and customers.

9.5 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 (CAR) 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 the SBP to 180 million, which will now result in reduced Risk Weighted Assets (RWA) for some of its loans. In addition to the measures by the 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.

	Un-audited September 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
10 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
- local currency	14,337,376	10,322,399
- foreign currencies	4,755,026	3,601,723
	19,092,402	13,924,122
With the State Bank of Pakistan in		
- local currency current account	25,881,805	32,960,190
- foreign currency current account	2,159,430	1,873,656
- foreign currency deposit account	4,486,439	5,325,652
	32,527,674	40,159,498
With National Bank of Pakistan in		
- local currency current account	5,581,331	5,574,470
Prize bonds	8,024	710,336
	57,209,431	60,368,426
11 BALANCES WITH OTHER BANKS		
In Pakistan		
- in current account	908,841	1,426,987
- in deposit account	67	68
	908,908	1,427,055
Outside Pakistan		
- in current account	7,532,824	1,352,850
- in deposit account	-	55,745
	7,532,824	1,408,595
	8,441,732	2,835,650
12 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (reverse repo)	1,996,880	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

13 INVESTMENTS

13.1 Investments by type:

Note	Un-audited September 30, 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 -----								
Held-for-trading securities								
Federal Government securities	29,430,395	-	(18,681)	29,411,714	31,073,816	-	1,002	31,074,818
Shares	893,115	-	(12,950)	880,165	164,344	-	900	165,244
	30,323,510	-	(31,631)	30,291,879	31,238,160	-	1,902	31,240,062
Available-for-sale securities								
Federal Government securities	163,508,300	-	581,717	164,090,017	104,109,013	-	115,329	104,224,342
Shares	8,672,853	1,692,184	172,809	7,153,478	8,322,582	1,745,897	878,857	7,455,542
Non Government debt securities	52,089,280	559,787	2,848,531	54,378,024	42,711,443	559,787	4,553,216	46,704,872
	224,270,433	2,251,971	3,603,057	225,621,519	155,143,038	2,305,684	5,547,402	158,384,756
Held-to-maturity securities								
Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
Non Government debt securities	12,787,701	1,533,799	-	11,253,902	13,916,034	1,543,597	-	12,372,437
	14,384,749	1,533,799	-	12,850,950	15,513,082	1,543,597	-	13,969,485
Total Investments	268,978,692	3,785,770	3,571,426	268,764,348	201,894,280	3,849,281	5,549,304	203,594,303

13.2 Investments given as collateral

	Un-audited September 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
- Market treasury bills	19,811,080	21,747,989
13.3 Bai Muajjal - gross	2,212,625	2,212,625
Less: deferred income	(246,568)	(400,462)
Less: profit receivable shown in other assets	(369,009)	(215,115)
Bai Muajjal - net	1,597,048	1,597,048

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

13.4 Provision for diminution in value of investments

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		----- Rupees '000 -----	
13.4.1 Opening balance		3,849,281	3,541,667
Charge / (reversals)			
Charge for the period / year	9.3	379,785	366,100
Reversals on disposals for the period / year		(443,296)	(58,486)
		(63,511)	307,614
Closing Balance		3,785,770	3,849,281

13.4.2 Particulars of provision against debt securities

Category of classification	Un-audited September 30, 2020		Audited December 31, 2019	
	Non-performing investments	Provision	Non-performing investments	Provision
----- Rupees '000 -----				
Domestic				
- Loss	2,093,586	2,093,586	2,103,384	2,103,384

13.5 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 11,365.997 million (December 31, 2019: Rs. 12,564.225 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

14 ADVANCES

	Performing		Non-performing		Total	
	Un-audited September 30, 2020	Audited December 31, 2019	Un-audited September 30, 2020	Audited December 31, 2019	Un-audited September 30, 2020	Audited December 31, 2019
Rupees '000						
Loans, cash credits, running finances, etc.	143,898,928	182,560,477	27,492,074	28,777,157	171,391,002	211,337,634
Islamic financing and related assets	159,199,288	114,980,031	1,381,985	1,096,671	160,581,273	116,076,702
Bills discounted and purchased	3,261,510	5,860,886	568,187	535,455	3,829,697	6,396,341
Advances - gross	306,359,726	303,401,394	29,442,246	30,409,283	335,801,972	333,810,677
Provision against advances						
- specific	-	-	(24,959,074)	(23,475,724)	(24,959,074)	(23,475,724)
- general	(654,603)	(761,951)	-	-	(654,603)	(761,951)
	(654,603)	(761,951)	(24,959,074)	(23,475,724)	(25,613,677)	(24,237,675)
Advances - net of provision	305,705,123	302,639,443	4,483,172	6,933,559	310,188,295	309,573,002

14.1 Particulars of advances (gross)

- in local currency
- in foreign currencies

	Un-audited September 30, 2020	Audited December 31, 2019
Rupees '000		
	334,645,710	331,186,964
	1,156,262	2,623,713
	335,801,972	333,810,677

14.2 Advances include Rs. 29,442 million (December 31, 2019: Rs. 30,409 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited September 30, 2020		Audited December 31, 2019	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees '000				
Domestic				
- other assets especially mentioned	306,838	-	1,483,618	10
- substandard	1,063,304	143,306	1,528,058	262,576
- doubtful	967,484	251,775	4,305,081	1,164,514
- loss	27,104,620	24,563,993	23,092,526	22,048,624
Total	29,442,246	24,959,074	30,409,283	23,475,724

14.3 Particulars of provision against advances

	Un-audited September 30, 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	3,192,201	-	3,192,201	2,374,327	83,764	2,458,091
Reversals during the period / year	(955,787)	(107,348)	(1,063,135)	(1,812,748)	-	(1,812,748)
	2,236,414	(107,348)	2,129,066	561,579	83,764	645,343
Amounts written off	(753,064)	-	(753,064)	(220,887)	-	(220,887)
Amounts charged off - agriculture financing	-	-	-	(229)	-	(229)
Closing balance	24,959,074	654,603	25,613,677	23,475,724	761,951	24,237,675

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14.3.1 As allowed by the SBP, the Holding Company has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,722.883 million (December 31, 2019: Rs 1,996.336 million) relating to advances while determining the provisioning requirement against non-performing financing as at September 30, 2020. The additional profit arising from availing the FSV benefit - net of tax as at September 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,660.959 million (December 31, 2019: Rs 1,217.765 million).

14.3.2 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.

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

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
15	FIXED ASSETS		
	Capital work-in-progress	15.1 730,198	1,158,440
	Property and equipment	23,237,467	23,083,104
		<u>23,967,665</u>	<u>24,241,544</u>
15.1	Capital work-in-progress		
	Civil works	174,538	393,327
	Equipment	540,190	658,014
	Furniture and fixture	13,043	44,591
	Vehicles	2,427	62,508
		<u>730,198</u>	<u>1,158,440</u>
		Un-audited	
		For the nine months ended	
		September 30, 2020	September 30, 2019
15.2	Additions to fixed assets	Rupees '000	
	The following additions have been made to fixed assets during the period:		
	Capital work-in-progress	994,946	1,995,495
	Property and equipment		
	Building on freehold land	36,075	120,492
	Furniture and fixture	113,856	83,216
	Electrical office and computer equipment	629,749	826,860
	Vehicles	127,181	14,613
	Others	553,070	365,568
	Right-of-use assets	712,854	1,173,408
		<u>2,172,785</u>	<u>2,584,157</u>
	Right-of-use assets due to adoption of IFRS 16	-	7,531,556
	Total	<u>3,167,731</u>	<u>12,111,208</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

15.3 Disposal of fixed assets

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

		Un-audited	
		For the nine months ended	
		September 30, 2020	September 30, 2019
		Rupees '000	
Furniture and fixture		3,590	3
Electrical office and computer equipment		1,572	364
Vehicles		11,430	3,036
Total		16,592	3,403

16 INTANGIBLE ASSETS

Note

		Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
Capital work-in-progress	16.1	345,033	412,380
Computer softwares		388,157	294,945
Customer relationship		636,140	780,215
Goodwill		238,484	238,484
Management rights		114,600	114,600
		1,377,381	1,428,244
Total		1,722,414	1,840,624
Capital work-in-progress		345,033	412,380
Computer software			

16.1 Additions to intangible assets

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

Computer softwares - directly purchased	234,269	305,598
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17 OTHER ASSETS

Note

		Un-audited	
		For the nine months ended	
		September 30, 2020	September 30, 2019
		Rupees '000	
Income / mark-up accrued in local currency - net of provision		7,173,827	9,599,119
Income / mark-up accrued in foreign currencies - net of provision		89,297	82,615
Advances, deposits, advance rent and other prepayments		969,477	898,295
Advance taxation (payments less provisions)		55,686	2,653,656
Non-banking assets acquired in satisfaction of claims		1,230,661	1,271,386
Mark to market gain on forward foreign exchange contracts		390,157	859,265
Fair value of derivative contracts		64,257	90,937
Acceptances	22	10,175,582	9,142,924
Credit cards and other products fee receivable		357,342	574,288
Receivable from brokers against sale of shares		142,738	183,606
Dividend receivable		85,780	75,348
Receivable from 1Link (Private) Limited		470,297	363,052
Rent and amenities receivable		26,604	45,008
Rebate receivable - net		91,488	54,505
Others		457,987	315,416
		21,781,180	26,209,420
Less: provision held against other assets	17.1	(311,595)	(256,222)
Other assets - net of provision		21,469,585	25,953,198
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
Other assets - total		22,923,371	27,406,984

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
17.1 Provision held against other assets			
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		140,456	85,083
		311,595	256,222
17.1.1 Movement in provision held against other assets			
Opening balance		256,222	262,243
Charge for the period / year		55,373	7,860
Reversals during the period / year		-	(13,881)
		55,373	(6,021)
Closing balance		311,595	256,222
18 BILLS PAYABLE			
In Pakistan		11,191,837	8,356,460
19 BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - part I and II		7,874,345	10,598,970
- under long term financing facility		4,439,924	2,426,974
- under long term financing facility for renewable power energy (RPE)		2,167,129	896,508
- under scheme of financing facility for storage of agricultural produce		58,798	86,316
- under Islamic export refinance scheme		17,090,701	8,087,560
- under refinance scheme of wages and salaries		9,514,043	-
- under Islamic refinance scheme for combating COVID-19		176,710	-
- under Islamic temporary refinance scheme		1,485,177	-
		42,806,827	22,096,328
Repurchase agreement borrowings		19,799,590	21,721,810
Total secured		62,606,417	43,818,138
Unsecured			
Call borrowings		1,500,000	1,783,448
Overdrawn nostro accounts		710,509	438,722
Musharaka acceptances		4,400,000	18,020,000
Other borrowings	19.1	4,142,553	8,686,487
Total unsecured		10,753,062	28,928,657
		73,359,479	72,746,795

19.1 This represents borrowing from foreign financial institution. The mark-up rate on these borrowing are 1.75% per annum (December 31, 2019: 3.32% to 3.43%) with maturities upto January 2021.

20 DEPOSITS AND OTHER ACCOUNTS

	Un-audited September 30, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees '000					
Customers						
Current deposits – remunerative	9,311,197	-	9,311,197	12,358,523	-	12,358,523
Current deposits – non-remunerative	149,944,389	21,925,358	171,869,747	117,835,756	16,723,542	134,559,298
Savings deposits	146,879,106	17,993,348	164,872,454	137,494,568	15,672,852	153,167,420
Term deposits	143,708,317	3,543,751	147,252,068	122,761,268	4,921,337	127,682,605
Margin deposits	3,196,657	21,072	3,217,729	2,715,024	19,177	2,734,201
	453,039,666	43,483,529	496,523,195	393,165,139	37,336,908	430,502,047
Financial institutions						
Current deposits	1,161,041	83,971	1,245,012	1,120,002	55,570	1,175,572
Savings deposits	14,063,233	-	14,063,233	19,638,764	-	19,638,764
Term deposits	2,801,740	-	2,801,740	6,468,800	-	6,468,800
	18,026,014	83,971	18,109,985	27,227,566	55,570	27,283,136
	471,065,680	43,567,500	514,633,180	420,392,705	37,392,478	457,785,183

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
21	DEFERRED TAX LIABILITIES		
Deductible temporary differences on			
- provision for diminution in the value of investments		(173,536)	(182,987)
- provision against advances, off balance sheet, etc.		(1,384,764)	(1,307,267)
- provision against other assets		(121,299)	(99,703)
- defined benefit obligation		(44)	(44)
- unused tax losses		(14,260)	(11,937)
		(1,693,903)	(1,601,938)
Taxable temporary differences on			
- surplus on revaluation of investments		1,405,192	2,163,487
- surplus on revaluation of fixed assets		1,620,695	1,676,037
- surplus on revaluation of non banking assets		14,113	14,113
- fair value adjustment relating to net assets acquired upon amalgamation		248,099	304,285
- fair value adjustment relating to net assets acquired upon business combination		52,138	52,496
- accelerated tax depreciation		124,711	195,201
- fair valuation of previously held equity interest of FAML		13,117	13,117
		3,478,065	4,418,736
		<u>1,784,162</u>	<u>2,816,798</u>
22	OTHER LIABILITIES		
Mark-up / return / interest payable in local currency		4,422,182	3,729,655
Mark-up / return / interest payable in foreign currencies		16,864	27,021
Unearned commission and income on bills discounted		920,331	725,288
Provision for taxation		274,038	-
Accrued expenses		2,052,012	2,382,341
Acceptances	17	10,175,582	9,142,924
Unclaimed dividends		45,685	45,822
Mark to market loss on forward foreign exchange contracts		672,947	2,228,384
Charity fund balance		1,188	2,278
Provision against off-balance sheet obligations	22.1	104,055	113,676
Security deposits against lease		788,775	1,201,214
Withholding tax payable		109,780	189,403
Federal excise duty payable		45,016	58,494
Payable to brokers against purchase of shares		208,591	77,747
Fair value of derivative contracts		1,144,866	1,032,154
Credit cards and other products payables		1,160,934	1,119,464
Lease liability against right-of-use asset		8,668,276	8,309,852
Token money against disposal of assets		450,673	565,357
Funds held as security		242,227	232,572
Payable to 1Link (Private) Limited		143,873	125,263
Insurance payable		114,862	144,552
Clearing and settlement accounts		2,635,694	1,172,824
Provision for gratuity		-	118,965
Others		392,738	204,620
		<u>34,791,189</u>	<u>32,949,870</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
		Rupees '000	
22.1 Provision against off-balance sheet obligations			
Opening balance		113,676	125,238
Charge for the period / year		379	-
Reversals during the period / year		(10,000)	(11,562)
		(9,621)	(11,562)
Closing balance		104,055	113,676
23 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of:			
- available for sale securities		3,603,057	5,547,402
- fixed assets		7,458,689	7,600,529
- non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
		12,515,532	14,601,717
Deferred tax on surplus on revaluation of:			
- available for sale securities		(1,405,192)	(2,163,487)
- fixed assets		(1,620,757)	(1,676,037)
- non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
		(3,040,062)	(3,853,637)
		9,475,470	10,748,080
24 CONTINGENCIES AND COMMITMENTS			
Guarantees	24.1	27,947,411	24,074,333
Commitments	24.2	189,802,974	208,211,812
Other contingent liabilities	24.3	4,122,244	4,293,244
		221,872,629	236,579,389
24.1 Guarantees:			
Financial guarantees		7,420,989	7,099,400
Performance guarantees		4,918,341	4,870,710
Other guarantees		15,608,081	12,104,223
		27,947,411	24,074,333
24.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		35,111,023	30,343,743
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	95,918,745	126,281,305
- forward government securities transactions	24.2.2	21,812,186	21,760,786
- derivatives - cross currency and interest rate swaps (notional principal)	24.2.3	8,841,115	9,244,773
- extending credit (irrevocable)	24.4	27,969,741	20,281,111
Commitments for acquisition of:			
- operating fixed assets		67,973	185,919
- intangible assets		82,191	114,175
		189,802,974	208,211,812

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019
24.2.1 Commitments in respect of forward foreign exchange contracts		Rupees '000	
Purchase		65,869,307	84,264,725
Sale		30,049,438	42,016,580
		95,918,745	126,281,305

24.2.2 Commitments in respect of forward government securities transactions

Purchase	19,814,920	21,760,786
Sale	1,997,266	-
	21,812,186	21,760,786

24.2.3 Commitments in respect of derivatives

Sale	8,841,115	9,244,773
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24.3 Other contingent liabilities

24.3.1 Holding Company:

Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Holding Company's legal advisors are confident that the Holding Company has a strong case. 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.

(i)	2,510,000	2,510,000
	457,543	457,543
	-	171,000
(ii)	1,154,701	1,154,701
	4,122,244	4,293,244

- (i) The Executive Officer, Karachi Cantonment Board (KCB), vide its notice CBR No. 1 dated March 08, 2017 had proposed revised rates for assessment of shops and flats "A" category in which a fresh sub-category "Banks (self-occupied)" was introduced for the purpose of cantonment tax in the limit of KCB. This resulted in an additional demand of Rs 171 million by KCB which included a demand on reassessment for the years 2016-2017 and 2017-2018. On the basis of legal grounds agreed in consultation with legal counsel, the Bank had filed a suit in the Honorable High Court of Sindh against such levy of tax. A stay order was granted by the Honorable High Court of Sindh in respect of payment of this additional demand and no such payment in this respect had been made till December 31, 2019.

In February 2020, KCB communicated to the Bank that the board resolution passed by the KCB in 2017 regarding the special category of 'Bank (self-occupied)' has been annulled and the properties of banks shall be treated like any other commercial property. Following this communication, the KCB submitted the revised demand and the Bank has paid Rs 59.104 million being the house and conservancy tax for the periods 2016-2017 to 2019-2020 on March 16, 2020 as a full and final settlement of the levy under consideration. Accordingly, the suit filed by the Bank in the Honorable High Court of Sindh will be withdrawn in due course.

- (ii) Income tax assessments of the Holding Company 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 the 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.

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- (ii) There are certain claims against the Holding Company not acknowledged as debt amounting to Rs 33,390 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 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.

24.3.2 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 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

- (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) remanded back a few expenses while ordered against various other expenses for which the Subsidiary Company has decided to appeal before the Appellate Tribunal Inland Revenue (ATIR). The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

24.4 Commitments to extend credits

The Holding Company makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 27,970 million (December 31, 2019: Rs 20,281 million) which are irrevocable in nature.

25 DERIVATIVE INSTRUMENTS

Cross currency swaps (notional principal)
Interest rate swap (notional principal)

Un-audited September 30, 2020	Audited December 31, 2019
Rupees '000	
8,344,009	8,780,230
497,106	464,543

25.1 Product analysis

Counterparties	September 30, 2020 (un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
Rupees '000				
With banks for				
Hedging	-	-	-	-
Market making	3,659,116	(203,066)	497,106	9,601
With other entities for				
Hedging	-	-	-	-
Market making	4,684,893	(887,144)	-	-
Total				
Hedging	-	-	-	-
Market making	8,344,009	(1,090,210)	497,106	9,601
Counterparties	December 31, 2019 (audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
Rupees '000				
With banks for				
Hedging	-	-	-	-
Market making	4,273,153	(569,222)	464,543	(31)
With other entities for				
Hedging	-	-	-	-
Market making	4,507,077	(371,964)	-	-
Total				
Hedging	-	-	-	-
Market making	8,780,230	(941,186)	464,543	(31)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

		Un-audited	
		For the nine months ended	
26	MARK-UP / RETURN / INTEREST EARNED	Note	
		September 30, 2020	September 30, 2019
		Rupees '000	
	On:		
	Loans and advances	25,914,314	28,245,545
	Investments	17,399,977	11,519,476
	Lendings to financial institutions	45,198	44,717
	Balances with banks	14,601	72,084
	Securities purchased under resale agreements	926,197	1,386,467
		<u>44,300,287</u>	<u>41,268,289</u>
27	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	Deposits	20,264,744	20,214,489
	Securities sold under repurchase agreements	166,713	1,385,733
	Other short term borrowings	24,463	90,963
	SBP borrowings	430,361	283,662
	Short sale of Pakistan Investment Bonds	42,219	115,318
	Bai Muajjal	178,419	-
	Musharaka acceptances	633,290	625,468
	Lease liability against right-of-use assets	776,452	698,026
	Cost of foreign currency swaps against foreign currency deposits / borrowings	2,757,358	2,712,580
		<u>25,274,019</u>	<u>26,126,239</u>
28	FEE AND COMMISSION INCOME		
	Branch banking customer fees	370,021	509,160
	Consumer finance related fees	232,213	262,470
	Card related fees (debit and credit cards)	1,075,500	1,207,227
	Credit related fees	36,565	75,989
	Investment banking fees	118,737	126,459
	Commission on trade	199,576	208,064
	Commission on guarantees	66,350	89,982
	Commission on cash management	46,594	40,986
	Commission on remittances including home remittances	106,507	84,567
	Commission on bancassurance	225,209	194,719
	Commission on sale of funds unit	90,190	62,305
	Management fee	105,264	72,848
	Advisory fee	656	1,849
	Sales load	-	5,214
	Others	54,506	76,544
		<u>2,727,888</u>	<u>3,018,383</u>
29	GAIN / (LOSS) ON SECURITIES		
	Realised - net	1,745,735	(644,076)
	Unrealised - held for trading - net	(32,633)	13,940
		<u>1,713,102</u>	<u>(630,136)</u>
29.1	Realised gain / (loss) on:		
	Federal Government securities	1,187,116	(24,260)
	Shares	528,399	(629,523)
	Open end mutual funds	30,220	9,707
		<u>1,745,735</u>	<u>(644,076)</u>
30	OTHER INCOME		
	Rent on property	116,675	138,741
	Gain on sale of fixed assets - net	16,167	9,753
	Gain on sale of non-banking assets - net	-	8,989
	(Loss) / gain on short sale of Pakistan Investment Bonds (PIBs)	(88,139)	105,374
	Notice pay	3,375	3,020
	Scrap income	1,291	1,445
	Others	676	1,349
		<u>50,045</u>	<u>268,671</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

		Un-audited		
		For the nine months ended		
31	OPERATING EXPENSES	Note		
		September 30, 2020	September 30, 2019	
		Rupees '000		
	Total compensation expense	5,539,252	4,838,838	
	Property expense			
	Rent and taxes	151,895	134,346	
	Insurance	45,979	36,070	
	Utilities cost	534,116	469,832	
	Security (including guards)	564,138	447,697	
	Repair and maintenance (including janitorial charges)	358,342	302,382	
	Depreciation on owned fixed assets	389,142	317,620	
	Depreciation on non-banking assets	4,649	9,508	
	Depreciation on right-of-use assets	1,006,820	1,028,190	
	Others	55,235	56,849	
		3,110,316	2,802,494	
	Information technology expenses			
	Software maintenance	1,203,337	957,699	
	Hardware maintenance	197,627	253,221	
	Depreciation	281,189	228,006	
	Amortisation	141,056	99,341	
	Network charges	192,454	186,417	
	Others	2,025	1,792	
		2,017,688	1,726,476	
	Other operating expenses			
	Directors' fees and allowances	119,166	71,317	
	Legal and professional charges	75,438	62,871	
	Outsourced services costs - staff	280,579	231,154	
	Travelling and conveyance	49,651	86,445	
	NIFT clearing charges	35,782	36,475	
	Depreciation	324,679	190,780	
	Training and development	16,600	18,155	
	Postage and courier charges	121,726	84,943	
	Communication	104,752	99,549	
	Marketing, advertisement and publicity	293,821	304,830	
	Donations	77,424	69,631	
	Auditors remuneration	17,596	35,087	
	Insurance	614,123	439,769	
	Stationery and printing	264,091	165,295	
	Bank fees and charges	87,166	73,357	
	Brokerage and commission	52,737	39,371	
	Deposit protection premium	292,992	262,864	
	Credit card bonus points redemption	134,357	164,557	
	Others	337,405	258,500	
		3,300,085	2,694,950	
		13,967,341	12,062,758	
32	OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan	106,023	29,702	
	Penalties imposed by the Securities Exchange Commission of Pakistan (SECP)	200	200	
		106,223	29,902	
33	PROVISION AND WRITE-OFFS - NET			
	(Reversal of provision) / provision for diminution in value of investments - net	13.4	(63,511)	515,992
	Provision against loans and advances - net	14.3	2,129,066	295,640
	Bad debts written off directly		12,723	10,431
	Recovery of written off / charged off bad debts		(42,271)	(84,491)
	Reversal of provision against off balance sheet obligations - net	22.1	(9,621)	(11,476)
	Provision against other assets - net	17.1.1	55,373	1,329
			2,081,759	727,425

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

34	TAXATION	Un-audited	
		For the nine months ended	
		September 30, 2020	September 30, 2019
		Rupees '000	
	Current	3,763,533	3,193,404
	Prior years	20,000	289,934
	Deferred	(217,298)	(436,603)
		<u>3,566,235</u>	<u>3,046,735</u>

35	BASIC / DILUTED EARNINGS PER SHARE	Un-audited			
		For the quarter ended		For the nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
		Rupees '000			
	Profit after tax for the period	<u>1,728,778</u>	<u>1,396,992</u>	<u>5,522,799</u>	<u>4,402,417</u>
		Number of shares in thousands			
	Weighted average number of ordinary shares	<u>1,517,697</u>	<u>1,517,697</u>	<u>1,517,697</u>	<u>1,517,697</u>
		Rupees			
	Basic earnings per share	<u>1.14</u>	<u>0.92</u>	<u>3.64</u>	<u>2.90</u>

35.1 Diluted earnings per share has not been presented as the Holding Company does not have any convertible instruments in issue at September 30, 2020 and September 30, 2019 which would have any effect on the earnings per share if the option to convert is exercised.

36 FAIR VALUE MEASUREMENTS

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

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

Fair value of financial assets

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	September 30, 2020 (un-audited)			
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	193,501,731	-	193,501,731
Shares	5,346,153	2,687,490	-	8,033,643
Non-Government debt securities	47,830,670	6,547,354	-	54,378,024
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	11,365,997	-	11,365,997
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,246,708	11,246,708
Non-banking assets acquired in satisfaction of claims	-	-	2,684,447	2,684,447
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	65,869,307	-	65,869,307
Forward sale of foreign exchange	-	30,049,438	-	30,049,438
Derivatives sales	-	8,841,115	-	8,841,115
	December 31, 2019 (audited)			
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	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
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	12,564,225	-	12,564,225
Non-financial assets - measured at fair value				
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
Off-balance sheet financial instruments - measured at fair value				
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

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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 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 Holding Company 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 consolidated financial statements 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 consolidated financial statements for the year ended December 31 2019.

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

37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
----- Rupees '000 -----						
Profit and loss account for the nine months ended September 30, 2020 (un-audited)						
Net mark-up / return / profit	(12,915,126)	18,902,652	12,807,042	170,080	61,620	19,026,268
Inter segment revenue - net	24,825,284	(16,110,495)	(12,332,440)	(151,987)	3,769,638	-
Non mark-up / return / interest income	2,671,065	764,781	3,275,359	5,198	(302,423)	6,413,980
Total Income	14,581,223	3,556,938	3,749,961	23,291	3,528,835	25,440,248
Segment direct expenses	8,153,714	392,847	263,031	93,367	5,366,496	14,269,455
Inter segment expense allocation	4,587,542	483,949	100,743	89,908	(5,262,142)	-
Total expenses	12,741,256	876,796	363,774	183,275	104,354	14,269,455
Provisions	785,587	1,459,979	(58,543)	(172,377)	67,113	2,081,759
Profit before tax	1,054,380	1,220,163	3,444,730	12,393	3,357,368	9,089,034

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	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
----- Rupees '000 -----						
Statement of financial position						
as at September 30, 2020 (un-audited)						
Cash and bank balances	25,587,447	-	40,063,716	-	-	65,651,163
Investments	-	17,841,673	250,269,734	3,298,820	1,139,891	272,550,118
- Investment provision	-	-	(1,692,184)	(2,093,586)	-	(3,785,770)
Net inter segment lending	404,703,018	-	-	-	(404,703,018)	-
Lendings to financial institutions	-	-	1,996,880	-	-	1,996,880
Advances - performing	59,868,054	240,502,604	-	-	5,989,068	306,359,726
Advances - non-performing	6,901,624	4,019,649	-	18,484,081	36,892	29,442,246
- Advances - provisions	(5,294,206)	(2,493,286)	-	(17,802,895)	(23,290)	(25,613,677)
Others	11,864,299	14,224,757	3,336,872	211,808	18,975,714	48,613,450
Total assets	503,630,236	274,095,397	293,975,018	2,098,228	(378,584,743)	695,214,136
Borrowings	4,220,187	38,580,138	30,559,154	-	-	73,359,479
Deposits and other accounts	481,707,486	31,444,415	-	209,335	1,271,944	514,633,180
Net inter segment borrowing	-	194,231,389	258,753,709	1,875,687	(454,860,785)	-
Others	17,702,563	9,839,455	1,059,097	13,206	19,152,867	47,767,188
Total liabilities	503,630,236	274,095,397	290,371,960	2,098,228	(434,435,974)	635,759,847
Equity	-	-	3,603,058	-	55,851,231	59,454,289
Total equity and liabilities	503,630,236	274,095,397	293,975,018	2,098,228	(378,584,743)	695,214,136
Contingencies and commitments	10,727,039	51,516,118	-	1,272,820	-	63,515,977

	2019					
	Retail	CIBG	Treasury	SAM	Others	Total
----- Rupees '000 -----						
Profit and loss account for the nine months ended September 30, 2019 (un-audited)						
Net mark-up / return / profit	(12,653,696)	21,445,268	6,213,146	199,437	(62,105)	15,142,050
Inter segment revenue - net	22,247,420	(19,727,325)	(5,175,253)	(144,000)	2,799,158	-
Non mark-up / return / interest income	3,069,623	625,269	1,767,816	6,302	(175,576)	5,293,434
Total Income	12,663,347	2,343,212	2,805,709	61,739	2,561,477	20,435,484
Segment direct expenses	8,006,997	358,323	227,368	99,994	3,566,225	12,258,907
Inter segment expense allocation	2,858,608	374,972	78,827	72,290	(3,384,697)	-
Total expenses	10,865,605	733,295	306,195	172,284	181,528	12,258,907
Provisions	346,383	391,828	477,677	(503,695)	15,232	727,425
Profit before tax	1,451,359	1,218,089	2,021,837	393,150	2,364,717	7,449,152

Statement of financial position						
as at December 31, 2019 (audited)						
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
Total assets	445,740,402	273,477,879	225,811,429	2,168,383	(317,337,560)	629,860,533
Borrowings	1,931,729	20,088,523	50,726,543	-	-	72,746,795
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
Total liabilities	445,740,402	273,477,879	222,427,513	2,168,383	(369,159,071)	574,655,106
Equity	-	-	3,383,916	-	51,821,511	55,205,427
Total equity and liabilities	445,740,402	273,477,879	225,811,429	2,168,383	(317,337,560)	629,860,533
Contingencies and commitments	8,944,978	44,725,691	-	1,204,950	-	54,875,619

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RELATED PARTY TRANSACTIONS

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

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:

	September 30, 2020 (un-audited)			December 31, 2019 (audited)		
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors
Investments						
Opening balance	-	-	-	4,742,110	-	-
Investment made during the period / year	-	-	-	22,082,742	-	-
Investment redeemed / disposed off during the period / year	-	-	-	(21,110,006)	-	-
Closing balance	-	-	-	5,714,846	-	-
Provision for diminution in value of investments	-	-	-	2,366,899	-	-
Advances						
Opening balance	-	-	226,887	9,441,893	-	-
Addition during the period / year	-	-	67,970	1,762,830	-	-
Repaid during the period / year	-	-	(39,013)	(5,261,811)	-	-
Written off during the period / year	-	-	-	(739,674)	-	-
Closing balance	-	-	255,845	5,203,238	-	-
Provision held against advances	-	-	-	2,124,578	-	-

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	September 30, 2020 (un-audited)				December 31, 2019 (audited)			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
Other assets								
Interest / mark-up accrued	-	-	312	55,816	-	-	189	1,900,806
Commission income receivable	-	-	-	35,494	-	-	-	11,279
Remuneration receivable	-	-	-	13,129	-	-	-	11,110
Receivable against reimbursement of expenses	-	-	-	62,141	-	-	-	3,541
Receivable from defined contribution plan	-	-	-	647	-	-	-	647
Front end load receivable	-	-	-	2,407	-	-	-	2,209
Preliminary expenses and floatation costs receivable	-	-	-	16,527	-	-	-	-
Acceptances	-	-	-	-	-	-	-	2,004,043
Others	-	-	-	471,492	-	-	2,293	378,175
	-	-	312	657,653	-	-	2,482	4,311,810
Deposits and other accounts								
Opening balance	182	37,985	156,482	3,074,185	182	26,496	159,986	3,416,265
Received during the period / year	-	108,310	1,320,315	89,102,180	-	58,204	1,415,830	84,679,688
Withdrawn during the period / year	-	(95,378)	(1,306,498)	(89,107,437)	-	(46,715)	(1,419,334)	(85,021,768)
Closing balance	182	50,917	170,299	3,068,928	182	37,985	156,482	3,074,185
Other liabilities								
Interest / mark-up payable	-	89	90	31,094	-	196	28	9,970
Payable to staff retirement fund	-	-	-	234	-	-	-	118,965
Payable against reimbursement of expenses	-	-	-	1,844	-	-	-	1,099
Other liabilities	-	-	-	143,873	-	2,625	320	125,263
	-	89	90	177,045	-	2,821	348	255,297
Contingencies and commitments								
Guarantees issued favouring related parties or on their behalf *	-	-	-	29,397	-	-	-	29,397
Trade related commitments	-	-	-	508,134	-	-	-	407,541
	-	-	-	537,530	-	-	-	436,938

* represents outstanding guarantee

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

38.1

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

	September 30, 2020 (un-audited)				September 30, 2019 (un-audited)			
	Parent	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
Income								
Mark-up / return / interest earned	-	-	9,788	254,422	-	-	7,528	257,142
Fee and commission income	-	39	103	201,869	-	22	75	146,155
Dividend income	-	-	-	158,866	-	-	-	87,234
Net gain on sale of securities	-	-	-	30,220	-	-	-	9,510
Expense								
Mark-up / return / interest paid	-	1,797	6,025	161,906	-	1,469	10,058	170,434
Reimbursement of expenses	-	-	-	69,560	-	-	-	28
Director's fee and other expenses	-	119,166	-	-	-	68,392	-	-
Remuneration of key management personnel	-	-	466,262	1,343	-	-	374,012	-
Consultancy Fee	-	-	-	578	-	-	-	-
Charge for defined benefit plan	-	-	-	134,805	-	-	-	134,788
Contribution to defined contribution plan	-	-	-	173,439	-	-	-	140,529
Others								
Shares / units purchased during the period	-	-	-	22,082,742	-	-	-	11,739,087
Shares / units sold during the period	-	-	-	21,067,750	-	-	-	12,518,618
Government securities purchased during the period	-	-	539,806	6,340,856	-	-	420,707	3,248,638
Government securities sold during the period	-	-	562,901	7,186,930	-	-	461,466	6,580,782
Contribution to defined benefit plan	-	-	-	253,535	-	-	-	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Un-audited September 30, 2020	Audited December 31, 2019
	Rupees '000	
39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	15,176,965	15,176,965
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	48,414,420	42,824,225
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	48,414,420	42,824,225
Eligible tier 2 capital	8,690,400	10,070,358
Total eligible capital (tier 1 + tier 2)	57,104,820	52,894,583
Risk weighted assets (RWAs):		
Credit risk	216,005,752	214,599,394
Market risk	28,583,838	18,939,653
Operational risk	43,819,754	43,587,833
Total	288,409,344	277,126,880
Common equity tier 1 capital adequacy ratio	16.79%	15.45%
Tier 1 Capital adequacy ratio	16.79%	15.45%
Total Capital adequacy ratio	19.80%	19.09%
Leverage ratio (LR):		
Eligible tier-1 capital	48,414,420	42,824,225
Total exposures	819,694,874	737,934,261
Leverage ratio (%)	5.91%	5.80%
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	253,009,311	174,038,707
Total net cash outflow	121,561,773	123,796,400
Liquidity coverage ratio (Ratio)	2.081	1.406
Net stable funding ratio (NSFR):		
Total available stable funding	467,492,179	406,344,452
Total required stable funding	286,574,060	299,623,500
Net stable funding ratio (%)	163.13%	135.62%

40 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 September 30, 2020 are as follows:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

		Un-audited September 30, 2020	Audited December 31, 2019
Note		Rupees '000	
Statement of financial position			
ASSETS			
		13,507,622	13,320,776
		7,089,817	432,379
40.1		47,425,555	31,443,777
40.2		159,849,021	115,537,150
		8,559,908	8,798,322
		55,030	84,501
		5,854,634	10,256,104
		242,341,587	179,873,009
LIABILITIES			
		2,777,418	2,029,226
		43,919,605	26,721,776
40.3		169,102,651	119,214,500
		2,103,699	8,333,416
		9,911,965	10,965,857
		227,815,338	167,264,775
		14,526,249	12,608,234
NET ASSETS			
REPRESENTED BY			
		9,180,000	9,180,000
		573,712	633,831
40.4		4,772,537	2,794,403
		14,526,249	12,608,234
CONTINGENCIES AND COMMITMENTS			
40.5			
		Un-audited	
		For the nine months ended	
		September 30, 2020	September 30, 2019
		Rupees '000	
Profit and loss account			
		13,780,751	10,858,894
		6,539,478	7,435,555
		7,241,273	3,423,339
Other income			
		588,812	424,944
		189,848	71,904
		225	-
		3,734	3,721
		782,619	500,569
		8,023,892	3,923,908
Total income			
Other expenses			
		4,541,327	3,161,040
		47,022	5
		4,588,349	3,161,045
		3,435,543	762,863
		192,700	174,877
		3,242,843	587,986
		1,264,709	229,315
		1,978,134	358,671

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

40.1 Investments by segments:

	Un-audited September 30, 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 -----								
Federal Government securities:								
- Ijarah Sukuk	13,456,030	-	34,520	13,490,550	6,000,000	-	(60,000)	5,940,000
- Other Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
	15,053,078	-	34,520	15,087,598	7,597,048	-	(60,000)	7,537,048
Non Government debt securities:								
- Unlisted	31,893,009	-	444,948	32,337,957	23,258,691	-	648,038	23,906,729
Total investments	46,946,087	-	479,468	47,425,555	30,855,739	-	588,038	31,443,777

40.2 Islamic financing and related assets - net

	Un-audited September 30, 2020	Audited December 31, 2019
----- Rupees '000 -----		
Murabaha	3,958,691	2,221,977
Musharaka	7,164	7,164
Diminishing Musharaka	83,203,826	68,640,076
Istisna	949,436	1,245,270
Musawamah	40,609	409
Running Musharaka	23,516,307	17,241,885
Fixed assets Ijarah financing - net	78,056	87,735
Musharaka - Islamic export refinance scheme	13,983,701	7,137,560
Istisna - Islamic export refinance scheme	1,390,000	-
Advance against Murabaha financing	1,143,763	1,599,406
Advanced against Diminishing Musharaka	9,897,253	10,539,406
Advance against Ijarah	1,499,844	2,062,305
Advance against Istisna	5,465,229	3,787,505
Advance against Tijarah	300,000	-
Advance against Islamic export refinance - LTF	10,973,673	790,884
Inventory related to Islamic financing	4,173,721	715,120
Gross Islamic financing and related assets	160,581,273	116,076,702
Less: provision against Islamic financings		
- specific	(609,347)	(413,156)
- general	(122,905)	(126,396)
	(732,252)	(539,552)
Islamic financing and related assets - net of provision	159,849,021	115,537,150

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

40.3 Deposits

	Un-audited			Audited		
	September 30, 2020			December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees '000						
Customers						
Current deposits	68,419,610	4,015,901	72,435,511	52,057,424	2,880,515	54,937,939
Savings deposits	43,485,685	1,565,969	45,051,654	27,174,303	845,567	28,019,870
Term deposits	36,903,716	213,763	37,117,479	20,396,083	360,828	20,756,911
	148,809,011	5,795,633	154,604,644	99,627,810	4,086,910	103,714,720
Financial institutions						
Current deposits	376,697	8,008	384,705	62,592	7,661	70,253
Savings deposits	12,756,252	-	12,756,252	11,985,727	-	11,985,727
Term deposits	1,357,050	-	1,357,050	3,443,800	-	3,443,800
	14,489,999	8,008	14,498,007	15,492,119	7,661	15,499,780
	163,299,010	5,803,641	169,102,651	115,119,929	4,094,571	119,214,500

Un-audited
September 30,
2020

Audited
December 31,
2019

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

40.4 Islamic Banking Business Unappropriated Profit

Opening balance	2,794,403	2,231,877
Add: Islamic banking profit for the period / year	3,242,843	922,174
Less: taxation	(1,264,709)	(359,648)
Closing balance	4,772,537	2,794,403

40.5 CONTINGENCIES AND COMMITMENTS

Guarantees	8,184,231	5,104,218
Commitments	28,950,982	14,245,313
	37,135,213	19,349,531

Un-audited
For the nine months ended

September
30, 2020

September
30, 2019

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

40.6 Profit / return earned of financing, investments and placement

Profit earned on:		
Financing	10,916,946	8,265,747
Investments	2,863,805	2,593,147
	13,780,751	10,858,894

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

Un-audited	
For the nine months ended	
September 30, 2020	September 30, 2019
----- Rupees '000 -----	

40.7 Profit on deposits and other dues expensed

Deposits and other accounts	4,255,011	3,066,418
Other short term borrowings	1,758,643	3,958,635
Lease liability against right-of-use assets	525,824	410,502
	<u>6,539,478</u>	<u>7,435,555</u>

41 GENERAL

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

42 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on October 22, 2020 by the Board of Directors of the Holding Company.

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