

You alone do we worship, and
from You alone do we seek help.

إِيَّاكَ نَعْبُدُ وَإِيَّاكَ نَسْتَعِينُ



Best Emerging Bank

HALF YEAR
ENDED JUNE 30, 2021
UNAUDITED FINANCIAL STATEMENTS

faysalbank



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Registered Office

Faysal House, St-02, Commercial Lane,
Main Shahrah-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
Mian Muhammad Younis	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
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Mr. Aurangzeb Amin	Company Secretary & Head of Legal
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M/s. A.F. Ferguson & Co, Chartered Accountants	Auditors
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M/s. Mohsin Tayebaly & Co, Advocate	Legal Advisors
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Registered Office

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

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

Share Registrar

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

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

Directors' Report

Unconsolidated Financial Statements

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 half year ended on June 30, 2021.

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 now spreads over 207 cities across the country with 576 branches. In line with FBL's strategy of transforming itself into a full-fledged Islamic Bank, 87% of its branches are now offering dedicated sharia-compliant banking services.

Holding Company

Ithmaar Bank B.S.C (closed), a banking entity regulated by the Central Bank of Bahrain is the parent company holding directly and indirectly, 66.78% (2020: 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

At its meeting on July 27, 2021, the Monetary Policy Committee (MPC) decided to maintain policy rate at 7% to protect the nascent economic recovery. Earlier, Pakistan Bureau of Statistics (PBS) estimates showed that real GDP grew by 3.94% in FY21 against SBP's projection of 2.9%. In the budget, Ministry of Finance now projects the economy to grow by 5% in FY22.

The inflation for July 2021 clocked in at 8.40% due to higher base affect as indicated by a high MOM inflation number of 1.34%. The inflation numbers are projected to remain high as positive sentiments grow globally regarding the prospects of an economic recovery and prices of almost all major groups of commodities rise. SBP has projected the average inflation for FY22 to be between 7-9%.

Exports, at USD 25.3 billion in FY21, were 18.1% higher and imports, at USD 56.3 billion, were 26.4% higher than the values reported for FY20. The trade deficit, at USD 31.1 billion, was 34.1% higher than the value reported for the previous fiscal year. Although the pandemic helped in curtailing the trade deficit to USD 23.2 billion in FY20, the higher growth rate of imports relative to exports has taken it to the pre-pandemic levels. The high import bill has begun to show as USD/PKR parity has weakened by 6.6% over the last three months. Regardless, the SBP's data showed that the remittances amounted to USD 29.4 billion for the year ended in June, leading to some reprieve on the current account.

Pakistan's current account recorded a ten-year low deficit of USD 1.85 billion in FY21. In line with SBP's projections, the current account deficit in FY21 stood at 0.6% of GDP. MPC has projected that given the market-based flexible exchange rate system, resilience in remittances, an improving outlook for exports, and appropriate macroeconomic policy settings, current account deficit will remain in the range of 2-3% of GDP in FY22.

The fiscal deficit is 1.2% lower than last year and recorded at 4.6% of GDP during July-May FY21. With continuity in fiscal accommodation, it is expected that the fiscal deficit for the entire fiscal year will end between 7-7.5% of GDP. For FY22, the fiscal deficit is budgeted to be at 6.3% of GDP. Pakistan's top tax machinery collected PKR 4.73 trillion in the outgoing fiscal year exceeding the revised target of PKR 4.69 trillion by PKR 41 billion.

Given Pakistan has done well on the Covid-19 front when compared with rest of the world and National Income Accounts data has improved rapidly, GDP growth in FY22 is expected to be an improvement from FY21. Further, favorable impacts of a rebound in cotton production owing to measures taken by the Federal Government, buoyant construction activities and an expected uptick in the Public Sector Development Program (PSDP) spending are likely to offset any negative impact of an expected tightening of credit conditions as growth picks up. However, the unfolding downside risks posed by on-going fourth COVID wave in Pakistan and the global spread of new variants creates significant uncertainty and warrants a continued emphasis on supporting the recovery through accommodative monetary policy as Pakistan looks to play catch up with other developing economies in the region.

Bank's Performance

Conversion to Islamic

The Bank continues to make progress on its strategy to convert into a full-fledged Islamic Bank. The Bank is working on an 'Asset Led' model whereby conversion of conventional assets into Sharia compliant financing precedes conversion of deposits. FBL has hit another landmark on its conversion journey at June '21 end as almost three-fourths of its financing is under Islamic modes. This has been made possible by the untiring efforts of the entire team under the supervision and guidance of the Senior Management, Sharia Board and the Board of Directors. We remain confident that by the grace of Allah and with your support we will be able to achieve our objective of full conversion as envisaged in Bank's strategy.

During the period the Bank has launched 'Faysal Islami Noor card', Pakistan's first Tawarruq based Shari'ah compliant alternative to conventional credit card. Despite the challenges posed by Coronavirus pandemic, the Bank has resumed the process of converting branches to achieve over 95% Islamic network by the end of 2021.

Support of Government Initiatives

Faysal Bank is actively engaged with State Bank of Pakistan in its efforts to support the country's economy. FBL is one of the first banks selected by SBP to offer Roshan Digital Accounts to overseas Pakistanis. As per SBP's directives, Roshan Apni Car and Roshan Samaji Khidmat for donations & charities were also successfully launched during the six months period

under review exclusively for Roshan Digital Account Holders. Roshan Apni Car initiative will help non-resident Pakistanis in applying for car financing via digital platform at preferential rates and expeditious delivery. FBL is also actively participating in Kamyab Jawan Program of Government and meeting disbursement targets. Further the Bank is also taking all possible steps to ensure availability of low-cost housing finance to the eligible segments of the society under Naya Pakistan Housing Program.

Financial Highlights

Key Balance Sheet Numbers	Rs. in million		Growth%
	June '21	December '20	
Investment	327,547	276,930	18.3%
Financing	343,687	318,180	8.0%
Total Assets	786,181	709,958	10.7%
Deposits	591,850	540,636	9.5%

Profit & Loss Account	Rs. in million		Growth%
	June '21	June '20	
Total Revenue	16,191	17,161	-5.7%
Non-Markup Expenses	9,657	9,371	3.1%
Profit before tax and provisions	6,534	7,790	-16.1%
Provisions / (Reversal)	(12)	1,465	-100.8%
Profit before tax	6,546	6,325	3.5%
Tax	2,526	2,515	0.4%
Profit after tax	4,020	3,810	5.5%
Earnings per share (Rupees)	2.65	2.51	

Despite growth of Rs. 95 billion in deposits since June '20, net markup income of the Bank during the six months ended June 30, 2021 is 9.8% lower than the corresponding period of previous year. The main reason for this decline is the drastic cut of 625 bps in policy rate by SBP in the first half of 2020. The policy rate was reduced from 13.25% to 7% to support the economy during the unprecedented lockdown necessitated by the Covid 19 pandemic. However, the bank has been able to offset the decline in its margin to a large extent by generating higher non markup income. Led by higher fee, foreign exchange and other income, the Bank's non-markup income was 8.4% higher than first half of 2020. Strong cost control measures have ensured that non markup expenses show only a marginal increase of 3.1% despite opening of 30 new branches in 2020 and inflation.

Net provisions for half year under review reflected reversal of Rs.12 million as against charge of Rs. 1,465 million in the corresponding period of last year. Credit for this primarily goes to recoveries from non-performing financings of Rs.1,144 million and reversal of impairment on equity securities of Rs. 310 million.

In view of focus on increasing revenue through alternate sources, cost control initiatives and effective risk management, the Bank was able to post profit after tax of Rs. 4,020 million. Profit for the six months ended June 30, 2021 is 5.5% higher than corresponding period of previous year which is indeed commendable since the policy rate has nearly halved.

On the balance sheet side deposits grew by 9.5% to Rs. 591.9 billion. The Bank concentrated on reducing cost of deposit during the quarter and saw significant growth in low cost deposits. Ratio of current deposits to total deposits has improved from 30.7% to 35.8%. Financing increased by 8.0% from December '20 level to Rs. 343.7 billion. Investments were 18.3% higher at Rs. 327.5 billion. Accordingly, total assets of the Bank are at Rs. 786.2 billion as at June 30, 2021 registering a strong half yearly growth of 10.7%.

Risk management

Credit Risk Management, in coordination with the Business Units, continued to closely monitor the credit portfolio in these unprecedented times that also included several Rapid Credit Portfolio Reviews. Regular follow-up has been maintained with the customers to proactively identify, monitor and manage credit relationships. Enterprise Risk Management function maintained enhanced monitoring of market, liquidity & operational risks. A senior management committee, headed by the Chief Risk Officer, continued to oversee implementation of measures required to ensure well-being of the employees, customers and community at large in these difficult times of pandemic. Being a responsible corporate citizen, FBL joined hands with the Government in its fight against Covid 19 by vaccinating its staff, and their eligible family members.

Outlook

The latest wave of Covid 19 has once again necessitated curtailment of economic activities. Alhamdulillah, even with the emergence of Delta variant, the Country has suffered much less casualties as compared to our neighbours. Due to timely and effective initiatives, pacing up of immunization and other preventive measures, it is hoped that the country will be able to maintain moderation of the effects of the pandemic.

Despite the challenges posed by the pandemic, FBL has and will continue to work towards its commitment to achieve complete Islamic transformation. The Bank is targeting to convert another 65 branches to Islamic during the second half of 2021. Another 30 new Islamic branches will be opened before the year end. Digital banking is another strategic thrust of FBL which has achieved greater emphasis during the pandemic. We remain committed to provide best in class service to our 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

The Board of Directors has declared an interim cash dividend of Rs. 0.5 per share i.e 5% (June 30, 2020: Nil).

Acknowledgement

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

Approval

In compliance with the requirement of the Companies Act, 2017, this Directors' Report with the recommendation of the Board Audit and Corporate Governance Committee has been approved by the Directors in their meeting held on August 26, 2021 and signed by the Chief Executive Officer and a director.

President & CEO

Karachi

Dated: August 26, 2021

Chairman

کریڈٹ ریٹنگ:

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

طویل المیعاد: AA

قلیل المیعاد: A1+

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

بعد ازاں رپورٹنگ کے واقعات:

بورڈ آف ڈائریکٹرز نے فی حصص 0.5 روپے یعنی پانچ فیصد کے عبوری نقد منافع منقسمہ (30 جون 2020: صفر) کا اعلان کیا ہے۔

توثیقی بیان:

ہم بورڈ اور بینک انتظامیہ کی جانب سے حصص مالکان اور اپنے قابل قدر صارفین 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۔ ادارے کی بھرپور ترقی یقینی بنانے کے لیے پوری لگن اور تن دہی سے کام کرنے پر ہم تمام ملازمین کے بے حد مشکور اور پر خلوص رہنمائی پر شریعہ بورڈ کے بھی متمنی ہیں۔

منظوری:

کمپنیز ایکٹ 2017 کی شرائط کے تحت بورڈ آؤٹ اور کارپوریٹ گورننس کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 26 اگست، 2021 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

26 اگست، 2021

متبادل وسائل کے ذریعے آمدنی میں اضافے پر توجہ، خرچوں پر قابو پانے کے اقدامات اور موثر رسک مینجمنٹ کی بدولت بینک کا بعد از ٹیکس منافع 4,020 ملین روپے ریکارڈ کیا گیا۔ باوجود اس کے کہ پالیسی ریٹ تقریباً آدھا ہو گیا، 30 جون، 2021 کو ختم شدہ ششماہی کے لیے منافع گزشتہ سال اسی مدت کے مقابلے میں 5.5 فیصد زیادہ رہا۔

بیلنس شیٹ پر مجموعی ڈپازٹس 9.5 فیصد اضافے کے ساتھ 591.9 ارب روپے رہے۔ زیر جائزہ سہ ماہی کے دوران بینک نے ڈپازٹس کے اخراجات کم کرنے پر بھرپور توجہ دی اور کم قیمت ڈپازٹس میں خاطر خواہ اضافہ دیکھنے میں آیا۔ مجموعی ڈپازٹس کے مقابلے میں کرنٹ ڈپازٹس کی شرح 30.7 فیصد سے بڑھ کر 35.8 فیصد ہو گئی۔ ایڈوانسز دسمبر 2020 کی سطح میں 8.0 فیصد اضافے کے ساتھ 343.7 ارب روپے رہے۔ سرمایہ کاری میں 18.3 فیصد اضافے کے ساتھ مجموعی سرمایہ کاری 327.5 ارب روپے ہو گئی۔ اس طرح بینک کے مجموعی اثاثے 30 جون 2021 کو ختم شدہ ششماہی کے دوران 10.7 فیصد اضافے کے ساتھ 786.2 ارب روپے ہیں۔

رسک مینجمنٹ

کریڈٹ رسک مینجمنٹ نے ان مشکل دنوں میں بھی بزنس یونٹ کے تعاون سے پورٹ فولیو کی کڑی نگرانی کی۔ صارفین کی نشاندہی کے لیے باقاعدگی سے فالو اپ کیا گیا اور کریڈٹ ریلیشن شپ کو برقرار رکھا گیا۔ انٹر پرائز رسک مینجمنٹ نے مارکیٹ کی لیکویڈٹی اور آپریشنل رسک پر زیادہ توجہ دی۔ چیف رسک آفیسر کی سربراہی میں ایک اعلیٰ انتظامی کمیٹی نے ملازمین، صارفین اور کمیونٹی کی بھلائی کے لیے اقدامات پر عملدرآمد کو یقینی بنانے کی نگرانی جاری رکھی۔ ایک ذمہ دار کارپوریٹ سٹیژن ہونے کی حیثیت سے، فیصل بینک لمیٹڈ نے حکومت کی کرونا ویکسین مہم میں شرکت کر کے اپنے اسٹاف اور ان کے اہل فیملی ممبران کو ویکسین لگوائی۔

مستقبل پر نظر

کورونا وائرس کی موجودہ لہر نے ایک مرتبہ پھر معاشی سرگرمیوں کو منجمد کر کے رکھ دیا ہے۔ الحمد للہ! ڈیٹا ویئرینٹ کے باوجود بھی پڑوسی ممالک کے مقابلے میں وطن عزیز میں بہت کم اموات ہوئی ہیں۔ بروقت موثر اقدامات، ویکسی نیشن میں اضافے اور دیگر حفاظتی اقدامات کی بدولت امید کی جاتی ہے کہ ہمارا ملک کورونا کی وبائی صورتحال سے نکلنے میں کامیاب ہو جائے گا۔

کرونا کی مشکلات کے باوجود، فیصل بینک لمیٹڈ اسلامی بینکاری میں مکمل منتقلی کے اپنے عزم پر قائم ہے اور رہے گا۔ بینک 2021 کی دوسری ششماہی کے دوران مزید 65 برانچوں کو اسلامی بینکاری میں تبدیل کرنے کے لیے کوشاں ہے۔ اس کے علاوہ سال ختم ہونے سے قبل مزید 30 نئی اسلامی برانچز کھولی جائیں گی۔ اس وبائی صورتحال کے دوران اپنے مقاصد کو پانے کے لیے ہماری ڈیجیٹل بینکار ی ایک زبردست کاروباری معاون ہے۔ فیصل بینک لمیٹڈ ان مشکل حالات میں الٹریٹ ڈیلیوری چینلز اور ڈیجیٹل پلیٹ فارمز کی بدولت جدید اور وسیع پیشکشوں کے ذریعے اپنے صارفین کو بہترین اور اعلیٰ خدمات فراہم کرنے کے لیے عزم ہے۔

مالیاتی جھلکیاں:

بیلنس شیٹ

نمو	دسمبر ۲۰۲۰ء	جون ۲۰۲۱ء	(ملین روپے)
سرمایہ کاری	276,930	327,547	18.3% فیصد
فنانسنگ	318,180	343,687	8.0% فیصد
کل اثاثہ جات	709,958	786,181	10.7% فیصد
ڈپازٹس	540,636	591,850	9.5% فیصد

(ملین روپے)

نمو	جون ۲۰۲۰ء	جون ۲۰۲۱ء	نفع اور نقصان اکاؤنٹ
مجموعی آمدنی	17,161	16,191	-5.70% فیصد
مارک اپ کے علاوہ اخراجات	9,371	9,657	3.10% فیصد
منافع قبل از ٹیکس اور پروویژن	7,790	6,534	-16.10% فیصد
نیٹ پروویژن	1,465	-12	-100.80% فیصد
منافع قبل از ٹیکس	6,325	6,546	3.50% فیصد
ٹیکسز	2,515	2,526	0.40% فیصد
منافع بعد از ٹیکس	3,810	4,020	5.50% فیصد
فی ہص آمدن (روپے)	2.51	2.65	

جون 2020 سے ڈپازٹس میں 95 ارب روپے کے اضافے کے باوجود 30 جون 2021 کو ختم شدہ ششماہی کے دوران بینک کی خالص مارک اپ آمدنی گزشتہ سال کی اسی مدت کے مقابلے میں 9.8% کم رہی۔ اس کی بڑی وجہ اسٹیٹ بینک آف پاکستان کی جانب سے 2020 کی پہلی ششماہی میں پالیسی ریٹ میں 625 bps کی کٹوتی ہے۔ کورونا کی وبائی صورتحال کے پیش نظر غیر متوقع لاک ڈاؤن کے دوران معیشت کی بحالی کے لیے پالیسی ریٹ کو 13.25% سے کم کر کے 7% کر دیا گیا۔ البتہ، بینک نان مارک اپ آمدنی میں بڑے پیمانے پر اضافہ کر کے اپنے منافع میں کمی کا کافی حد تک مداوا کرنے میں کامیاب رہا۔ فیس میں اضافے، زرمبادلہ اور بینک کی دیگر آمدنی کے باعث بینک کی نان مارک اپ آمدنی میں 2020 کی پہلی ششماہی کے مقابلے میں 8.4% اضافہ ہوا۔ اخراجات پر قابو پانے کے لیے سخت اقدامات کو یقینی بناتے ہوئے 2020 میں 30 نئی شاخیں کھولنے اور مہنگائی کے باوجود نان مارک اپ اخراجات میں صرف 3.1% کا معمولی اضافہ ہوا۔

گزشتہ سال اسی عرصے میں 1,465 ملین روپے کے مقابلے میں زیر جائزہ ششماہی کے دوران نیٹ پروویژن سے 12 ملین روپے کی وصولی کی گئی۔ اس میں نان پرفارمنگ فنانسنگ کے 1,144 ملین روپے کی ریکوریز کے علاوہ ایکویٹی سیکورٹیز پر 310 ملین روپے کا ریورسل شامل ہیں۔

علاوہ وفاقی حکومت کی جانب سے اقدامات کی بدولت کپاس کی پیداوار میں بہتری، تعمیراتی سرگرمیوں میں تیزی اور پبلک سیکٹر ڈیولپمنٹ پروگرام (PSDP) میں سرمایہ کاری جیسے عوامل سے مثبت اثرات متوقع ہیں اور معاشی ترقی سے قرضوں کی ادائیگی کے حوالے سے متوقع مشکل حالات کے منفی اثرات پر قابو پانے میں مدد ملے گی۔ بہر حال، پاکستان میں جاری کورونا کی چوتھی لہر اور دنیا میں کورونا کی نئی قسموں کے پھیلاؤ سے انتہائی غیر یقینی صورتحال کا سامنا کرنا پڑ سکتا ہے لیکن مانیٹری پالیسی کی معاونت سے پاکستان کو خطے کے ترقی پذیر ممالک کا مقابلہ کرنے میں مدد مل سکتی ہے۔

بینک کی کارکردگی:

اسلامی بینکاری میں منتقلی

بینک خود کو مکمل طور پر اسلامی مالیاتی ادارے میں تبدیل کرنے کے لیے اپنی حکمت عملی پر پیش رفت جاری رکھے ہوئے ہے۔ بینک ”اثاثہ جات پر مبنی“ ماڈل پر کام کر رہا ہے جس میں کنونشنل اثاثہ جات کو ڈپازٹس کی تبدیلی سے پہلے شریعہ کیپلائٹ فنانسنگ میں تبدیل کیا جا رہا ہے۔ فیصل بینک لمیٹڈ نے تبدیلی کے اس سفر میں جون 2021 کے اختتام پر ایک اور کامیابی حاصل کر لی ہے اور تقریباً تین چوتھائی حصے کی اپنی فنانسنگ کو اسلامی طریقوں پر منتقل کر لیا ہے۔ یہ ہدف اعلیٰ انتظامیہ اور شریعہ بورڈ کی نگرانی اور رہنمائی میں پوری ٹیم کی انتھک محنت سے ممکن ہوا ہے۔ ہم پر اعتماد ہیں کہ اللہ کی مہربانی اور آپ کے تعاون سے ہم بینک کی حکمت عملی کے مطابق مکمل تبدیلی کے ہدف کو حاصل کر لیں گے۔

اس سہ ماہی کے دوران بینک نے ”فیصل اسلامی نوکارڈ“ کا اجرا کیا، جو پاکستان میں روایتی کریڈٹ کارڈ کا پہلا اور واحد متبادل ہے۔ یہ توارق کے اصولوں پر مبنی ہے اور مکمل طور پر شریعت کے اصولوں کے عین مطابق ہے۔ کورونا وائرس کے سبب مشکلات کے باوجود، بینک نے 2021 کے اختتام تک برانچوں کو 95 فیصد اسلامک نیٹ ورک میں تبدیل کرنے کے عمل کو بحال کیا ہے۔

حکومتی اقدامات میں معاونت

فیصل بینک ملکی معیشت کے لیے اسٹیٹ بینک آف پاکستان کی کوششوں میں اپنا بھرپور کردار ادا کر رہا ہے۔ فیصل بینک ان چند بینکس میں سے ہے جن کو اسٹیٹ بینک آف پاکستان نے سمندر پار پاکستانیوں کے لیے روشن ڈیجیٹل اکاؤنٹس کی سہولت پیش کرنے کے لیے پہلے منتخب کیا۔ اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق روشن ڈیجیٹل اکاؤنٹ ہولڈرز کے لیے اس شہنشاہی کے دوران خاص طور پر ”روشن اپنی کار“ اور ”روشن سماجی خدمت“ کے امدادی اور خیراتی پروگرام بھی کامیابی کے ساتھ شروع کئے گئے۔ روشن اپنی کار کی بدولت سمندر پار پاکستانیوں کو ڈیجیٹل پلٹ فارم کے ذریعے مناسب ریٹس اور فوری ڈیلیوری کی سہولیات حاصل ہوں گی۔ فیصل بینک حکومت کے کامیاب جوان پروگرام میں بھی بھرپور طریقے سے سرگرم عمل ہے اور قرضہ جاری کرنے کے مقررہ اہداف حاصل کر رہا ہے۔ اس کے علاوہ بینک نیا پاکستان ہاؤسنگ پروگرام کے ذریعے معاشرے کے اہل افراد کو کم قیمت گھروں کے لیے قرضے جاری کرنے کو یقینی بنانے کے لیے تمام ممکنہ اقدامات کر رہا ہے۔

افراط زر میں ہر مہینے اضافے کی شرح %1.34 کی بلند سطح پر برقرار ہے جس کی وجہ سے جولائی 2021 میں افراط زر %8.40 رہا۔ مہنگائی میں اضافے کا امکان آئندہ بھی برقرار ہے تاہم دنیا بھر میں معاشی بحالی کی مثبت علامات واضح ہو رہی ہیں اور تمام اشیائے ضرورت کی قیمتیں بڑھنے کا قوی امکان ہے۔ اسٹیٹ بینک آف پاکستان نے مالی سال 2022 کے لیے افراط زر میں 7 سے 9 فیصد تک اضافے کا امکان ظاہر کیا ہے۔

مالی سال 2020 کے مقابلے میں مالی سال 2021 میں برآمدات کا حجم %18.1 اضافے کے ساتھ 25.3 ارب امریکی ڈالرز رہا جبکہ درآمدات کا حجم بھی %26.4 اضافے کے ساتھ 56.3 ارب امریکی ڈالرز ریکارڈ کیا گیا۔ تجارتی خسارہ گزشتہ مالی سال کے مقابلے میں %34.1 اضافے کے ساتھ 31.1 ارب امریکی ڈالرز تک پہنچ گیا۔ مالی سال 2020 میں وبائی صورتحال کے باعث تجارتی خسارہ کم ہو کر 23.2 ارب امریکی ڈالرز ہو گیا تھا البتہ برآمدات کے مقابلے میں درآمدات میں اضافے نے خسارے کو واپس وبائی صورتحال سے پہلے کی سطح پر پہنچا دیا ہے۔ درآمدات پر لاگت میں اضافہ ہونا شروع ہو گیا ہے کیونکہ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں گزشتہ تین ماہ کے دوران %6.6 کمی ہو چکی ہے۔ دوسری جانب اسٹیٹ بینک آف پاکستان کے اعداد و شمار کے مطابق جون میں ختم شدہ مالی سال کے لیے ترسیلات زر 29.4 ارب امریکی ڈالرز تھے جو کہ کرنٹ اکاؤنٹ کے لیے آسانی کا باعث ہے۔

مالی سال 2021 میں پاکستان کا کرنٹ اکاؤنٹ خسارہ گزشتہ دس سال کی کم ترین سطح 1.85 ارب امریکی ڈالر رہا۔ اسٹیٹ بینک آف پاکستان کے اندازوں کے مطابق مالی سال 2021 میں کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے %0.6 تک محدود رہا۔ مانیٹری پالیسی کمیٹی (MPC) کے اندازے کے مطابق مارکیٹ میں زرمبادلہ کے چلدار ریٹ سسٹم کی بنیاد پر، ترسیلات زر میں اضافہ، برآمدات کے حجم میں اضافے کا رجحان اور میکرو اکنامک پالیسی کی مناسب تشکیل جیسے اقدامات کی بدولت مالی سال 2022 میں کرنٹ اکاؤنٹ خسارہ جی ڈی پی کا 2 سے 3 فیصد رہے گا۔

مالی سال 2021 کے جولائی تا مئی کے دوران مالیاتی خسارہ گزشتہ سال سے %1.2 کم ہو کر جی ڈی پی کا %4.6 ریکارڈ کیا گیا۔ مالیاتی سال کے تسلسل کی بنیاد پر یہ توقع کی جاتی ہے کہ پورے سال کا مالیاتی خسارہ جی ڈی پی کا 7 سے 7.5 فیصد رہے گا۔ مالی سال 2022 کے لیے بجٹ میں مالیاتی خسارہ جی ڈی پی کا %6.3 ہونے کا امکان ظاہر کیا گیا ہے۔ پاکستان میں ٹیکس وصول کرنے والی اعلیٰ انتظامیہ نے ختم ہونے والے مالی سال کے دوران 4.73 کھرب روپے وصول کر لیے ہیں جو کہ ترمیم شدہ ہدف 4.69 کھرب روپے سے بھی 41 ارب روپے زیادہ ہیں۔

پاکستان نے باقی دنیا کی نسبت کوورونا وائرس کی وبائی صورتحال سے بہتر انداز میں غٹنے کی کوشش کی ہے اور قومی آمدنی کے ذرائع میں تیزی سے اضافہ کیا گیا ہے۔ مالی سال 2022 کی جی ڈی پی میں مالی سال 2021 کے مقابلے میں زیادہ اضافے کی توقع ہے۔ اس کے

ڈائریکٹرز کا جائزہ

ان کنسولیدیٹڈ مالیاتی گوشوارے برائے دوسری سہ ماہی و ششماہی 2021

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کی خدمت میں 30 جون 2021 کو ختم شدہ دوسری سہ ماہی و ششماہی کے لیے فیصل بینک لمیٹڈ ("ایف بی ایل" یا "دی بینک") کی ڈائریکٹرز رپورٹ، ان کنسولیدیٹڈ مالیاتی گوشواروں کے ساتھ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

کمپنی پر فوائد

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 تمام شعبہ جات یعنی ریٹیل، سمال اینڈ میڈیم سائزڈ انٹرپرائزز، کمرشل، اگیری میسڈ اور کارپوریٹ کے صارفین کے لیے جدید بینکاری کی وسیع ترین خدمات فراہم کرتا ہے۔

فیصل بینک کی ملک بھر کے 207 سے زائد شہروں میں 576 شاخیں ہیں۔ فیصل بینک لمیٹڈ مکمل اسلامی مالیاتی ادارے میں تبدیل کرنے کی حکمت عملی کے تحت ان میں سے 87 فیصد شاخیں شرعی اصولوں کے عین مطابق خدمات فراہم کر رہی ہیں۔

ہولڈنگ کمپنی

اتمار بینک بی ایس سی (کلوزڈ)، جو کہ سینٹرل بینک آف بحرین کا لائسنس یافتہ ادارہ ہے، بالواسطہ اور بلاواسطہ طور پر بینک کے 66.78 فیصد (2020 میں 66.78 فیصد) حصص کے ساتھ بینک کا سربراہ ادارہ ہے۔ اتمار بینک بی ایس سی (کلوزڈ)، اتمار ہولڈنگ بی ایس سی کی مکمل ملکیت کا ذیلی ادارہ ہے اور دارالمال الاسلامی ٹرسٹ

(ڈی ایم آئی ٹی) فیصل بینک کا اعلیٰ ترین سربراہی ادارہ ہے۔ ڈی ایم آئی ٹی 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

مانیٹری پالیسی کمیٹی (MPC) نے 27 جولائی 2021 کے اپنے اجلاس میں معاشی بحالی کی حفاظت کے لیے پالیسی ریٹ کو 7% کی شرح پر برقرار رکھنے کا فیصلہ کیا ہے۔ اس سے قبل اسٹیٹ بینک آف پاکستان کے محتاط 2.9% اندازے کے برعکس، پاکستان بیورو آف اسٹیٹسٹکس (PBS) نے برائے مالی سال 2021 پاکستان کی ریٹل

جی ڈی پی کی شرح نمو 3.94% ریکارڈ کی ہے۔ بجٹ میں وزارت خزانہ نے مالی سال 2022 کے دوران معاشی ترقی میں 5% اضافے کا تخمینہ ظاہر کیا ہے۔

Independent Auditor's Review Report

To the members of Faysal Bank Limited

On review of Condensed Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Faysal Bank Limited** (the Bank) as at June 30, 2021 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the quarters ended June 30, 2021 and June 30, 2020 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is **Noman Abbas Sheikh**.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: August 30, 2021

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2021

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

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

Condensed Interim Unconsolidated Profit And Loss Account (Un-audited)

For the quarter and half year ended June 30, 2021

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

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

For the quarter and half year ended June 30, 2021

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

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

Condensed Interim Unconsolidated Statement of Changes In Equity

For the half year ended June 30, 2021

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

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the half year ended June 30, 2021

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

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

1 STATUS AND NATURE OF BUSINESS

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

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

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

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

2 BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim unconsolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.
- 2.2** The financial results of the Islamic banking branches have been consolidated in these condensed interim unconsolidated financial statements for reporting purposes after eliminating inter branch transactions and balances. The financial results of all the Islamic banking branches are disclosed in note 39 to these condensed interim unconsolidated financial statements.
- 2.3** The Bank has controlling interest in Faysal Asset Management Limited (FAML) and is required to prepare consolidated financial statements under the provisions of the Companies Act, 2017. These condensed interim financial statements represent the unconsolidated results of the Bank and a separate set of condensed interim consolidated financial statements are also being presented by the Bank.

3 STATEMENT OF COMPLIANCE

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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 June 30, 2021, the Bank has adjusted amortisation of intangible assets net of tax amounting to Rs. 25.047 million (June 30, 2020: Rs. 58.591 million) from the NCR.

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

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

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

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

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

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2022*
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IFRS 3 - 'Business combinations' (amendments)	January 1, 2022
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023

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

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

3.5.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

will not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5 BASIS OF MEASUREMENT

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

6 FUNCTIONAL AND PRESENTATION CURRENCY

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

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

8 FINANCIAL RISK MANAGEMENT

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

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

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

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

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

**Un-audited
June 30,
2021**

**Audited
December 31,
2020**

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

9 CASH AND BALANCES WITH TREASURY BANKS

In hand		
- local currency	12,533,737	13,650,095
- foreign currencies	1,002,559	6,147,826
	13,536,296	19,797,921
With State Bank of Pakistan in		
- local currency current accounts	25,209,163	25,323,730
- foreign currency current accounts	2,032,314	2,121,802
- foreign currency deposit accounts	3,790,308	3,860,816
	31,031,785	31,306,348
With National Bank of Pakistan in		
- local currency current accounts	8,223,269	8,202,707
Prize bonds	2,117,087	574,313
	54,908,437	59,881,289

10 BALANCES WITH OTHER BANKS

In Pakistan		
- in current accounts	1,146,926	645,262
Outside Pakistan		
- in current accounts	5,260,928	2,233,285
	6,407,854	2,878,547

11 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	7,500,000	-
Repurchase agreement lendings (reverse repo)	-	2,985,000
	7,500,000	2,985,000

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

11.1 Securities held as collateral against lendings to financial institutions

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

12 INVESTMENTS

12.1 Investments by type:

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

* related parties

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

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

	Un-audited June 30, 2021	Audited December 31, 2020
	Rupees '000	
12.3 Investments given as collateral		
- Market treasury bills	11,500,000	-
12.4 Provision for diminution in value of investments		
12.4.1 Opening balance	3,777,288	3,849,281
Charge / (reversals)		
Charge for the period / year	-	379,785
Reversals for the period / year	(6,721)	(14,982)
Reversals on disposals for the period / year	(309,670)	(436,796)
	(316,391)	(71,993)
Closing balance	<u>3,460,897</u>	<u>3,777,288</u>

12.4.2 Particulars of provision against debt securities

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

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

12.6 Investment in subsidiary and associates

Note	As at June 30, 2021				For the half year ended June 30, 2021		
	Country of incorporation	% Holding	Assets	Liabilities	Revenue	Profit	Total comprehensive income
----- Rupees '000 -----							
Associates							
Faysal Income & Growth Fund	Pakistan	23.42%	1,135,244	34,520	37,590	26,991	26,991
Faysal Savings Growth Fund	Pakistan	27.38%	2,532,685	101,799	99,703	70,673	70,673
Subsidiary							
Faysal Asset Management Limited	12.6.1	Pakistan	99.99%	1,168,160	123,952	267,013	115,447
----- Rupees '000 -----							
	As at December 31, 2020				For the half year ended June 30, 2020		
	Country of incorporation	% Holding	Assets	Liabilities	Revenue	Profit / (loss)	Total comprehensive income / (loss)
----- Rupees '000 -----							
Associates							
Faysal Income & Growth Fund	Pakistan	40.67%	672,056	15,337	48,656	35,409	35,409
Faysal Islamic Stock Fund	Pakistan	37.64%	646,596	17,356	-	-	-
Faysal Savings Growth Fund	Pakistan	21.54%	3,232,073	44,947	118,353	99,254	99,254
Subsidiary							
Faysal Asset Management Limited		Pakistan	99.99%	1,062,615	133,622	80,983	(15,928)

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

13 ADVANCES

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

13.1 Particulars of advances (gross)

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

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

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

13.3 Particulars of provision against advances

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

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

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

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

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

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

	Note	Un-audited June 30, 2021	Audited December 31, 2020
----- Rupees '000 -----			
14 FIXED ASSETS			
Capital work-in-progress	14.1	957,677	833,461
Property and equipment		23,131,576	23,205,424
		<u>24,089,253</u>	<u>24,038,885</u>
14.1 Capital work-in-progress			
Civil works		176,714	225,737
Equipment		476,956	561,044
Furniture and fixture		40,056	18,838
Vehicles		-	42
Land and building		263,951	27,800
		<u>957,677</u>	<u>833,461</u>
Un-audited			
For the half year ended			
		June 30, 2021	June 30, 2020
----- Rupees '000 -----			
14.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		841,084	701,663
Property and equipment			
Building on freehold land		-	36,075
Furniture and fixture		6,680	97,986
Electrical, office and computer equipment		505,620	378,582
Vehicles		16,470	58,765
Right-of-use assets - land and building		654,002	655,444
Others		188,112	445,791
		<u>1,370,884</u>	<u>1,672,643</u>
Total		<u>2,211,968</u>	<u>2,374,306</u>

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

14.3 Disposal of fixed assets

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

	Un-audited For the half year ended	
	June 30, 2021	June 30, 2020
	Rupees '000	
Furniture and fixture	49	3
Electrical, office and computer equipment	1,013	171
Vehicles	9	38
Others	64	-
Total	1,135	212

14.4 Change in accounting estimate

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

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

15 INTANGIBLE ASSETS

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

15.1 Capital work-in-progress

Computer softwares	499,053	567,658
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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	229,379	242,742
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Un-audited For the half year ended	
June 30, 2021	June 30, 2020
Rupees '000	

Un-audited For the half year ended	
June 30, 2021	June 30, 2020
Rupees '000	

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

	Note	Un-audited June 30, 2021	Audited December 31, 2020
		Rupees '000	
16 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		8,698,976	7,291,340
Income / mark-up accrued in foreign currencies - net of provision		4,779	1,314
Advances, deposits, advance rent and other prepayments		1,089,367	788,518
Non-banking assets acquired in satisfaction of claims		988,126	1,229,421
Mark to market gain on forward foreign exchange contracts		702,744	649,361
Fair value of derivative contracts		88,404	190,130
Acceptances	21	6,219,529	10,726,305
Credit cards and other products fee receivable		472,699	369,968
Receivable from brokers against sale of shares		112,566	20,241
Dividend receivable		154,243	84,632
Receivable from 1Link (Private) Limited		446,350	515,944
Rent and amenities receivable		11,291	33,159
Rebate receivable - net		79,402	87,632
Defined benefit plan asset		64,205	64,205
Others		366,581	343,660
		19,499,262	22,395,830
Less: provision held against other assets	16.1	(325,832)	(325,832)
Other assets - net of provision		19,173,430	22,069,998
Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net		1,271,248	1,453,786
Other assets - total		20,444,678	23,523,784
16.1 Provision held against other assets			
Dividend receivable		75,348	75,348
SBP penalties		51,050	51,050
Fraud forgery theft and account receivable		20,867	20,867
Security deposits		22,994	22,994
Others		155,573	155,573
		325,832	325,832
16.1.1 Movement in provision held against other assets			
Opening balance		325,832	252,176
Charge for the period / year		-	74,536
Reversals during the period / year		-	(795)
		-	73,741
Amounts written off		-	(85)
Closing balance		325,832	325,832
17 BILLS PAYABLE			
In Pakistan		13,915,475	13,543,270

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

Un-audited
June 30,
2021

Audited
December 31,
2020

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

18 BORROWINGS

Secured

Borrowings from the State Bank of Pakistan (SBP)

- under export refinance scheme - part I and II
- under long term financing facility
- under long term financing facility for renewable power energy (RPE)
- under scheme of financing facility for storage of agricultural produce
- under Islamic export refinance scheme
- under refinance scheme for payment of wages and salaries
- under Islamic financing for renewable energy
- under Islamic long term financing facility
- under Islamic temporary economic refinance scheme
- under Islamic refinance facility for combating COVID-19
- under Islamic financing facility for storage of agricultural produce

3,711,352	8,623,400
1,148,210	1,246,164
764,372	809,662
38,843	53,129
25,032,101	19,400,601
10,571,487	12,932,302
2,310,421	1,400,274
5,847,842	3,599,252
12,762,500	3,807,141
322,800	35,400
24,377	-

62,534,305 51,907,325

11,402,607 -

483,871 500,000

Repurchase agreement borrowings

Borrowing from other financial institution

Total secured

74,420,783 52,407,325

Unsecured

Overdrawn nostro accounts

Musharaka acceptances

Other borrowings

2,308,157	1,633,331
-	410,000
7,404,554	3,995,860

Total unsecured

9,712,711 6,039,191

84,133,494 58,446,516

19 DEPOSITS AND OTHER ACCOUNTS

Un-audited June 30, 2021			Audited December 31, 2020		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total

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

Customers

Current deposits

Savings deposits

Term deposits

Margin deposits

188,547,115	21,521,120	210,068,235	144,344,241	20,813,651	165,157,892
193,848,126	17,201,039	211,049,165	184,980,930	17,643,501	202,624,431
133,187,670	2,069,911	135,257,581	143,287,216	3,141,533	146,428,749
2,856,818	7,903	2,864,721	3,341,663	15,132	3,356,795
518,439,729	40,799,973	559,239,702	475,954,050	41,613,817	517,567,867

Financial institutions

Current deposits

Savings deposits

Term deposits

1,617,772	34,959	1,652,731	813,493	49,245	862,738
23,921,126	-	23,921,126	15,880,218	-	15,880,218
7,036,850	-	7,036,850	6,325,010	-	6,325,010
32,575,748	34,959	32,610,707	23,018,721	49,245	23,067,966
551,015,477	40,834,932	591,850,409	498,972,771	41,663,062	540,635,833

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

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

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

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

23.5 Commitments to extend credits

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

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

24.1 Product analysis

Counterparties	June 30, 2021 (Un-audited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain

Rupees '000

With banks for

Hedging	-	-	-	-
Market making	2,651,948	35,423	236,316	3,904

With other entities for

Hedging	-	-	-	-
Market making	3,810,323	(631,975)	-	-

Total

Hedging	-	-	-	-
Market making	6,462,271	(596,552)	236,316	3,904

Counterparties	December 31, 2020 (Audited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain

Rupees '000

With banks for

Hedging	-	-	-	-
Market making	3,218,043	62,289	479,503	7,048

With other entities for

Hedging	-	-	-	-
Market making	4,574,641	(843,878)	-	-

Total

Hedging	-	-	-	-
Market making	7,792,684	(781,589)	479,503	7,048

Un-audited	
For the half year ended	
June 30, 2021	June 30, 2020
Rupees '000	

25 MARK-UP / RETURN / INTEREST EARNED

On:

Loans and advances	13,417,488	19,410,561
Investments	10,804,559	11,775,254
Lendings to financial institutions	196,184	32,331
Balances with banks	143	14,525
Securities purchased under resale agreements	75,550	724,322
	<u>24,493,924</u>	<u>31,956,993</u>

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

34 BASIC / DILUTED EARNINGS PER SHARE

	Un-audited			
	For the quarter ended June 30, 2021	June 30, 2020	For the half year ended June 30, 2021	June 30, 2020
	Rupees '000			
Profit after tax for the period	<u>1,916,582</u>	<u>1,729,767</u>	<u>4,019,822</u>	<u>3,809,949</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>1.26</u>	<u>1.14</u>	<u>2.65</u>	<u>2.51</u>

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

35 FAIR VALUE MEASUREMENTS

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

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

35.1 Fair value of financial assets

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

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

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

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

June 30, 2021 (Un-audited)				
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
On-balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	254,115,878	-	254,115,878
Shares	5,923,133	1,426,688	-	7,349,821
Non-Government debt securities	47,442,500	5,650,157	-	53,092,657
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	9,392,586	-	9,392,586
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,259,060	11,259,060
Non-banking assets acquired in satisfaction of claims	-	-	2,259,374	2,259,374
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	72,726,671	-	72,726,671
Forward sale of foreign exchange	-	32,439,785	-	32,439,785
Derivatives sales	-	6,698,587	-	6,698,587
December 31, 2020 (Audited)				
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
On-balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	202,016,327	-	202,016,327
Shares	5,631,735	1,477,249	-	7,108,984
Non-Government debt securities	47,510,000	6,092,828	-	53,602,828
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	10,029,170	-	10,029,170
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,259,060	11,259,060
Non-banking assets acquired in satisfaction of claims	-	-	2,683,207	2,683,207
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	64,514,335	-	64,514,335
Forward sale of foreign exchange	-	26,528,182	-	26,528,182
Derivatives sales	-	8,272,187	-	8,272,187

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV / PKFRV rates.
Ijara Sukuk	Fair values of GoP Ijara Sukuk are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different pre-defined / approved dealers / brokers.
Unlisted ordinary shares	Break-up value determined on the basis of the NAV of the company using the latest available audited financial statements.
Term Finance Certificates (TFCs) and Sukuk Certificates	Fair values of TFCs and Sukuk certificates are determined using the MUFAP rates.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mark-to-market currency rates announced by the State Bank of Pakistan.
Derivative instruments	The Bank enters into derivative contracts with various counterparties. Derivatives that are valued using valuation techniques with market observable inputs are mainly interest rate swaps, cross currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.
Mutual funds	Units of mutual funds are valued using the net asset value (NAV) announced by the Mutual Funds Association of Pakistan (MUFAP).

Valuation techniques used in determination of fair values within level 3

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

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

Profit and loss account for the half year ended June 30, 2021 (un-audited)

Net mark-up / return / profit	(5,143,131)	8,465,912	8,634,986	142,697	(184,843)	11,915,621
Inter segment revenue - net	13,566,060	(6,913,745)	(7,881,363)	(86,120)	1,315,168	-
Non mark-up / return / interest income	2,324,200	705,391	1,561,038	18,985	(334,716)	4,274,898
Total income	10,747,129	2,257,558	2,314,661	75,562	795,609	16,190,519
Segment direct expenses	5,731,061	171,723	147,960	72,167	3,533,582	9,656,493
Inter segment expense allocation	3,159,036	301,067	69,574	60,178	(3,589,855)	-
Total expenses	8,890,097	472,790	217,534	132,345	(56,273)	9,656,493
Provisions	(81,330)	1,117,315	(309,670)	(752,633)	14,770	(11,548)
Profit before tax	1,938,362	667,453	2,406,797	695,850	837,112	6,545,574

Statement of financial position as at June 30, 2021 (un-audited)

Cash and bank balances	23,382,381	-	37,933,910	-	-	61,316,291
Lendings to financial institutions	-	-	7,500,000	-	-	7,500,000
Investments	-	14,968,227	311,600,685	3,298,820	1,139,893	331,007,625
- Investment provision	-	-	(1,379,215)	(2,081,682)	-	(3,460,897)
Net inter segment lending	466,069,372	-	-	-	(466,069,372)	-
Advances - performing	71,301,005	263,928,442	-	-	5,015,311	340,244,758
Advances - non-performing	3,916,037	4,825,038	-	14,922,035	34,891	23,698,001
- Advances - provisions	(3,196,980)	(3,564,600)	-	(13,226,805)	(267,446)	(20,255,831)
Others	12,222,215	3,831,879	1,981,888	(1,885,234)	29,980,493	46,131,241
Total assets	573,694,030	283,988,986	357,637,268	1,027,134	(430,166,230)	786,181,188
Borrowings	7,831,420	54,520,674	21,781,400	-	-	84,133,494
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	548,693,031	41,593,377	-	263,479	1,300,522	591,850,409
Net inter segment borrowing	-	186,272,515	333,619,654	753,499	(520,645,668)	-
Others	17,169,579	1,602,420	675,148	10,156	26,855,435	46,312,738
Total liabilities	573,694,030	283,988,986	356,076,202	1,027,134	(492,489,711)	722,296,641
Equity	-	-	1,561,066	-	62,323,481	63,884,547
Total equity and liabilities	573,694,030	283,988,986	357,637,268	1,027,134	(430,166,230)	786,181,188
Contingencies and commitments	16,630,945	91,345,291	-	1,151,836	-	109,128,072

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

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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. The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim unconsolidated financial statements, are as follows:

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

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	June 30, 2021 (Un-audited)					Other related parties	December 31, 2020 (Audited)					Other related parties
	Parent	Directors	Key management personnel	Subsidiary	Associates		Parent	Directors	Key management personnel	Subsidiary	Associates	
Other assets												
Interest / mark-up accrued	-	-	386	-	-	62,917	-	-	345	-	-	58,469
Commission income receivable	-	-	-	-	-	26,629	-	-	-	-	72	36,391
Defined benefit plan asset	-	-	-	-	-	64,205	-	-	-	-	-	64,205
Maintenance receivable	-	-	-	-	-	-	-	-	-	1,751	-	-
Rent receivable	-	-	-	-	-	-	-	-	-	6,467	-	-
Dividend receivable	-	-	-	-	57,867	15,823	-	-	-	-	-	1,398
Others	-	-	-	-	-	446,350	-	-	-	-	-	515,944
	-	-	386	-	57,867	615,924	-	-	345	8,218	72	676,407
Deposits and other accounts												
Opening balance	182	44,456	139,814	4,244	14,910	10,509,734	182	37,985	156,482	5,469	-	3,074,185
Received during the period / year	377,444	60,938	957,091	14,464,091	248,309	206,610,135	-	46,969	1,723,877	33,796,467	1,178,039	235,409,751
Withdrawn during the period / year	(377,444)	(68,515)	(908,725)	(14,429,853)	(250,832)	(203,193,475)	-	(40,498)	(1,740,545)	(33,797,692)	(1,163,129)	(227,974,202)
Transfer in/(out) during the period / year	-	-	-	-	(2,041)	2,041	-	-	-	-	-	-
Closing balance	182	46,879	188,180	38,482	10,346	13,928,435	182	44,456	139,814	4,244	14,910	10,509,734
Other liabilities												
Interest / mark-up payable	-	151	129	-	-	59,184	-	129	217	-	11	38,703
Lease liability against right-of-use asset	-	-	-	6,044	-	-	-	-	-	5,640	-	-
Other liabilities	-	-	-	11,062	-	150,548	-	-	-	-	-	154,308
	-	151	129	17,106	-	209,732	-	129	217	5,640	11	193,011
Contingencies and commitments												
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	-	6,603	-	-	-	-	-	4,397
Trade related commitments	-	-	-	-	-	41,083	-	-	-	-	-	90,506
	-	-	-	-	-	47,685	-	-	-	-	-	94,903

* represents outstanding guarantee

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.

37.1

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

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

RELATED PARTY TRANSACTIONS

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

Rupees '000

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

	Un-audited June 30, 2021	Audited December 31, 2020
	Rupees '000	
38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	15,176,965	15,176,965
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	53,928,653	49,714,043
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	53,928,653	49,714,043
Eligible tier 2 capital	8,190,160	8,503,577
Total eligible capital (tier 1 + tier 2)	62,118,813	58,217,620
Risk weighted assets (RWAs):		
Credit risk	254,747,273	238,337,872
Market risk	23,436,969	21,979,018
Operational risk	51,445,036	51,445,036
Total	329,629,278	311,761,926
Common equity tier 1 capital adequacy ratio (in %)	16.36%	15.95%
Tier 1 Capital adequacy ratio (in %)	16.36%	15.95%
Total Capital adequacy ratio (in %)	18.85%	18.67%
Leverage ratio (LR):		
Eligible tier-1 capital	53,928,653	49,714,043
Total exposures	950,013,587	833,578,134
Leverage ratio (in %)	5.68%	5.96%
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	315,223,748	265,715,345
Total net cash outflow	141,596,395	125,951,241
Liquidity coverage ratio (Ratio)	2.226	2.110
Net stable funding ratio (NSFR):		
Total available stable funding	544,204,756	493,425,675
Total required stable funding	331,458,987	291,491,198
Net stable funding ratio (in %)	164.18%	169.28%

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

39 ISLAMIC BANKING BUSINESS

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

Statement of financial position	Note	Un-audited June 30, 2021	Audited December 31, 2020
		Rupees '000	
ASSETS			
Cash and balances with treasury banks		23,706,574	21,763,033
Balances with other banks		4,887,818	1,929,779
Due from financial institutions	39.1	35,850,000	28,000,000
Investments	39.2	67,612,461	67,554,233
Islamic financing and related assets - net	39.3	254,755,941	189,941,639
Fixed assets		13,520,878	14,904,507
Intangible assets		179,192	136,688
Other assets		11,203,362	6,278,487
		411,716,226	330,508,366
LIABILITIES			
Bills payable		7,076,251	6,029,790
Due to financial institutions		57,364,636	47,086,694
Deposits and other accounts	39.4	291,086,991	248,090,892
Due to head office		273,514	2,328,964
Other liabilities		30,949,196	11,198,497
		386,750,588	314,734,837
NET ASSETS		24,965,638	15,773,529
REPRESENTED BY			
Islamic banking fund		17,180,000	9,180,000
Surplus on revaluation of assets - net of tax		1,485,117	1,468,656
Unappropriated profit	39.5	6,300,521	5,124,873
		24,965,638	15,773,529
CONTINGENCIES AND COMMITMENTS	39.6		
		Un-audited	
		For the half year ended	
		June 30, 2021	June 30, 2020
		Rupees '000	
Profit and loss account			
Profit / return earned	39.7	11,542,456	10,060,235
Profit / return expensed	39.8	4,567,514	4,950,082
Net profit / return		6,974,942	5,110,153
Other income			
Fee and commission income		812,210	338,176
Foreign exchange income		174,023	73,764
Gain on securities		16,372	-
Others		68,197	3,136
Total other income		1,070,802	415,076
Total income		8,045,744	5,525,229
Other expenses			
Operating expenses		4,667,175	2,955,710
Other charges		5	47,012
Total other expenses		4,667,180	3,002,722
Profit before provisions		3,378,564	2,522,507
Provisions and write offs - net		1,451,272	56,049
Profit before taxation		1,927,292	2,466,458
Taxation		751,644	961,919
Profit after taxation		1,175,648	1,504,539

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

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

39.2 Investments by segments:

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

	Un-audited June 30, 2021	Audited December 31, 2020
	Rupees '000	
39.3 Islamic financing and related assets - net		

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

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

39.4 Deposits

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

Un-audited
June 30,
2021

Audited
December 31,
2020

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

39.5 Islamic banking business unappropriated profit

Opening balance	5,124,873	2,794,403
Add: Islamic Banking profit for the period / year	1,927,292	3,820,444
Less: taxation	(751,644)	(1,489,974)
Closing balance	6,300,521	5,124,873

39.6 Contingencies and commitments

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

Un-audited
For the half year ended

June 30,
2021

June 30,
2020

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

39.7 Profit / return earned of financing, investments and placement

Profit earned on:

Financing	7,872,142	8,106,768
Investments	3,670,314	1,953,467
	11,542,456	10,060,235

Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2021

39.8 Profit on deposits and other dues expensed

Deposits and other accounts
Other short term borrowings
Lease liability against right-of-use assets

Un-audited	
For the half year ended	
June 30, 2021	June 30, 2020
----- Rupees '000 -----	
3,262,817	3,038,293
869,369	1,551,136
435,328	360,653
<u>4,567,514</u>	<u>4,950,082</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 have been no significant reclassifications during the period.

41 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

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

42 DATE OF AUTHORISATION FOR ISSUE

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

Directors' Report

Consolidated Financial Statements

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Faysal Bank Limited Group, along with unaudited condensed interim consolidated financial statements for the quarter and half year ended June 30, 2021.

Group Profile

Faysal Bank Limited (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 also has significant influence based on its holding in the following open-ended mutual funds managed by FAML.

Associates	% Holding
Faysal Income & Growth Fund	71.99%
Faysal Cash Fund	91.10%
Faysal Savings Growth Fund	27.38%

FBL Group structure is as follows:

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

Financial Highlights:

Key Balance Sheet Numbers	Rs. in million		Growth%
	June '21	December '20	
Investment	327,105	276,470	18.3%
Financing	343,687	318,180	8.0%
Total Assets	786,324	710,064	10.7%
Deposits	591,817	540,632	9.5%

Profit & Loss Account	June '21	June '20	Growth%
Total Revenue	16,299	17,217	-5.3%
Non-Markup Expenses	9,740	9,436	3.2%
Profit before tax & provisions	6,559	7,781	-15.7%
Share of profit of associates	67	-	100%
Net Provisions	(12)	1,465	-100.8%
Profit before tax	6,638	6,316	5.1%
Tax	2,570	2,522	1.9%
Profit after tax	4,068	3,794	7.2%
Earnings per share (Rupees)	2.68	2.50	

Despite a significant reduction in banking spreads due to reduction in markup rates, Faysal Bank's consolidated profit after tax for the half year ended June 30, 2021 at PKR 4,068 million is 7.2% higher than corresponding period of previous year. The Group was able to protect its margins by aggressively growing its low-cost core deposits. Consequently, Earnings Per Share in the first half of 2021 was PKR 2.68 as compared to PKR 2.50 in the first half of last year.

FAML continued to show improvement in performance. Assets Under Management (AUMs) have grown by 30.8% over December 2020 to PKR 62 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.

FAML has recorded profit after tax of PKR 115.4 million during the half year under review as against a loss of PKR 15.9 million during the last year. This shows remarkable turnaround in operating performance of the entity post acquisition of control by FBL.

FAML strives to enhance its product suite and has acquired Private Fund Management and REIT Management licenses in the second quarter of 2021.

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.

VIS has recently upgraded Management Quality Rating (MQR) of FAML to AM2+. The rating signifies asset manager exhibiting very good management characteristics. The rating upgrade reflects improvement in market share, growing proportion of retail investments in relation to total AUMs, growth in advisory portfolio and capitalization. During the eighteen months post acquisition by FBL, the MQR of FAML has been upgraded by three notches.

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% (2020: 66.78%) of the shareholding in Faysal Bank Limited. 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

The Board of Directors has declared an interim cash dividend of Rs. 0.5 per share i.e 5% (June 30, 2020: Nil)

Acknowledgement

On behalf of the Board & Management of the Group, we would like to take this opportunity to thank the shareholders and valued customers for the trust they have reposed in the Bank. We are also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance. We would also like to express sincere appreciation for the Shariah Board for their guidance 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 August 26, 2021 and signed by the Chief Executive Officer and a director.

President & CEO

Karachi

Dated: August 26, 2021

Chairman

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

وی آئی ایس نے ایف اے ایم ایل کی مینجمنٹ کوالٹی ریٹنگ (MQR) AM2 سے بڑھا کر AM2+ تفویض کی ہے۔ ریٹنگ میں بہتری نہ صرف منتظمین کی اچھی کارکردگی کی عکاس ہے بلکہ مارکیٹ شیئر میں اضافہ، ٹوٹل AUMS کے حوالے سے ریٹیل سرمایہ کاریوں کا بڑھتا ہوا تناسب، کپٹالائزیشن اور ایڈوائزری پورٹ فولیو میں نمو بھی اسی کا نتیجہ ہے۔ ایف بی ایل کے 18 ماہ کے دوران، ایف اے ایم ایل کا MQR تین درجے بہتر ہوا ہے۔

ہولڈنگ کمپنی

اتمار بینک بی ایس سی (کلوزڈ)، جو کہ سینٹرل بینک آف بحرین کا لائسنس یافتہ ادارہ ہے، بالواسطہ اور بلاواسطہ طور پر بینک کے 66.78 فیصد (2020 میں 66.78 فیصد) حصص کے ساتھ بینک کا سربراہ ادارہ ہے۔ اتمار بینک بی ایس سی (کلوزڈ)، اتمار ہولڈنگ بی ایس سی کی مکمل ملکیت کا ذیلی ادارہ ہے اور دارالمال الاسلامی ٹرسٹ (ڈی ایم آئی ٹی) فیصل بینک کا اعلیٰ ترین سربراہی ادارہ ہے۔ ڈی ایم آئی ٹی 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 ازاں رپورٹنگ کے واقعات:

بورڈ آف ڈائریکٹرز نے فی حصص 0.5 روپے یعنی پانچ فیصد کے عبوری نقد منافع منقسمہ (30 جون 2020: صفر) کا اعلان کیا ہے۔

توثیقی بیان:

ہم بورڈ اور گروپ انتظامیہ کی جانب سے حصص مالکان اور اپنے قابل قدر صارفین 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 تمام ملازمین کے بے حد مشکور ہیں اور پر غلوس رہنمائی پر شریعہ بورڈ کے بھی متنبی ہیں۔

منظوری:

کمپنیز ایکٹ 2017 کی شرائط کے تحت، بورڈ آؤٹ اور کارپوریٹ گورننس کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 26 اگست، 2021 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

صدر اور سی ای او

کراچی

تاریخ: 26 اگست، 2021

نفع اور نقصان اکاؤنٹ

(ملین روپے)

نمو	جون ۲۰۲۰ء	جون ۲۰۲۱ء	
مجموعی آمدنی	17,217	16,299	
مارک اپ کے علاوہ اخراجات	9,436	9,740	
منافع قبل از ٹیکس اور پروویژن	7,781	6,559	
ایسوسی ایٹس کے منافع کا حصہ	0	67	
نیٹ پروویژن	1,465	-12	
منافع قبل از ٹیکس	6,316	6,638	
ٹیکسز	2,522	2,570	
منافع بعد از ٹیکس	3,794	4,068	
فی حصص آمدن (روپے)	2.5	2.68	

شرح سود میں کمی کی وجہ سے بینکنگ منافع جات کم ہونے کے باوجود 30 جون، 2021 کو ختم ہونے والی ششماہی میں فیصل بینک لمیٹڈ کا مجموعی منافع 4,068 ملین روپے رہا جو کہ گزشتہ سال اسی مدت کے مقابلے میں 7.2 فیصد زیادہ ہے۔ گروپ نے کم لاگت والے بنیادی ڈپازٹس میں تیزی کے ساتھ اضافہ کرتے ہوئے اپنے منافع جات کو برقرار رکھا۔ اس کے نتیجے میں گزشتہ سال پہلی ششماہی کے 2.50 روپے کے مقابلے میں اس سال پہلی ششماہی میں فی حصص آمدنی (EPS) 2.68 روپے ریکارڈ کی گئی۔

ایف اے ایم ایل نے اپنی کارکردگی میں بہتری کو برقرار رکھا ہوا ہے۔ ایف اے ایم ایل کے ایسٹس انڈر مینجمنٹ (AUMs) دسمبر 2020 کے مقابلے میں 30.8 فیصد اضافے کے ساتھ 62 ارب روپے تک جا پہنچے ہیں۔ AUMs میں اضافے کی ایک وجہ یہ بھی ہے کہ فیصل بینک نے مخصوص صارفین کو موثر انداز میں فیصل فنڈز کی فروخت کے لیے اپنا وسیع برانچ نیٹ ورک استعمال کرنا شروع کر دیا ہے۔

ایف اے ایم ایل کو رواں ششماہی کے دوران بعد از ٹیکس 115.4 ملین روپے منافع ہوا، جبکہ گزشتہ سال اسی مدت کے دوران 15.9 ملین روپے خسارے کا سامنا تھا۔ یہ ایف بی ایل کے زیر انتظام ادارے کی آپرینگ کارکردگی میں قابل ذکر تبدیلی کا منہ بولتا ثبوت ہے۔

ایف اے ایم ایل اپنی پروڈکٹس کا پورٹ فولیو بڑھانے کے لیے کوشاں ہے اور اس ضمن میں 2021 کی دوسری سہ ماہی کے دوران پرائیویٹ فنڈ مینجمنٹ اور REIT مینجمنٹ کے لائسنس حاصل کر لیے ہیں۔

کریڈٹ ریٹنگ:

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

طویل المیعاد: AA

قلیل المیعاد: A1+

ڈائریکٹرز کا جائزہ

کنسولیدیٹڈ مالیاتی گوشوارے برائے دوسری سہ ماہی و ششماہی 2021

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کی خدمت میں 30 جون، 2021 کو ختم ہونے والی سہ ماہی اور ششماہی پر غیر آڈٹ شدہ کنسولیدیٹڈ عبوری مالیاتی گوشوارے ڈائریکٹرز رپورٹ کے ساتھ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

گروپ پروفائل

فیصل بینک لمیٹڈ (FBL) فیصل ایسیٹ مینجمنٹ لمیٹڈ (FAML) کے 99.9 فیصد حصص کا شراکت دار ہے۔ ایف اے ایم ایل ایک ان - لٹریٹ 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 (انسٹیبلشمنٹ اینڈ ریگولیشنز) رولز، 2003 اور نان - بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انشائیئر ریگولیشنز، 2008 کے تحت ایسیٹ مینجمنٹ اور سرمایہ کاری کے لیے ایڈوانٹری سرسرفراہم کرنے کا لائسنس ہے۔

فیصل بینک لمیٹڈ نے FAML کے زیر انتظام درج ذیل اوپن اینڈ میوچل فنڈز میں اپنی ہولڈنگ کی بنیاد پر زیادہ اثرو رسوخ حاصل کر لیا ہے:

ایسوی ایٹس	ہولڈنگ %
فیصل انکم اینڈ گروتھ فنڈ	71.99%
فیصل کیش فنڈ	91.10%
فیصل سیونگزر گروتھ فنڈ	27.38%

ایف بی ایل گروپ درج ذیل پر مشتمل ہے:

ہولڈنگ کمپنی: فیصل بینک لمیٹڈ
ذیلی ادارہ: فیصل ایسیٹ مینجمنٹ لمیٹڈ

مالیاتی جھلکیاں:

بیلنس شیٹ

نمو	دسمبر ۲۰۲۰ء	جون ۲۰۲۱ء	(ملین روپے)
سرمایہ کاری	276,470	327,105	18.3% فیصد
فنانسنگ	318,180	343,687	8.0% فیصد
کل اثاثات	710,064	786,324	10.7% فیصد
ڈپازٹس	540,632	591,817	9.5% فیصد

Condensed Interim Consolidated Statement of Financial Position

As at June 30, 2021

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

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

Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the quarter and half year ended June 30, 2021

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

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

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the quarter and half year ended June 30, 2021

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

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

For the half year ended June 30, 2021

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

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the half year ended June 30, 2021

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

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

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

1.1.1 Holding Company - Faysal Bank Limited

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

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

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

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

1.1.2 Subsidiary Company - Faysal Asset Management Limited

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

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

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

VIS Credit Rating Company Limited has assigned Asset Management rating of AM2+ on August 10, 2021 (December 31, 2020: AM2).

2 BASIS OF PRESENTATION

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

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

3 BASIS OF CONSOLIDATION

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

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

Material intra-group balances and transactions are eliminated.

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

4 STATEMENT OF COMPLIANCE

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

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

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

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

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

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

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

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

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

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 9 - 'Financial instruments'	January 1, 2022*
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provisions, contingent liabilities and contingent assets' (amendments)	January 1, 2022
- IFRS 3 - 'Business combinations' (amendments)	January 1, 2022
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2023

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. 24 dated July 5, 2021 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2022. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has an impact on all the assets of the Bank which are exposed to credit risk.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6 BASIS OF MEASUREMENT

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

7 FUNCTIONAL AND PRESENTATION CURRENCY

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

9 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

Un-audited
June 30,
2021

Audited
December 31,
2020

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

10 CASH AND BALANCES WITH TREASURY BANKS

In hand		
- local currency	12,533,763	13,650,096
- foreign currencies	1,002,559	6,147,826
	13,536,322	19,797,922
With State Bank of Pakistan in		
- local currency current accounts	25,209,163	25,323,730
- foreign currency current accounts	2,032,314	2,121,802
- foreign currency deposit accounts	3,790,308	3,860,816
	31,031,785	31,306,348
With National Bank of Pakistan in		
- local currency current accounts	8,223,269	8,202,707
Prize bonds	2,117,087	574,313
	54,908,463	59,881,290

11 BALANCES WITH OTHER BANKS

In Pakistan		
- in current accounts	1,146,938	645,273
- in saving accounts	67	72
	1,147,005	645,345
Outside Pakistan		
- in current accounts	5,260,928	2,233,285
	6,407,933	2,878,630

12 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	7,500,000	-
Repurchase agreement lendings (reverse repo)	-	2,985,000
	7,500,000	2,985,000

12.1 Securities held as collateral against lendings to financial institutions

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

13 INVESTMENTS

13.1 Investments by type:

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

**Un-audited
June 30,
2021**

**Audited
December 31,
2020**

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

13.2	Bai Muajjal - gross	2,212,625	2,212,625
	Less: deferred income	(93,236)	(194,895)
	Less: profit receivable shown in other assets	(522,341)	(420,682)
	Bai Muajjal - net	<u>1,597,048</u>	<u>1,597,048</u>

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

**Un-audited
June 30,
2021**

**Audited
December 31,
2020**

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

13.3 Investments given as collateral

- Market treasury bills

11,500,000

-

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

**Un-audited
June 30,
2021**

**Audited
December 31,
2020**

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

13.4 Provision for diminution in value of investments

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

13.4.2 Particulars of provision against debt securities

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

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

13.6 Movement of investment in associates

As at June 30, 2021							
Country of incorporation	% Holding	Investment at the beginning of the period	Investment / (redemption) during the period	Share of profit	Dividend received	Investment at the end of the period	
----- Rupees '000 -----							
Associates							
Faysal Income & Growth Fund	Pakistan	71.99%	267,056	533,944	14,171	(22,797)	792,374
Faysal Cash Fund	Pakistan	91.10%	-	103,482	3,394	(3,394)	103,482
Faysal Islamic Stock Fund	Pakistan	13.56%	236,820	(261,520)	24,700	-	-
Faysal Asset Allocation Fund	Pakistan	8.32%	51,158	(56,196)	5,038	-	-
Faysal Savings Growth Fund	Pakistan	27.38%	686,509	-	20,085	(40,947)	665,647
			<u>1,241,543</u>	<u>319,710</u>	<u>67,387</u>	<u>(67,137)</u>	<u>1,561,503</u>
As at December 31, 2020							
Country of incorporation	% Holding	Investment at the beginning of the year	Investment / (redemption) during the year	Share of profit	Dividend received	Investment at the end of the year	
----- Rupees '000 -----							
Associates							
Faysal Income & Growth Fund	Pakistan	40.67%	268,625	-	26,672	(28,241)	267,056
Faysal Islamic Stock Fund	Pakistan	37.64%	-	200,000	41,860	(5,040)	236,820
Faysal Asset Allocation Fund	Pakistan	28.12%	-	34,279	17,665	(786)	51,158
Faysal Savings Growth Fund	Pakistan	21.54%	693,247	-	69,973	(76,711)	686,509
			<u>961,872</u>	<u>234,279</u>	<u>156,170</u>	<u>(110,778)</u>	<u>1,241,543</u>

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

14 ADVANCES

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

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

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

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

14.3 Particulars of provision against advances

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

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

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

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

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

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

- 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.

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

	Note	Un-audited June 30, 2021	Audited December 31, 2020
		Rupees '000	
15 FIXED ASSETS			
Capital work-in-progress	15.1	958,187	833,762
Property and equipment		23,201,349	23,268,393
		<u>24,159,536</u>	<u>24,102,155</u>
15.1 Capital work-in-progress			
Civil works		176,714	225,737
Equipment		477,466	561,345
Furniture and fixture		40,056	18,838
Vehicles		-	42
Land and building		263,951	27,800
		<u>958,187</u>	<u>833,762</u>
		Un-audited	
		For the half year ended	
		June 30, 2021	June 30, 2020
		Rupees '000	
15.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		841,084	701,663
Property and equipment			
Building on freehold land		-	36,075
Furniture and fixture		9,152	97,986
Electrical, office and computer equipment		508,814	378,972
Vehicles		16,470	58,765
Right-of-use assets - land and building		654,002	713,848
Others		188,112	445,791
		<u>1,376,550</u>	<u>1,731,437</u>
Total		<u>2,217,634</u>	<u>2,433,100</u>
15.3 Disposal of fixed assets			
The net book value of fixed assets disposed of during the period is as follows:			
Furniture and fixture		49	3
Electrical, office and computer equipment		1,013	3,830
Vehicles		9	38
Others		64	-
Total		<u>1,135</u>	<u>3,871</u>

15.4 Change in accounting estimate

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

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

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

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

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

20 DEPOSITS AND OTHER ACCOUNTS

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

21 DEFERRED TAX (LIABILITIES) / ASSETS

Deductible temporary differences on

- provision for diminution in the value of investments
- provision against advances, off balance sheet etc.
- provision against other assets
- Alternate Corporate Tax (ACT)
- defined benefit obligation
- unused tax losses
- others

Un-audited June 30, 2021	Audited December 31, 2020
38,235	152,577
1,184,573	1,215,623
128,462	128,462
22,695	4,675
32	(620)
36,368	69,652
1,467	537
1,411,832	1,570,906

Taxable temporary differences on

- surplus on revaluation of fixed assets
- surplus on revaluation of non-banking assets
- surplus on revaluation of investments
- fair value adjustment relating to net assets acquired upon amalgamation
- fair value adjustment relating to net assets acquired upon business combination
- accelerated tax depreciation
- fair valuation of previously held equity interest in the Subsidiary Company

Un-audited June 30, 2021	Audited December 31, 2020
(1,565,092)	(1,599,730)
(14,113)	(14,113)
(998,058)	(1,137,218)
(224,071)	(240,087)
(52,496)	(52,496)
(17,999)	(96,495)
(13,118)	(13,118)
(2,884,947)	(3,153,257)
(1,473,115)	(1,582,351)

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

22	OTHER LIABILITIES	Note	Un-audited June 30, 2021	Audited December 31, 2020
			Rupees '000	
	Mark-up / return / interest payable in local currency		2,183,035	3,792,193
	Mark-up / return / interest payable in foreign currencies		10,559	6,344
	Unearned commission and income on bills discounted		837,706	968,302
	Accrued expenses		1,828,156	2,531,060
	Acceptances	17	6,219,529	10,726,305
	Unclaimed dividends		45,017	45,043
	Mark to market loss on forward foreign exchange contracts		1,357,139	1,907,030
	Current taxation (provision less payments)		20,387	-
	Charity fund balance		1,050	1,070
	Provision against off-balance sheet obligations	22.1	104,924	127,569
	Security deposits against leases		341,503	586,301
	Withholding tax payable		167,440	182,100
	Federal excise duty payable		48,788	67,402
	Payable to brokers against purchase of shares		165,558	35,001
	Fair value of derivative contracts		681,052	964,671
	Payable related to credit cards and other products		197,081	1,146,914
	Lease liability against right-of-use assets		9,022,715	8,525,253
	Advance against disposal of assets		12,130	459,467
	Funds held as security		261,055	242,227
	Payable to 1Link (Private) Limited		150,548	154,308
	Insurance payable		104,334	115,012
	Clearing and settlement accounts		6,618,109	2,706,765
	Others		563,637	351,409
			<u>30,941,452</u>	<u>35,641,746</u>
22.1	Provision against off-balance sheet obligations			
	Opening balance		127,569	113,676
	Charge for the period / year		1,262	25,132
	Reversals during the period / year		(23,907)	(11,239)
			(22,645)	13,893
	Closing balance		<u>104,924</u>	<u>127,569</u>
23	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
	Surplus on revaluation of:			
	- available for sale securities		2,559,123	2,915,943
	- fixed assets		7,316,055	7,411,321
	- non-banking assets acquired in satisfaction of claims		1,271,248	1,453,786
			11,146,426	11,781,050
	Deferred tax on surplus on revaluation of:			
	- available for sale securities		(998,058)	(1,137,218)
	- fixed assets		(1,565,092)	(1,602,246)
	- non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
			(2,577,263)	(2,753,577)
			<u>8,569,163</u>	<u>9,027,473</u>

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

	Note	Un-audited June 30, 2021	Audited December 31, 2020
		Rupees '000	
24 CONTINGENCIES AND COMMITMENTS			
Guarantees	24.1	32,931,164	29,202,222
Commitments	24.2	226,573,249	183,850,529
Other contingent liabilities	24.3	4,122,244	4,122,244
		<u>263,626,657</u>	<u>217,174,995</u>
24.1 Guarantees:			
Financial guarantees		6,697,064	7,810,863
Performance guarantees		7,941,513	5,662,415
Other guarantees		18,292,587	15,728,944
		<u>32,931,164</u>	<u>29,202,222</u>
24.2 Commitments:			
Documentary credits and short-term trade-related transactions - letters of credit		75,739,365	50,571,999
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	105,603,260	93,025,986
- forward government securities transactions	24.2.2	11,407,050	2,989,036
- derivatives - cross currency and interest rate swaps (notional principal)	24.2.3	6,698,587	8,272,187
- extending credit (irrevocable)	24.4	26,946,615	28,859,840
Commitments for acquisition of:			
- operating fixed assets		50,006	49,303
- intangible assets		128,366	82,178
		<u>226,573,249</u>	<u>183,850,529</u>
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		73,272,270	66,134,904
Sale		32,330,990	26,891,082
		<u>105,603,260</u>	<u>93,025,986</u>
24.2.2 Commitments in respect of forward government securities transactions			
Purchase		11,407,050	-
Sale		-	2,989,036
		<u>11,407,050</u>	<u>2,989,036</u>
24.2.3 Commitments in respect of derivatives			
Sale		6,698,587	8,272,187

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For the half year ended June 30, 2021

24.3 Other contingent liabilities

24.3.1 Holding Company:

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

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

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

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

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

24.3.2 Subsidiary Company:

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

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

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

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

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

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

- (iv) During the prior period, the audit of the tax year 2013 (financial year ended June 30, 2013) was completed by the taxation authorities. The tax authorities have passed an order under section 122(5A) of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs. 4.964 million for the tax year 2013 on account of apportionment of expenses, salary expenses and hardware and software expense. The management filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on the grounds of disallowances made by the Additional Commissioner Inland Revenue. The CIR(A) remanded back a few expenses while ordered against various other expenses for which the Subsidiary Company has decided to appeal before the Appellate Tribunal Inland Revenue (ATIR). The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.
- (v) During the year ended December 31, 2020, the audit of the tax year 2014 (financial year ended June 30, 2014) was completed by the taxation authorities. The tax authorities have passed an order under section 122(5A) of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs. 2.673 million for the tax year 2014 on account of apportionment of expenses, time barred payables, expenses claimed on provisional basis, salary expenses, marketing and advertising expenses, brokerage and commission expenses, legal and professional charges and hardware and software expenses. The management had decided to file an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on the grounds of disallowances made by the Additional Commissioner Inland Revenue. During the current period the CIR(A) issued an order whereby the earlier order passed by the tax authorities under section 122(5A) of the Income Tax Ordinance, 2001, has been annulled on the basis of being time barred, and consequently the demand for additional liability has been relinquished. The management has decided to file an appeal before the Appellate Tribunal Inland Revenue (ATIR) to contest the order passed by DCIR. The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.
- (vi) During the year ended December 31, 2020, the Deputy Commissioner Inland Revenue (DCIR) has passed an order under section 182(1) of the Income Tax Ordinance, 2001 for the tax year 2018, whereby the DCIR has imposed a penalty of Rs. 0.833 million on account of non submission of statement required to be filed by the Subsidiary Company under bilateral or multilateral convention under section 165B of the Income Tax Ordinance, 2001. The management has filed an appeal before the CIR(A) on the subject matter and has paid

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For the half year ended June 30, 2021

an amount of Rs 0.083 million being 10% of the total amount of penalty imposed under the order and has thus obtained an automatic stay on the subject matter. The management of the Subsidiary Company is confident that the matter will be decided in the Subsidiary Company's favour and accordingly no provision in respect of this penalty has been made in these condensed interim consolidated financial statements.

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

24.4 Commitments to extend credits

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

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

25.1 Product analysis

Counterparties	June 30, 2021 (Un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain
----- Rupees '000 -----				
With banks for				
Hedging	-	-	-	-
Market making	2,651,948	35,423	236,316	3,904
With other entities for				
Hedging	-	-	-	-
Market making	3,810,323	(631,975)	-	-
Total				
Hedging	-	-	-	-
Market making	6,462,271	(596,552)	236,316	3,904
Counterparties	December 31, 2020 (Audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain
----- Rupees '000 -----				
With banks for				
Hedging	-	-	-	-
Market making	3,218,043	62,289	479,503	7,048
With other entities for				
Hedging	-	-	-	-
Market making	4,574,641	(843,878)	-	-
Total				
Hedging	-	-	-	-
Market making	7,792,684	(781,589)	479,503	7,048

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

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For the half year ended June 30, 2021

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

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For the half year ended June 30, 2021

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

35 BASIC / DILUTED EARNINGS PER SHARE

		Un-audited			
		For the quarter ended		For the half year ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		Rupees '000			
	Profit after tax for the period	<u>1,953,044</u>	<u>1,739,430</u>	<u>4,068,256</u>	<u>3,794,021</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>1.29</u>	<u>1.15</u>	<u>2.68</u>	<u>2.50</u>

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

36 FAIR VALUE MEASUREMENTS

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

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

Fair value of financial assets

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

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

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

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

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

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For the half year ended June 30, 2021

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

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

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

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For the half year ended June 30, 2021

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 with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. These were last revalued on December 31, 2019.
Non-banking assets acquired in satisfaction of claims	Non-banking assets acquired in satisfaction of claims are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. These were last revalued on December 31, 2019.

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	2021					
	Retail	CIBG	Treasury	SAM	Others	Total
----- Rupees '000 -----						
Profit and loss account for the						
half year ended June 30, 2021						
(un-audited)						
Net mark-up / return / profit	(5,143,131)	8,465,912	8,634,986	142,697	(110,277)	11,990,187
Inter segment revenue - net	13,566,060	(6,913,745)	(7,881,363)	(86,120)	1,315,168	-
Non mark-up / return / interest income	2,324,200	705,391	1,561,038	18,985	(233,189)	4,376,425
Total Income	10,747,129	2,257,558	2,314,661	75,562	971,702	16,366,612
Segment direct expenses	5,731,061	171,723	147,960	72,167	3,617,144	9,740,055
Inter segment expense allocation	3,159,036	301,067	69,574	60,178	(3,589,855)	-
Total expenses	8,890,097	472,790	217,534	132,345	27,289	9,740,055
Provisions	(81,330)	1,029,417	(309,670)	(752,633)	102,668	(11,548)
Profit before tax	1,938,362	755,351	2,406,797	695,850	841,745	6,638,105
Statement of financial position						
as at June 30, 2021						
(un-audited)						
Cash and bank balances	23,382,486	-	37,933,910	-	-	61,316,396
Lendings to financial institutions	-	-	7,500,000	-	-	7,500,000
Investments	-	14,968,227	311,600,685	3,298,820	698,159	330,565,891
- Investment provision	-	-	(1,379,215)	(2,081,682)	-	(3,460,897)
Net inter segment lending	466,069,372	-	-	-	(466,069,372)	-
Advances - performing	71,301,005	263,928,442	-	-	5,015,311	340,244,758
Advances - non-performing	3,916,037	4,825,038	-	14,922,035	34,891	23,698,001
- Advances - provisions	(3,196,980)	(3,564,600)	-	(13,226,805)	(267,446)	(20,255,831)
Others	12,188,380	3,831,879	1,981,888	(1,885,234)	30,598,530	46,715,443
Total assets	573,660,300	283,988,986	357,637,268	1,027,134	(429,989,927)	786,323,761
Borrowings	7,831,420	54,520,674	21,781,400	-	-	84,133,494
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	548,659,196	41,593,377	-	263,479	1,300,522	591,816,574
Net inter segment borrowing	-	186,272,515	333,619,654	753,499	(520,645,668)	-
Others	17,169,684	1,602,420	675,148	10,156	26,872,634	46,330,042
Total liabilities	573,660,300	283,988,986	356,076,202	1,027,134	(492,472,512)	722,280,110
Equity	-	-	1,561,066	-	62,482,585	64,043,651
Total equity and liabilities	573,660,300	283,988,986	357,637,268	1,027,134	(429,989,927)	786,323,761
Contingencies and commitments	16,630,945	91,345,291	-	1,151,836	-	109,128,072

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, employee benefit plans and its directors and key management personnel. The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

	June 30, 2021 (Un-audited)				Other related parties	December 31, 2020 (Audited)				Other related parties
	Parent	Directors	Key management personnel	Associates		Parent	Directors	Key management personnel	Associates	
Rupees '000										
Other assets										
Interest / mark-up accrued	-	-	386	-	62,917	-	-	345	-	58,469
Commission income receivable	-	-	-	-	26,629	-	-	-	72	36,391
Defined benefit plan asset	-	-	-	-	64,095	-	-	-	-	66,343
Remuneration receivable	-	-	-	3,645	25,584	-	-	-	3,583	13,601
Receivable against reimbursement of expenses	-	-	-	5,978	104,554	-	-	-	10,301	50,426
Receivable from defined contribution plan	-	-	-	-	803	-	-	-	-	647
Front end load receivable	-	-	-	-	4,316	-	-	-	208	52,394
Preliminary expenses and floatation costs receivable	-	-	-	1,532	7,053	-	-	-	4,065	6,306
Dividend receivable	-	-	-	-	15,823	-	-	-	-	1,398
Others	-	-	-	-	446,350	-	-	-	-	515,944
	-	-	386	11,155	758,124	-	-	345	18,229	801,919
Deposits and other accounts										
Opening balance	182	44,456	139,814	14,910	10,509,734	182	37,985	156,482	-	3,074,185
Received during the period / year	377,444	60,938	967,091	248,309	206,610,135	-	46,969	1,723,877	1,178,039	235,409,751
Withdrawn during the period / year	(377,444)	(58,515)	(908,725)	(250,832)	(203,193,475)	-	(40,498)	(1,740,545)	(1,163,129)	(227,974,202)
Transfer in / (out) during the period / year	-	-	-	(2,041)	2,041	-	-	-	-	-
Closing balance	182	46,879	188,180	10,346	13,928,435	182	44,456	139,814	14,910	10,509,734
Other liabilities										
Interest / mark-up payable	-	151	129	-	59,184	-	129	217	11	38,703
Payable against reimbursement of expenses	-	-	-	-	-	-	-	-	-	2,864
Other liabilities	-	-	-	-	150,548	-	-	-	-	154,308
	-	151	129	-	209,732	-	129	217	11	195,875
Contingencies and commitments										
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	6,603	-	-	-	-	4,397
Trade related commitments	-	-	-	-	41,083	-	-	-	-	90,506
	-	-	-	-	47,686	-	-	-	-	94,903

* represents outstanding guarantee

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.

38.1

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

RELATED PARTY TRANSACTIONS

Income

Mark-up / return / interest earned
Fee and commission income
Dividend income
Net gain on sale of securities
Gain on sale of fixed assets

Expense

Mark-up / return / interest paid
Reimbursement of expenses
Director's fee and other expenses
Remuneration
Consultancy Fee
Charge for defined benefit plan
Contribution to defined contribution plan

Others

Shares / units purchased during the period
Shares / units sold during the period
Government securities purchased during the period
Government securities sold during the period
Contribution to defined benefit plan
Sale proceeds from disposal of fixed assets

June 30, 2021 (Un-audited)					June 30, 2020 (Un-audited)				
Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
-	-	7,700	-	49,667	-	-	6,260	-	95,990
-	98	95	18,290	271,563	-	15	78	-	113,386
-	-	-	-	35,303	-	-	-	-	136,371
-	-	3	61,520	19,752	-	-	-	-	26,111
-	-	8	-	-	-	-	11	-	-
-	807	1,953	421	304,306	-	1,463	5,538	-	146,471
-	-	-	7,880	105,927	-	-	-	-	38,627
-	52,760	-	-	-	-	84,916	-	-	-
-	-	397,927	-	980	-	-	338,461	-	-
-	-	-	-	4,297	-	-	-	-	912
-	-	-	-	108,079	-	-	-	-	60,625
-	-	-	-	128,338	-	-	-	-	110,840
-	-	-	1,727,454	10,012,543	-	-	-	-	11,136,850
-	-	-	1,407,744	10,508,042	-	-	-	-	10,333,916
-	-	293,862	-	3,317,609	-	-	375,119	-	4,847,959
-	-	329,626	-	3,952,459	-	-	393,235	-	5,231,821
-	-	-	-	105,832	-	-	-	-	93,094
-	-	22	-	-	-	-	11	-	-

Ruppes '000

Rupess '000

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

40 ISLAMIC BANKING BUSINESS

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

		Un-audited June 30, 2021	Audited December 31, 2020
		Rupees '000 -----	
Statement of financial position			
ASSETS			
Cash and balances with treasury banks		23,706,574	21,763,033
Balances with other banks		4,887,818	1,929,779
Due from financial institutions		35,850,000	28,000,000
Investments	40.2	67,612,461	67,554,233
Islamic financing and related assets - net	40.3	254,755,941	189,941,639
Fixed assets		13,520,878	14,904,507
Intangible assets		179,192	136,688
Other assets		11,203,362	6,278,487
		411,716,226	330,508,366
LIABILITIES			
Bills payable		7,076,251	6,029,790
Due to financial institutions		57,364,636	47,086,694
Deposits and other accounts	40.4	291,086,991	248,090,892
Due to head office		273,514	2,328,964
Other liabilities		30,949,196	11,198,497
		386,750,588	314,734,837
NET ASSETS		24,965,638	15,773,529
REPRESENTED BY			
Islamic banking fund		17,180,000	9,180,000
Surplus on revaluation of assets - net of tax		1,485,117	1,468,656
Unappropriated profit	40.5	6,300,521	5,124,873
		24,965,638	15,773,529
CONTINGENCIES AND COMMITMENTS			
		Un-audited	
		For the half year ended	
		June 30, 2021	June 30, 2020
		Rupees '000 -----	
Profit and loss account			
Profit / return earned	40.7	11,542,456	10,060,235
Profit / return expensed	40.8	4,567,514	4,950,082
Net profit / return		6,974,942	5,110,153
Other income			
Fee and commission income		812,210	338,176
Foreign exchange income		174,023	73,764
Gain on securities		16,372	-
Other income		68,197	3,136
Total other income		1,070,802	415,076
Total income		8,045,744	5,525,229
Other expenses			
Operating expenses		4,667,175	2,955,710
Other charges		5	47,012
Total other expenses		4,667,180	3,002,722
Profit before provisions		3,378,564	2,522,507
Provisions and write offs - net		1,451,272	56,049
Profit before taxation		1,927,292	2,466,458
Taxation		751,644	961,919
Profit after taxation		1,175,648	1,504,539

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

40.1 Due from financial institutions

Musharaka placement

Un-audited
June 30,
2021

Audited
December 31,
2020

	Rupees '000
35,850,000	28,000,000

40.2 Investments by segments:

Federal Government securities:

- Ijarah Sukuks
- Bai Muajjal
Government of
Pakistan
- Other Federal
Government
securities

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

40.3 Islamic financing and related assets

Murabaha
Musharaka
Diminishing Musharaka
Istisna
Tawwaruq
Running Musharaka
Fixed assets Ijarah financing - net
Tijarah
Advance against Murabaha financing
Advanced against Diminishing Musharaka
Advance against Ijarah
Advance against Istisna
Advance against Islamic export refinance
Advance against Tijarah
Advance against Tawwaruq
Musawamah
Bai salam
Salam
Inventory related to Islamic financing
Gross Islamic financing and related assets
Less: provision against Islamic financings
- specific
- general

Un-audited
June 30,
2021

Audited
December 31,
2020

	Rupees '000
6,061,640	2,802,616
7,164	7,194
127,115,944	102,902,725
22,003,660	17,760,768
1,375,449	55,002
47,605,956	37,086,503
69,715	78,056
124,898	232,113
1,827,983	1,267,610
25,977,904	16,552,367
624,922	937,383
12,053,322	6,890,624
5,682,287	2,650,700
101,896	-
33,285	-
53,175	-
209,110	-
110,000	-
6,425,550	1,974,625
257,463,860	191,198,286
(2,502,107)	(1,094,130)
(205,812)	(162,517)
(2,707,919)	(1,256,647)
254,755,941	189,941,639

Islamic financing and related assets - net of provision

Notes to and forming part of the Condensed Interim Consolidated Financial Statements

For the half year ended June 30, 2021

40.4 Deposits

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

Un-audited
June 30,
2021

Audited
December 31,
2020

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

40.5 Islamic Banking Business Unappropriated Profit

Opening balance	5,124,873	2,794,403
Add: Islamic Banking profit for the period / year	1,927,292	3,820,444
Less: taxation	(751,644)	(1,489,974)
Closing balance	6,300,521	5,124,873

40.6 CONTINGENCIES AND COMMITMENTS

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

Un-audited
For the half year ended

June 30,
2021

June 30,
2020

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

40.7 Profit / return earned of financing, investments and placement

Profit earned on:

Financing	7,872,142	8,106,768
Investments	3,670,314	1,953,467
	11,542,456	10,060,235

For the half year ended June 30, 2021

40.8 Profit on deposits and other dues expensed

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

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

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

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