

مستقیم صراطِ ایم

فیصل بینک سے فیصل اسلامی،
ارادے سے تکمیل تک۔

HALF YEAR
ENDED JUNE 30, 2022
UNAUDITED FINANCIAL STATEMENTS

faysalbank



Contents

Corporate Information	2
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Unconsolidated Financial Statements

Directors' Report	4
Independent Auditor's Review Report	13
Condensed Interim Unconsolidated Statement of Financial Position	14
Condensed Interim Unconsolidated Profit and Loss Account	15
Condensed Interim Unconsolidated Statement of Comprehensive Income	16
Condensed Interim Unconsolidated Statement of Changes in Equity	17
Condensed Interim Unconsolidated Cash Flow Statement	18
Notes to the Condensed Interim Unconsolidated Financial Statements	19

Consolidated Financial Statements

Directors' Report	48
Condensed Interim Consolidated Statement of Financial Position	56
Condensed Interim Consolidated Profit and Loss Account	57
Condensed Interim Consolidated Statement of Comprehensive Income	58
Condensed Interim Consolidated Statement of Changes in Equity	59
Condensed Interim Consolidated Cash Flow Statement	60
Notes to the Condensed Interim Consolidated Financial Statements	61

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 Ashja Khan	Shariah Board Member
Mufti Abdul Basit	Shariah Board Member
Mufti Muhammad Abdullah	Resident Shariah Board Member

Syed Majid Ali

Chief Financial Officer

Mr. Aurangzeb Amin

Company Secretary & Head of Legal

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

M/s. Mohsin Tayebaly & Co, Advocate Legal Advisors

Registered Office

Faysal Bank Limited
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@cdcsrcsl.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 unaudited condensed interim financial statements for the half year ended June 30, 2022.

Company Profile

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

The Bank's footprint spreads over 223 cities across the country with 633 branches. In line with FBL's strategy of transforming into an Islamic Bank, 99% of its branches are 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% (2021: 66.78%) of the Bank's shares. Ithmaar Bank B.S.C. (closed) is a wholly owned subsidiary of Ithmaar Holdings B.S.C. Dar Al-Maal Al-Islami Trust (DMIT) is the holding company of Ithmaar Holding B.S.C. and the ultimate parent of the Bank. DMIT was formed by an indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and traditions.

Economic Update

The Pakistani authorities and the International Monetary Fund (IMF) have reached a staff level agreement to complete the combined 7th and 8th reviews for Pakistan's Extended Fund Facility (EFF). This agreement is subject to approval by the IMF's Executive Board, which is scheduled to meet on August 24, 2022, making USD 1,177 million (SDR 894 million) available for Islamabad. The Monetary Policy Committee in its meeting held on July 7, 2022 has raised the policy rate by 125 basis points to 15.00%, citing a need for soft landing of the economy amid an exceptionally challenging and uncertain global environment. This monetary tightening should help cool economic activity, prevent a de-anchoring of inflationary expectations and provide support to the Rupee in the wake of multi-year high inflation and record imports. The average inflation for Fiscal Year '22 (FY '22) stood at 12.2% as monthly reading for June clocked in at 21.32%. SBP projects inflation to be between 18-20% in FY '23. Externally, Bloomberg Commodity Index has fallen by 15.46% to 116.45 from its all-time highs in early June primarily due to actions taken by central banks of major economies to tame inflation.

As per the State Bank of Pakistan (SBP), the trade deficit for FY '22 widened to USD 44.77 billion where exports increased by 24.8% to USD 39.42 billion while imports rose by 34.2% to USD 84.19 billion. In FY '22, workers' remittances remained resilient as they reached USD 31.24 billion, a year-on-year increase of 6.1%. The Current Account posted a deficit of USD 17.4

billion for FY '22. Due to the political and economic uncertainties, the USD/PKR parity depreciated to 204.85 from 157.87, i.e., a depreciation of 29.76% in FY '22. As of quarter end, SBP reserves were down to USD 9,816 million, their lowest level since November '19.

Inflationary pressures continue to be the major concern facing the global economy due to Russia's invasion of Ukraine, in addition to ongoing supply chain constraints from the pandemic. The IMF has stated that the global economic growth may slow down to 3.2% this year from an estimated 5.5% in 2021, due to concerns about the Russia-Ukraine conflict and aggressive central banks' actions. Looking ahead for Pakistan, heightened uncertainty about domestic politics and depleting foreign exchange reserves have meant that Pakistan's Eurobonds continue to remain under pressure, despite the government managing to sign a Staff Level Agreement with the IMF. After significant depreciation of the Pakistan Rupee, the S&P Global Ratings also revised the outlook on Pakistan's long-term ratings to 'negative' from 'stable'. The expectation is that Pakistan's credit spreads will start to narrow, and USD/PKR parity will stabilize once the funds become available from IMF, bilateral and multilateral sources. This will ease pressure on SBP reserves while settling any default concerns, thus dampening volatility in money, foreign exchange and stock markets.

Bank's Performance

Financial Highlights

Key Balance Sheet Numbers

	Rs. in million		
	June '22	December '21	Growth %
Investment	378,079	357,471	5.8%
Financing	474,332	396,295	19.7%
Total Assets	997,683	869,612	14.7%
Deposits	722,404	644,089	12.2%

Profit & Loss Account

	Rs. in million		
	June '22	June '21	Growth %
Total Revenue	20,661	16,191	27.6%
Non-Markup Expenses	12,391	9,656	28.3%
Profit before tax and provisions	8,269	6,534	26.6%
Provisions / (Reversal)	(406)	(12)	3283.3%
Profit before tax	8,675	6,546	32.5%
Tax	4,293	2,526	70.0%
Profit after tax	4,382	4,020	9.0%
Earnings per share (Rupees)	2.89	2.65	

Net markup income at PKR 16,236 million registered impressive growth of 36.3% over corresponding period. The increase in net markup income is a result of robust growth of PKR 57 billion or 26.6% in current deposits from June 30, 2021. Non markup income at PKR 4,424 million higher by 3.5% than the corresponding period. Excluding loss on securities, non-markup income showed robust growth of 35.8%.

Rising inflation, PKR devaluation against USD and increase in branch network led to an increase of PKR 2,734 million or 28.3% in non-markup expenses. Net provisions for the half year ended June 30, 2022 reflected reversal of PKR 406 million as against reversal of PKR 12 million in the corresponding period of last year. Accordingly profit before tax for the period ended June 30, 2022 at PKR 8,675 million was 32.5% higher than corresponding period last year. In the last budget the tax rate on the banking sector was increased from 39% to 49% resultantly tax charge at PKR 4,293 million was higher by 70%. Despite higher taxation, Profit after tax at PKR 4,328 million was 9% higher than the corresponding period last year.

On the balance sheet side deposits grew by 12% to PKR 722 billion. The Bank concentrated on mobilising low-cost deposits during the half year and resultantly there was a growth of PKR 74.5 billion in CASA deposits. Advances increased by 19.7% from December '21 level to PKR 474 billion. Liquidity generated from borrowings from financial institutions was invested in government securities, as a result investment are higher by 5.8 % at PKR 378 billion. Total assets of the Bank were at PKR 997.7 billion as at June 30, 2022 registering a strong growth of 14.7%.

Outlook

As per our strategic plan, we will Insha'Allah apply to SBP for issuance of Islamic banking license later during the year. Subsequent to the period end, we have successfully converted 4 more branches; the Bank now has only one conventional branch left.

We will continue to invest in network expansion and are planning to open another 67 branches this year. The Bank will continue to work towards bringing efficiencies, increasing deposit growth and improving quality of customer service. Alongside investment in branch infrastructure, the Bank is focused on providing innovative digital solutions and will continue to invest in modern technologies to improve digital offerings and customer experience.

Credit Rating:

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

Long-Term	AA
Short-Term	A1+

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

Subsequent Events

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

Acknowledgement

On behalf of the Board and 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 25, 2022 and signed by the Chief Executive Officer and a director.

President & CEO

Chairman

Karachi

Dated: August 25, 2022

طویل الميعاد: AA

قليل الميعاد: A1+

مذكوره بالا كريڈ رينگ اينجينيز نے مستحکم حالت کی درجہ بندی تفويض کی ہے۔

بعد ازاں رپورٹنگ کے واقعات

شماہی کے اختتام سے ليکراس رپورٹ کی تاریخ کے درميان بينک کی مالی پوزيشن کو خاطر خواه طور پر متاثر کرنے والی کوئی تبدیلی یا معاہدہ نہیں ہوا ہے۔

توثیقي بيان

ہم بورڈ اور بينک انتظامیہ کی جانب سے حصص مالکان اور اپنے قابل قدر صارفین کا شکریہ ادا کرنا چاہتے ہیں کہ انھوں نے بينک پر اپنے اعتماد کا اظہار کیا ہے۔ تعاون اور رہنمائی کا سلسلہ جاری رکھنے پر ہم بينک دولت پاکستان اور سيکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کے بھی شکر گزار 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 آڈٹ اور کارپوریٹ گورننس کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 25 اگست 2022 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۔

چیئرمین

صدر اور سی ای او

کراچی

25 اگست، 2022

مہنگائی میں اضافے، امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی اور برانچ نیٹ ورک میں توسیع کے باعث نان مارک اپ اخراجات 28.3 فیصد اضافہ کے ساتھ 2,734 ملین روپے تک جا پہنچے۔ 30 جون 2022 کو ختم شدہ ششماہی کے لیے نیٹ پروویڈنز کی مد میں 406 ملین روپے قرضوں کی واپسی ہوئی جو کہ گزشتہ سال اسی مدت کے دوران 12 ملین روپے تھی۔ اسی طرح 30 جون، 2022 کو ختم شدہ ششماہی کے لیے قبل از محصول منافع گزشتہ سال اسی عرصے کے مقابلے میں 32.5 فیصد اضافے کے ساتھ 8,675 ملین روپے رہا۔ گزشتہ بجٹ میں بینکنگ سیکٹر پر ٹیکس کی شرح 39 فیصد سے بڑھا کر 49 فیصد کر دی گئی جس کے نتیجے میں ٹیکس وصولی 70 فیصد زیادہ یعنی 4,293 ملین ہوئی۔ زیادہ ٹیکس وصولی کے باوجود، بعد از محصول منافع گزشتہ سال اسی عرصے کے مقابلے میں 9 فیصد اضافے کے ساتھ 4,328 ملین روپے رہا۔

بیلنس شیٹ میں ڈپازٹس 12% اضافے کے ساتھ 722 ارب روپے تک جا پہنچے ہیں۔ بینک نے ششماہی کے دوران ڈپازٹس کے اخراجات کم کرنے پر دھیان دیا اور نتیجے میں CASA ڈپازٹس میں 74.5 ارب روپے کا اضافہ دیکھنے میں آیا۔ بینک ایڈوانسز دسمبر 21 کی سطح سے 19.7 فیصد اضافے کے ساتھ 474 ارب روپے رہے۔ مالیاتی اداروں کی جانب سے حاصل شدہ قرضہ جات کی حکومتی سیکورٹیز میں سرمایہ کاری کی گئی، نتیجتاً سرمایہ کاری میں 5.8% اضافہ ہوا جو کہ 378 ارب روپے رہی۔ اسی طرح، 30 جون 2022 کو بینک کے کل اثاثہ جات 14.7% کے شاندار اضافے کے ساتھ 997.7 ارب روپے ریکارڈ کیے گئے۔

مستقبل پر نظر

ہماری کاروباری منصوبہ بندی کے مطابق، ہم رواں سال کے دوران انشاء اللہ اسٹیٹ بینک آف پاکستان میں اسلامی بینکاری لائسنس کے لیے درخواست دیں گے۔ ہم نے اس سال مزید 4 شاخوں کو اسلامی بینکاری کی شاخوں میں تبدیل کر دیا ہے، اس طرح اب بینک کی صرف ایک Conventional شاخ رہ گئی ہے۔

ہم اپنے نیٹ ورک میں توسیع کو جاری رکھیں گے اور رواں سال مزید 67 نئی شاخیں کھولنے کی منصوبہ بندی کر رہے ہیں۔ بینک اپنی کارکردگی کو موثر بنانے، ڈپازٹس میں اضافے اور صارفین کی خدمت کا معیار بہتر بنانے میں مصروف عمل رہے گا۔ اس کے علاوہ برانچ انفراسٹرکچر میں سرمایہ کاری کے ساتھ ساتھ بینک کی توجہ جدید ڈیجیٹل بینکاری کی سہولیات فراہم کرنے پر بھی مرکوز ہے اور ہم جدید ٹیکنالوجیز کے ذریعے صارفین تک ڈیجیٹل خدمات کی دستیابی اور فروغ کے تسلسل کو بھی جاری رکھیں گے۔

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:

بینک کی کارکردگی

مالیاتی جھلکیاں:

بیلنس شیٹ

(ملین روپے)			
نمو	دسمبر ۲۰۲۱ء	جون ۲۰۲۲ء	
سرمایہ کاری	357,471	378,079	5.8 فیصد
فنانسنگ	396,295	474,332	19.7 فیصد
کل اثاثہ جات	869,612	997,683	14.7 فیصد
ڈپازٹس	644,089	722,404	12.2 فیصد

(ملین روپے)

نفع اور نقصان اکاؤنٹ			
نمو	جون ۲۰۲۱ء	جون ۲۰۲۲ء	
مجموعی آمدنی	16,191	20,661	27.6 فیصد
مارک اپ کے علاوہ اخراجات	9,656	12,391	28.3 فیصد
منافع قبل از ٹیکس اور پروویژن	6,534	8,269	26.6 فیصد
نیٹ پروویژن	(12)	(406)	3283.3 فیصد
منافع قبل از ٹیکس	6,546	8,675	32.5 فیصد
ٹیکسز	2,526	4,293	70.0 فیصد
منافع بعد از ٹیکس	4,020	4,382	9.0 فیصد
فی حصص آمدن (روپے)	2.65	2.89	

گزشتہ سال اسی عرصے کے مقابلے میں 36.3 فیصد شاندار اضافے کے ساتھ مارک اپ سے خالص آمدنی 16,236 ملین روپے رہی۔ گزشتہ سال اسی عرصے کے مقابلے میں نان مارک اپ آمدنی 3.5 فیصد اضافے کے ساتھ 4,424 ملین روپے رہی۔ سیکورٹیز پر نقصان کے علاوہ نان مارک اپ آمدنی میں 35.8 فیصد کا زبردست اضافہ رہا۔

ریٹ 15.00 ہے، اس اضافے کی وجوہات میں عالمی سطح پر معیشت کو درپیش انتہائی کٹھن مشکلات کو کم کرنے کی کوشش بتائی گئی ہے۔ معاشی اعتبار سے اس کی بدولت معاشی سرگرمیوں کی بحالی، افراط زر میں متوقع اضافے پر قابو پانے کے علاوہ کئی برسوں سے جاری مہنگائی اور درآمدات میں ریکارڈ اضافے اور روپے کی قدر میں کمی پر قابو پانے میں مدد ملے گی۔ مالی سال 2022 کے افراط زر کا تناسب 12.2 فیصد رہنے کا امکان ہے کیونکہ جون کے مہینے میں افراط زر کا ماہانہ تناسب 21.32 فیصد ریکارڈ کیا گیا۔ اسٹیٹ بینک آف پاکستان نے مالی سال 23 کے لیے متوقع افراط زر 18 سے 20 فیصد کے درمیان رہنے کی توقع ظاہر کی ہے۔ بیرونی طور پر، دنیا کی بڑی معیشتوں کے مرکزی بینکوں کی جانب سے مہنگائی کو کم کرنے کے لیے اٹھائے گئے ابتدائی اقدامات کی وجہ سے بلوم برگ کموڈٹی انڈیکس جون کی شروعات میں 15.46 فیصد تک تنزلی کا شکار ہو کر 116.45 کی کم ترین سطح پر پہنچ گیا۔

اسٹیٹ بینک آف پاکستان (SBP) کے مطابق مالی سال 2022 کا تجارتی خسارہ 44.77 ارب امریکی ڈالر تک جا پہنچا ہے اور برآمدات میں 24.8 فیصد تک اضافہ (39.42 ارب امریکی ڈالر) جبکہ درآمدات میں 34.2 فیصد اضافہ (84.19 ارب امریکی ڈالر) ریکارڈ کیا گیا۔ مالی سال 2022 میں محنت کشوں کی جانب سے بھیجی گئی رقوم میں سالانہ بنیادوں پر 6.1 فیصد تک اضافہ ریکارڈ کیا گیا۔ مالی سال 2022 کے لیے کرنٹ اکاؤنٹ خسارہ 17.4 ارب امریکی ڈالر ریکارڈ کیا گیا۔ سیاسی اور معاشی غیر یقینی صورتحال کی وجہ سے، ایک امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں مسلسل کمی ریکارڈ کی گئی اور مالی سال 2022 میں روپے کی 29.76 فیصد ناقدری ہوئی، یعنی امریکی ڈالر کے مقابلے میں روپے کی قیمت 157.87 روپے سے مسلسل اضافے کے ساتھ 204.85 روپے کی بلند ترین سطح تک پہنچ گئی۔ رواں سہ ماہی کے اختتام پر اسٹیٹ بینک کے غیر ملکی ذخائر نومبر 2019 سے اب تک اپنی نچلی ترین سطح یعنی 9,816 بلین امریکی ڈالر رہ گئے۔

عالمی معیشت کو مہنگائی میں اضافے کا سامنا رہا۔ روس کی جانب سے یوکرین کے خلاف جنگ اور روپائی صورتحال کے باعث آمدورفت میں رکاوٹوں کے نتیجے میں توانائی اور اشیائے خورد و نوش کی قیمتوں میں اضافہ مہنگائی کے دباؤ کے اہم اسباب رہے۔ آئی ایم ایف نے امید ظاہر کی ہے کہ بین الاقوامی معیشت 2021 میں 5.5 فیصد کے مقابلے میں اس سال 3.2 فیصد تک سست روی کا شکار رہ سکتی ہے۔ حکومت کی جانب سے آئی ایم ایف کے ساتھ اسٹاف کی سطح پر معاہدے کے باوجود پاکستان کی معیشت مقامی طور پر غیر یقینی سیاسی صورتحال اور غیر ملکی زرمبادلہ کے ذخائر میں کمی کے نتیجے میں یورو بانڈ کی آمدنی پر دباؤ رہے گا۔ پاکستانی روپے کی قدر میں بہت زیادہ کمی کے باعث ایس اینڈ پی گلوبل ریٹنگ نے بھی آؤٹ لک پر نظر ثانی کی ہے اور پاکستان کے لیے طویل مدتی ریٹنگ ”مستحکم“ کو تبدیل کر کے ”ضعیف“ تفویض کر دی ہے۔ امید ہے کہ پاکستان کو بہت جلد قرضہ مل جائے گا اور آئی ایم ایف کے علاوہ باہمی اور کثیر بنیادی وسائل سے فنڈز کی دستیابی کے بعد امریکی ڈالر کے مقابلے میں روپے کی قدر بھی مستحکم ہوگی۔ اس طرح اسٹیٹ بینک آف پاکستان کے ذخائر پر دباؤ کم ہوگا جبکہ ناندھنگی کے خطرات بھی کم ہوں گے، ملکی ذخائر، غیر ملکی زرمبادلہ اور اسٹاک مارکیٹوں میں بہتری آئے گی۔

ڈائریکٹرز کا جائزہ

ان کنسولیدیٹڈ مالیاتی گوشواروں پر ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی طرف سے فیصل بینک لمیٹڈ ("ایف بی ایل" یا "دی بینک") کی ڈائریکٹرز رپورٹ غیر آڈٹ شدہ عبوری مالیاتی گوشواروں کے ساتھ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

کمپنی پروفائل

فیصل بینک لمیٹڈ (FBL) کا قیام پاکستان میں 3 اکتوبر، 1994 کو ایک پبلک لمیٹڈ کمپنی کے طور پر عمل میں آیا اور اس کے شیئرز کا اندراج پاکستان اسٹاک ایکسچینج میں ہے۔ فیصل بینک لمیٹڈ اپنے تمام کسٹمرز یعنی ریٹیل، سمال اینڈ میڈیم سائزڈ انٹرپرائزز، کمرشل ایگری بیٹڈ اور کارپوریٹ شعبہ جات میں جدید بینکاری کی وسیع ترین خدمات فراہم کرتا ہے۔

فیصل بینک کی ملک بھر کے 223 سے زائد شہروں میں 633 شاخیں ہیں۔ فیصل بینک لمیٹڈ کو مکمل اسلامی بینک میں تبدیل کرنے کی حکمت عملی کے تحت ان شاخوں میں سے 99 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، جو بالواسطہ اور بلا واسطہ طور پر بینک کے 66.78 فیصد (2021 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

پاکستانی حکومت اور انٹرنیشنل مانیٹری فنڈ (IMF) کے درمیان اسٹاف لیول پر پاکستان کے لیے ایکسٹینڈیڈ فینڈنس لیٹی (EFF) پر ساتویں اور آٹھویں مشترکہ نظر ثانی کا عمل مکمل کرنے کا معاہدہ ہوا ہے۔ یہ معاہدہ آئی ایم ایف کے ایگزیکٹو بورڈ کی منظوری سے مشروط ہے، جو کہ 24 اگست، 2022 کو منعقد ہوگا تاکہ پاکستان کو 1,117 ملین امریکی ڈالر (894 ملین سعودی ریال) مل سکیں۔ مانیٹری پالیسی کمیٹی (MPC) نے مورخہ 7 جولائی 2022 کو اپنے اجلاس میں 125 بیسس پوائنٹس بڑھا کر پالیسی

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, 2022 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, 2022 and June 30, 2021 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 29, 2022

UDIN: RR202210061UxgKlumLv

Condensed Interim Unconsolidated Statement of Financial Position

As at June 30, 2022

	Note	Un-audited June 30, 2022	Audited December 31, 2021
		----- Rupees '000 -----	
ASSETS			
Cash and balances with treasury banks	9	69,848,435	58,516,627
Balances with other banks	10	7,192,443	3,517,282
Lendings to financial institutions		-	-
Investments	11	378,079,417	357,471,437
Advances	12	474,331,995	396,295,362
Fixed assets	13	27,157,253	26,337,967
Intangible assets	14	1,759,068	1,743,445
Deferred tax assets	19	-	-
Other assets	15	39,314,286	25,730,086
		997,682,897	869,612,206
LIABILITIES			
Bills payable	16	14,465,132	14,122,901
Borrowings	17	153,531,098	111,189,829
Deposits and other accounts	18	722,404,116	644,089,308
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	19	857,595	592,332
Other liabilities	20	38,797,719	33,794,514
		930,055,660	803,788,884
NET ASSETS		67,627,237	65,823,322
REPRESENTED BY			
Share capital		15,176,965	15,176,965
Reserves		12,568,441	12,613,183
Surplus on revaluation of assets - net	21	5,993,522	7,061,583
Unappropriated profit		33,888,309	30,971,591
		67,627,237	65,823,322
CONTINGENCIES AND COMMITMENTS			
	22		

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

For the half year ended June 30, 2022

		Quarter ended		Half year ended	
	Note	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Rupees '000					
Mark-up / return / interest earned	24	23,511,530	12,471,899	40,813,810	24,493,924
Mark-up / return / interest expensed	25	14,457,338	5,995,174	24,577,782	12,578,303
Net mark-up / interest income		9,054,192	6,476,725	16,236,028	11,915,621
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	1,745,132	1,290,839	3,229,374	2,432,150
Dividend income		229,267	154,707	347,560	243,834
Foreign exchange income		859,923	513,720	1,429,045	1,025,768
Income / (loss) from derivatives		45,270	(13,438)	49,898	(44,875)
(Loss) / gain on securities	27	(650,646)	38,176	(770,645)	450,243
Other income	28	56,692	65,151	139,268	167,778
Total non mark-up / interest income		2,285,638	2,049,155	4,424,500	4,274,898
Total income		11,339,830	8,525,880	20,660,528	16,190,519
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	6,315,873	4,910,305	12,207,338	9,518,540
Workers Welfare Fund		105,476	57,555	179,029	133,812
Other charges	30	2,328	4,136	4,714	4,141
Total non mark-up / interest expenses		6,423,677	4,971,996	12,391,081	9,656,493
Profit before provisions		4,916,153	3,553,884	8,269,447	6,534,026
(Reversal of provisions and write-offs) / provisions and write-offs - net	31	(259,043)	521,180	(405,657)	(11,548)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,175,196	3,032,704	8,675,104	6,545,574
Taxation	32	2,926,408	1,116,122	4,293,332	2,525,752
PROFIT AFTER TAXATION		2,248,788	1,916,582	4,381,772	4,019,822
Rupees					
Basic / diluted earnings per share	33	1.48	1.26	2.89	2.65

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

For the half year ended June 30, 2022

	Quarter ended		Half year ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	Rupees '000			
Profit after taxation for the period	2,248,788	1,916,582	4,381,772	4,019,822
Other comprehensive (loss) / income				
<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	(466,378)	331,977	(1,016,015)	(217,660)
Total comprehensive income	<u>1,782,410</u>	<u>2,248,559</u>	<u>3,365,757</u>	<u>3,802,162</u>

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Condensed Interim Unconsolidated Statement of Changes in Equity

For the half year ended June 30, 2022

Share capital	Reserves					Surplus / (deficit) on revaluation of			Unappropriated profit	Total	
	Capital reserves			Statutory reserve	Total	Investments	Fixed assets / non-banking assets	Total			
	Share premium	Non-distributable capital reserve (NCR) - gain on bargain purchase	Reserve arising on amalgamation								
Rupees '000											
Balance as at January 1, 2021 (Audited)	15,176,965	10,131	375,518	23,952	10,623,046	11,032,647	1,778,725	7,248,748	9,027,473	24,870,347	60,107,432
Profit after taxation for the half year ended June 30, 2021	-	-	-	-	-	-	-	-	-	4,019,822	4,019,822
Other comprehensive loss - net of tax	-	-	-	-	-	-	(217,660)	-	(217,660)	-	(217,660)
Total comprehensive (loss) / income	-	-	-	-	-	-	(217,660)	-	(217,660)	4,019,822	3,802,162
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(58,112)	(58,112)	58,112	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(182,538)	(182,538)	182,538	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	(25,047)	-	-	(25,047)	-	-	-	-	(25,047)
Balance as at June 30, 2021 (Un-audited)	15,176,965	10,131	350,471	23,952	10,623,046	11,007,600	1,561,065	7,008,098	8,569,163	29,130,819	63,884,547
Profit after taxation for the period from July 1, 2021 to December 31, 2021	-	-	-	-	-	-	-	-	-	4,133,358	4,133,358
Other comprehensive (loss) / income - net of tax	-	-	-	-	-	-	(1,449,466)	-	(1,449,466)	38,784	(1,410,682)
Total comprehensive (loss) / income	-	-	-	-	-	-	(1,449,466)	-	(1,449,466)	4,172,142	2,722,676
Transfer to statutory reserve	-	-	-	-	1,630,636	1,630,636	-	-	-	(1,630,636)	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(58,113)	(58,113)	58,113	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(1)	(1)	1	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	(25,053)	-	-	(25,053)	-	-	-	-	(25,053)
Transaction with owners recorded directly in equity Interim cash dividend declared on August 26, 2021 at Re 0.5 per share	-	-	-	-	-	-	-	-	-	(758,848)	(758,848)
Balance as at December 31, 2021 (Audited)	15,176,965	10,131	325,418	23,952	12,253,682	12,613,183	111,599	6,949,984	7,061,583	30,971,591	65,823,322
Profit after taxation for the half year ended June 30, 2022	-	-	-	-	-	-	-	-	-	4,381,772	4,381,772
Other comprehensive loss - net of tax	-	-	-	-	-	-	(1,016,015)	-	(1,016,015)	-	(1,016,015)
Total comprehensive (loss) / income	-	-	-	-	-	-	(1,016,015)	-	(1,016,015)	4,381,772	3,365,757
Transaction with owners recorded directly in equity Final cash dividend - Rs 1 per share declared subsequent to the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	(1,517,100)	(1,517,100)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(52,046)	(52,046)	52,046	-
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	-	-	-	-
Amortisation of intangible assets - customer relationship - net of tax	-	-	(44,742)	-	-	(44,742)	-	-	-	-	(44,742)
Balance as at June 30, 2022 (Un-audited)	15,176,965	10,131	280,676	23,952	12,253,682	12,568,441	(904,416)	6,897,938	5,993,522	33,888,309	67,627,233

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the half year ended June 30, 2022

	Note	June 30, 2022	June 30, 2021
----- Rupees '000 -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,675,104	6,545,574
Less: dividend income		(347,560)	(243,834)
		8,327,544	6,301,740
Adjustments:			
Depreciation on owned fixed assets	29	698,644	677,158
Amortisation of intangible assets	29	89,743	63,180
Depreciation on right-of-use assets	29	770,959	766,439
Depreciation on non-banking assets	29	2,483	2,483
Workers Welfare Fund		179,029	133,812
(Reversal of provision) / provision against loans and advances - net	31	(191,958)	506,889
Reversal of provision for diminution in value of investments - net	31	(79,448)	(316,391)
Reversal of provision against other assets - net	31	(30,336)	-
Reversal of provision against off balance sheet obligations - net	31	(5,520)	(22,645)
Unrealised (gain) / loss on securities - held for trading - net	27	(22,089)	24,373
Gain on sale of fixed assets - net	28	(26,378)	(14,131)
Gain on sale of non-banking assets - net	28	-	(47,487)
Charge for defined benefit plan		118,380	105,429
(Income) / loss from derivative contracts - net		(49,898)	44,875
Mark-up / return / interest expensed - lease liability against right-of-use assets	25	563,240	716,959
Bad debts written off directly	31	137,666	18,548
		2,154,517	2,659,491
		10,482,061	8,961,231
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	(4,515,000)
Held-for-trading securities		12,059,163	(49,705,537)
Advances		(77,982,341)	(26,032,487)
Others assets (excluding advance taxation)		(13,481,065)	2,680,009
		(79,404,243)	(77,573,015)
Increase / (decrease) in operating liabilities			
Bills payable		342,231	372,205
Borrowings from financial institutions		41,681,724	25,012,152
Deposits		78,314,808	51,214,576
Other liabilities (excluding current taxation)		4,665,274	(5,195,067)
		125,004,037	71,403,866
Income tax paid		(3,339,030)	(2,617,748)
Contribution to gratuity fund		(118,380)	(105,429)
Net cash generated from operating activities		52,624,445	68,905
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(34,876,413)	(2,196,203)
Net (investment) / divestment in associates		(392,586)	200,000
Net divestment in held-to-maturity securities		933,750	1,020,002
Dividends received		322,176	174,223
Investment in operating fixed assets		(1,735,527)	(841,098)
Investment in intangible assets		(146,433)	(160,774)
Proceeds from sale of fixed assets		29,527	15,266
Proceeds from sale of non-banking assets		-	468,837
Net cash used in investing activities		(35,865,506)	(1,319,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(917,819)	(867,504)
Dividend paid		(1,493,696)	(25)
Net cash used in financing activities		(2,411,515)	(867,529)
Increase / (decrease) in cash and cash equivalents during the period			
		14,347,424	(2,118,371)
Cash and cash equivalents at the beginning of the period		59,488,711	61,126,505
Cash and cash equivalents at the end of the period		73,836,135	59,008,134

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

For the half year ended June 30, 2022

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 633 branches (December 31, 2021: 606 branches) including 2 sub-branches (December 31, 2021: 2). Out of these, 628 (December 31, 2021: 595) are Islamic banking branches and 5 (December 31, 2021: 11) are conventional.

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

Ithmaar Bank B.S.C (closed), a fully owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2021: 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, 2021: 'AA') and the short term rating as 'A1+' (December 31, 2021: 'A1+') on June 25, 2022 and June 30, 2022 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 38 to these condensed interim unconsolidated financial statements.
- 2.3** The Bank has a controlling interest in Faysal Asset Management Limited (FAML) and is required to prepare the 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 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, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

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

For the half year ended June 30, 2022

- 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, 2022, the Bank has adjusted amortisation of intangible assets net of tax amounting to Rs. 44.742 million (period ended June 30, 2021: Rs. 25.047 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 unconsolidated financial statements for the year ended December 31, 2021.
- 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 have become applicable for the Bank's accounting periods beginning on January 1, 2022 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, 2023*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2024
- IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023
- IAS 12 - 'Income taxes' (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. 03 of 2022 dated July 05, 2022 has deferred the applicability of IFRS 9, 'Financial Instruments' to accounting periods beginning on or after January 1, 2023 and has also issued detailed application guidelines for implementation of IFRS 9. 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. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is currently being assessed based on the detailed application guidelines issued by the SBP.

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 audited unconsolidated financial statements of the Bank for the year ended December 31, 2021.

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

For the half year ended June 30, 2022

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 costs) and depreciated over the respective lease terms.

6 FUNCTIONAL AND PRESENTATION CURRENCY

6.1 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.

6.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

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 audited unconsolidated financial statements of the Bank for the year ended December 31, 2021.

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, 2021.

9 CASH AND BALANCES WITH TREASURY BANKS

Un-audited June 30, 2022	Audited December 31, 2021
----- Rupees '000 -----	

In hand

- local currency
- foreign currencies

15,386,980	13,697,293
1,335,015	1,506,351
16,721,995	15,203,644

With State Bank of Pakistan in

- local currency current accounts
- foreign currency current accounts
- foreign currency deposit accounts

39,378,465	28,507,227
2,519,614	2,303,501
5,160,030	4,256,376
47,058,109	35,067,104

With National Bank of Pakistan in

- local currency current accounts

6,052,453	8,139,477
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Prize bonds

15,878	106,402
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69,848,435	58,516,627
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10 BALANCES WITH OTHER BANKS

In Pakistan

- in current accounts

1,680,113	2,037,104
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Outside Pakistan

- in current accounts
- in deposit accounts

5,295,192	1,321,316
217,138	158,862
7,192,443	3,517,282

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

For the half year ended June 30, 2022

11 INVESTMENTS

11.1 Investments by type:

Note	Un-audited				Audited			
	June 30, 2022				December 31, 2021			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- Rupees '000 -----								
Held-for-trading securities								
Federal Government securities	84,795	-	(48)	84,747	11,649,925	-	2,128	11,652,053
Shares	122,507	-	13,471	135,978	616,540	-	(10,794)	605,746
	207,302	-	13,423	220,725	12,266,465	-	(8,666)	12,257,799
Available-for-sale securities								
Federal Government securities	313,106,112	-	(2,764,305)	310,341,807	276,556,257	-	(1,425,857)	275,130,400
Shares	11,969,291	1,335,086	(1,272,389)	9,361,816	10,697,994	1,376,309	(903,843)	8,417,842
Non Government debt securities	48,002,275	519,292	2,450,000	49,932,983	50,947,014	557,516	2,512,649	52,902,147
	373,077,678	1,854,378	(1,586,694)	369,636,606	338,201,265	1,933,825	182,949	336,450,389
Held-to-maturity securities								
Non Government debt securities	7,314,521	1,518,161	-	5,796,360	8,248,271	1,518,162	-	6,730,109
	7,314,521	1,518,161	-	5,796,360	8,248,271	1,518,162	-	6,730,109
Associates *								
Faysal Islamic Stock Fund	125,000	-	-	125,000	-	-	-	-
Faysal Savings Growth Fund	693,353	-	-	693,353	893,247	-	-	893,247
Faysal Stock Fund	467,480	-	-	467,480	-	-	-	-
	1,285,833	-	-	1,285,833	893,247	-	-	893,247
Subsidiary *								
Faysal Asset Management Limited	1,139,893	-	-	1,139,893	1,139,893	-	-	1,139,893
Total Investments - net	383,025,227	3,372,539	(1,573,271)	378,079,417	360,749,141	3,451,987	174,283	357,471,437

* related parties

11.2 Investments given as collateral

	Un-audited June 30, 2022	Audited December 31, 2021
----- Rupees '000 -----		
- Market Treasury Bills	6,229,606	19,760,221
- Pakistan Investment Bonds	47,623,300	-
- Ijarah Sukuks	9,993,000	-
	63,845,906	19,760,221

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

For the half year ended June 30, 2022

	Un-audited June 30, 2022	Audited December 31, 2021
----- Rupees '000 -----		
11.3 Provision for diminution in value of investments		
11.3.1 Opening balance	3,451,987	3,777,288
Charge / (reversals)		
Charge for the period / year	8,204	-
Reversals for the period / year	(38,225)	(12,724)
Reversals on disposals for the period / year	(49,427)	(312,577)
	(79,448)	(325,301)
Closing balance	3,372,539	3,451,987

11.3.2 Particulars of provision against debt securities

	Un-audited June 30, 2022		Audited December 31, 2021	
Category of classification	Non-performing investments	Provision	Non-performing investments	Provision
----- Rupees '000 -----				
Domestic				
- Loss	2,037,453	2,037,453	2,075,678	2,075,678

11.4 The market value of non government debt securities classified as held-to-maturity as at June 30, 2022 amounted to Rs. 5,796 million (December 31, 2021: Rs. 6,755 million).

11.5 Investment in subsidiary and associates

Note	As at June 30, 2022				For the half year ended June 30, 2022				
	Country of incorporation	% Holding	Assets	Liabilities	Revenue / (loss)	Profit / (loss)	Total comprehensive income / (loss)		
----- Rupees '000 -----									
Associates									
	Faysal Savings Growth Fund	Pakistan	28.32	2,419,396	35,839	157,617	127,095	127,095	
	Faysal Stock Fund	Pakistan	32.58	1,195,993	18,098	(255,582)	(304,632)	(304,632)	
	Faysal Islamic Stock Fund	Pakistan	20.31	511,918	6,590	(59,976)	(74,143)	(74,143)	
Subsidiary									
	Faysal Asset Management Limited	11.5.1	Pakistan	99.99	1,474,602	163,180	341,428	142,284	142,284

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

For the half year ended June 30, 2022

As at December 31, 2021				For the half year ended June 30, 2021		
Country of incorporation	% Holding	Assets	Liabilities	Revenue	Profit / (loss)	Total comprehensive income / (loss)
Rupees '000						

Associates

Faysal Savings Growth Fund	Pakistan	28.65	3,195,364	80,211	99,703	70,673	70,673
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Subsidiary

Faysal Asset Management Limited	Pakistan	99.99	1,346,121	176,982	267,013	115,447	115,447
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11.5.1 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. During the six months period ended June 30, 2022, the Company has obtained additional license from Securities and Exchange Commission of Pakistan (SECP) to carry out venture Capital and REIT management services.

12 ADVANCES

Note	Performing		Non-performing		Total	
	Un-audited June 30, 2022	Audited December 31, 2021	Un-audited June 30, 2022	Audited December 31, 2021	Un-audited June 30, 2022	Audited December 31, 2021
Rupees '000						
Loans, cash credits, running finances, etc.	33,558,687	42,476,315	17,962,882	19,036,593	51,521,569	61,512,908
Islamic financing and related assets	437,793,617	350,461,085	4,226,718	3,913,046	442,020,335	354,374,131
Bills discounted and purchased	302,597	441,181	515,862	457,257	818,459	898,438
Advances - gross	471,654,901	393,378,581	22,705,462	23,406,896	494,360,363	416,785,477
Provision against advances	12.3					
- specific	-	-	(19,043,245)	(19,544,542)	(19,043,245)	(19,544,542)
- general	(985,123)	(945,573)	-	-	(985,123)	(945,573)
	(985,123)	(945,573)	(19,043,245)	(19,544,542)	(20,028,368)	(20,490,115)
Advances - net of provision	470,669,778	392,433,008	3,662,217	3,862,354	474,331,995	396,295,362

12.1 Particulars of advances (gross)

	Un-audited June 30, 2022	Audited December 31, 2021
Rupees '000		
- in local currency	493,880,550	414,316,390
- in foreign currency	479,813	2,469,087
	494,360,363	416,785,477

12.2 Advances include Rs. 22,705 million (December 31, 2021: Rs. 23,407 million) which have been placed under non-performing status as detailed below:-

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

For the half year ended June 30, 2022

Category of classification	Un-audited June 30, 2022		Audited December 31, 2021	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees '000				
Domestic				
- other assets especially mentioned	241,940	150	263,776	64
- substandard	735,729	83,150	1,366,413	117,909
- doubtful	845,184	231,704	595,141	215,372
- loss	20,882,609	18,728,241	21,181,566	19,211,197
Total	22,705,462	19,043,245	23,406,896	19,544,542

12.3 Particulars of provision against advances

	Un-audited June 30, 2022			Audited December 31, 2021		
	Specific	General	Total	Specific	General	Total
Rupees '000						
Opening balance	19,544,542	945,573	20,490,115	20,649,632	915,776	21,565,408
Exchange adjustments	116,969	-	116,969	48,119	-	48,119
Charge for the period / year	876,113	39,550	915,663	2,464,778	29,797	2,494,575
Reversals during the period / year	(1,107,621)	-	(1,107,621)	(1,690,139)	-	(1,690,139)
	(231,508)	39,550	(191,958)	774,639	29,797	804,436
Amounts written off	(386,758)	-	(386,758)	(1,927,848)	-	(1,927,848)
Closing balance	19,043,245	985,123	20,028,368	19,544,542	945,573	20,490,115

12.3.1 General provision represents provision maintained against fully secured performing portfolio of consumer finance and unsecured performing portfolio of consumer and small enterprise finance, as required by the Prudential Regulations issued by the SBP.

In addition to the requirements of the Prudential Regulations, the management has exercised prudence and maintained a general provision upto 1% of performing consumer portfolio as at June 30, 2022 amounting to Rs. 250 million.

12.3.2 As allowed by the SBP, the Bank has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,063 million (December 31, 2021: Rs 1,976 million) relating to advances while determining the provisioning requirement against non-performing financing as at June 30, 2022. The additional profit arising from availing the FSV benefit (net of tax) as at June 30, 2022 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,052 million (December 31, 2021: Rs 1,205 million).

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

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

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

12.3.4 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loans, 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.

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

For the half year ended June 30, 2022

	Note	Un-audited June 30, 2022	Audited December 31, 2021
		Rupees '000	
13 FIXED ASSETS			
Capital work-in-progress	13.1	2,898,023	1,640,844
Property and equipment		24,259,230	24,697,123
		27,157,253	26,337,967
13.1 Capital work-in-progress			
Civil works		699,148	287,365
Equipment		1,581,534	880,538
Furniture and fixture		251,293	124,286
Vehicles		48,776	33,289
Land and building		317,272	315,366
		2,898,023	1,640,844
		Un-audited For the half year ended June 30, 2022	
		June 30, 2021	
		Rupees '000	
13.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress		1,735,527	841,084
Property and equipment			
Building on leasehold land		5,332	-
Furniture and fixture		36,054	6,680
Electrical, office and computer equipment		378,929	505,620
Vehicles		-	16,470
Right-of-use assets - land and building		556,511	654,002
Leasehold land		2,568	-
Others		55,465	188,112
		1,034,859	1,370,884
Total		2,770,386	2,211,968
13.3 Disposal of fixed assets			
The net book value of fixed assets disposed of during the period is as follows:			
Furniture and fixture		96	49
Electrical, office and computer equipment		889	1,013
Vehicles		1,033	9
Others		1,131	64
Total		3,149	1,135
		Un-audited June 30, 2022	
		Audited December 31, 2021	
		Rupees '000	
14 INTANGIBLE ASSETS			
Capital work-in-progress	14.1	646,650	596,868
Computer software		620,007	613,101
Customer relationship		492,411	533,476
		1,112,418	1,146,577
Total		1,759,068	1,743,445
14.1 Capital work-in-progress			
Computer software		646,650	596,868

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

For the half year ended June 30, 2022

14.2 Additions to intangible assets

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

	Un-audited For the half year ended June 30, 2022	Un-audited June 30, 2021
Computer software - directly purchased	96,651	229,379

15 OTHER ASSETS

Note	Un-audited June 30, 2022	Audited December 31, 2021
	Rupees '000	
Income / mark-up accrued in local currency - net of provision	16,977,522	10,666,314
Income / mark-up accrued in foreign currencies - net of provision	15,812	4,524
Advances, deposits, advance rent and other prepayments	1,348,262	839,746
Non-banking assets acquired in satisfaction of claims	983,161	985,645
Mark to market gain on forward foreign exchange contracts	4,540,517	1,869,513
Fair value of derivative contracts	-	2,080
Acceptances	8,151,629	8,343,820
Credit cards and other products fee receivable	483,419	488,906
Receivable from brokers against sale of shares	921,789	370,970
Dividend receivable	100,732	75,348
Receivable from 1Link (Private) Limited	4,146,926	729,363
Rent and amenities receivable	2,621	22,006
Rebate receivable - net	134,728	22,668
Defined benefit plan asset	127,785	127,785
Others	433,390	265,741
	38,368,293	24,814,429
Less: provision held against other assets	(325,254)	(355,590)
Other assets - net of provision	38,043,039	24,458,839
Surplus on revaluation of non-banking assets acquired in satisfaction of claims - net	1,271,247	1,271,247
Other assets - total	39,314,286	25,730,086

15.1 Provision held against other assets

Dividend receivable	75,348	75,348
SBP penalties	50,473	51,050
Fraud forgery theft and account receivable	20,866	-
Security deposits	22,994	22,994
Others	155,573	206,198
	325,254	355,590

15.1.1 Movement in provision held against other assets

Opening balance	355,590	325,832
Charge for the period / year	-	29,758
Reversals during the period / year	(30,336)	-
	(30,336)	29,758
Amounts written off	-	-
Closing balance	325,254	355,590

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

For the half year ended June 30, 2022

	Un-audited June 30, 2022	Audited December 31, 2021
----- Rupees '000 -----		
16 BILLS PAYABLE		
In Pakistan	14,465,132	14,122,901
17 BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan (SBP)		
- under export refinance scheme - part I and II	223,152	614,152
- under long term financing facility	734,422	919,241
- under long term financing facility for renewable power energy (RPE)	669,870	717,788
- under scheme of financing facility for storage of agricultural produce	14,771	28,783
- under Islamic export refinance scheme - part I and II	30,404,634	30,993,655
- under refinance scheme for payment of wages and salaries	4,034,452	7,280,953
- under Islamic financing for renewable energy	6,612,086	5,973,187
- under Islamic long term financing facility	12,106,035	7,733,936
- under Islamic temporary economic refinance scheme	28,610,832	21,721,871
- under Islamic refinance facility for combating COVID-19	273,433	314,644
- under scheme of Islamic Rupee-based discounting facility under EFS/IERIS	965,105	-
- under Islamic refinance facility for storage of agricultural produce	228,898	145,956
- under Mudarabah based Open Market Operation (OMO)	9,774,340	-
	94,652,030	76,444,166
Repurchase agreement borrowings	54,224,749	19,730,756
Borrowing from other financial institution	1,449,576	467,156
Total secured	150,326,355	96,642,078
Unsecured		
Overdrawn nostro accounts	3,204,743	2,545,198
Musharaka acceptances	-	1,500,000
Other borrowings	-	10,502,553
Total unsecured	3,204,743	14,547,751
	153,531,098	111,189,829

18 DEPOSITS AND OTHER ACCOUNTS

	Un-audited June 30, 2022			Audited December 31, 2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees '000 -----						
Customers						
Current deposits	232,274,875	26,576,610	258,851,485	184,248,112	24,957,795	209,205,907
Savings deposits	211,161,743	22,405,246	233,566,989	206,181,337	19,665,122	225,846,459
Term deposits	156,101,708	1,241,841	157,343,549	144,979,760	1,950,361	146,930,121
Margin deposits	4,948,403	164,387	5,112,790	3,603,873	7,416	3,611,289
	604,486,729	50,388,084	654,874,813	539,013,082	46,580,694	585,593,776
Financial institutions						
Current deposits	7,553,336	48,197	7,601,533	1,739,947	30,445	1,770,392
Savings deposits	56,582,220	-	56,582,220	45,359,590	-	45,359,590
Term deposits	3,345,550	-	3,345,550	11,365,550	-	11,365,550
	67,481,106	48,197	67,529,303	58,465,087	30,445	58,495,532
	671,967,835	50,436,281	722,404,116	597,478,169	46,611,139	644,089,308

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

For the half year ended June 30, 2022

19	DEFERRED TAX (LIABILITIES) / ASSETS	Note	Un-audited June 30, 2022	Audited December 31, 2021
			Rupees '000	
	Taxable temporary differences on			
	- surplus on revaluation of fixed assets		1,494,663	1,527,939
	- surplus on revaluation of non-banking assets		14,113	14,113
	- surplus on revaluation of investments		-	71,350
	- fair value adjustment relating to net assets acquired upon amalgamation		211,737	208,056
	- accelerated tax depreciation		(42,116)	2,294
			1,678,397	1,823,752
	Deductible temporary differences on			
	- provision for diminution in the value of investments		11,850	(31,811)
	- provision against advances, off balance sheet etc.		(26,415)	(1,059,541)
	- provision against other assets		(123,959)	(140,068)
	- deficit on revaluation of investments		(682,278)	-
			(820,802)	(1,231,420)
			857,595	592,332
20	OTHER LIABILITIES			
	Mark-up / return / interest payable in local currency		4,185,489	2,567,306
	Mark-up / return / interest payable in foreign currencies		5,524	3,109
	Unearned commission and income on bills discounted		771,585	852,715
	Accrued expenses		2,333,901	2,409,168
	Acceptances	15	8,151,629	8,343,820
	Dividend payable including unclaimed dividends		75,824	52,420
	Mark to market loss on forward foreign exchange contracts		2,610,530	989,223
	Current taxation (provision less payments)		900,491	782,370
	Charity fund balance		1,215	1,273
	Provision against off-balance sheet obligations	20.1	99,374	104,894
	Security deposits against leases		132,702	189,725
	Withholding tax payable		148,950	95,756
	Federal excise duty payable		76,830	61,446
	Payable to brokers against purchase of shares		1,516,468	522,535
	Fair value of derivative contracts		1,330,262	966,691
	Payable related to credit cards and other products		334,265	276,092
	Lease liability against right-of-use assets		9,930,101	9,728,175
	Advance against disposal of assets		12,208	4,366
	Funds held as security		279,883	270,227
	Payable to 1Link (Private) Limited		41,885	78,572
	Insurance payable		64,617	92,807
	Clearing and settlement accounts		5,537,140	5,107,985
	Others		256,846	293,839
			38,797,719	33,794,514
20.1	Provision against off-balance sheet obligations			
	Opening balance		104,894	127,569
	Charge for the period / year		1,417	2,075
	Reversals during the period / year		(6,937)	(24,750)
			(5,520)	(22,675)
	Closing balance		99,374	104,894

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

For the half year ended June 30, 2022

		Un-audited June 30, 2022	Audited December 31, 2021
Note		Rupees '000	
21	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus / (deficit) on revaluation of:		
	- available for sale securities	(1,586,694)	182,949
	- fixed assets	7,135,465	7,220,789
	- non-banking assets acquired in satisfaction of claims	1,271,247	1,271,247
		6,820,018	8,674,985
	Deferred tax on surplus / (deficit) on revaluation of:		
	- available for sale securities	682,278	(71,350)
	- fixed assets	(1,494,661)	(1,527,939)
	- non-banking assets acquired in satisfaction of claims	(14,113)	(14,113)
		(826,496)	(1,613,402)
		5,993,522	7,061,583
22	CONTINGENCIES AND COMMITMENTS		
	Guarantees	22.1 37,873,975	34,644,920
	Commitments	22.2 255,307,221	266,894,554
	Other contingent liabilities	22.3 4,122,244	4,122,244
		297,303,440	305,661,718
22.1	Guarantees:		
	Financial guarantees	6,404,647	6,686,179
	Performance guarantees	11,630,105	9,614,460
	Other guarantees	19,839,223	18,344,281
		37,873,975	34,644,920
22.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	74,602,679	77,150,641
	Commitments in respect of:		
	- forward foreign exchange contracts	22.2.1 108,277,498	131,320,853
	- forward government securities transactions	22.2.2 55,587,209	19,884,976
	- derivatives - cross currency and interest rate swaps (notional principal)	22.2.3 1,349,727	6,681,964
	- extending credit (irrevocable)	22.5 15,202,928	31,655,235
	Commitments for acquisition of:		
	- operating fixed assets	129,485	115,530
	- intangible assets	157,695	85,355
		255,307,221	266,894,554
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	73,022,735	90,624,579
	Sale	35,254,763	40,696,274
		108,277,498	131,320,853
22.2.2	Commitments in respect of forward government securities transactions		
	Purchase	55,587,209	19,884,976
		55,587,209	19,884,976
22.2.3	Commitments in respect of derivatives		
	Sale	23 1,349,727	6,681,964

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

For the half year ended June 30, 2022

		Un-audited June 30, 2022	Audited December 31, 2021
	Note		
22.3 Other contingent liabilities			
----- Rupees '000 -----			
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	22.3.1	1,154,701	1,154,701
		<u>4,122,244</u>	<u>4,122,244</u>

22.3.1 Income tax assessments of the Bank have been finalised upto the tax year 2020 (accounting year ended December 31, 2019). Income tax return for tax year 2021 (accounting year ended December 31, 2020) has already been filed by the Bank 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, 2021: 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 year ended December 31, 2021, the ATIR passed an order and maintained the decision of the CIR(A) in favour of the Bank that gain on bargain purchase is not taxable. Subsequently, the department has challenged the order in Honorable High Court of Sindh. However, the management of the Bank is confident that 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.

22.4 There are certain claims against the Bank not acknowledged as debt amounting to Rs 29,736 million (December 31, 2021: Rs 30,799 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, 2021: 25,299 million) in respect of a suit filed against the Bank for declaration, recovery of monies, release of securities, rendition of account and damages.

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

22.5 Commitments to extend credits

The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facilities are unilaterally withdrawn except for Rs. 15,203 million (December 2021: Rs. 31,655 million) which are irrevocable in nature.

		Un-audited June 30, 2022	Audited December 31, 2021
23 DERIVATIVE INSTRUMENTS			
----- Rupees '000 -----			
Cross currency swaps (notional principal)		1,349,727	6,417,194
Interest rate swap (notional principal)		-	264,770

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

For the half year ended June 30, 2022

23.1 Product analysis

Counterparties	June 30, 2022 (Un-audited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
	Rupees '000			
With banks for				
Hedging	-	-	-	-
Market making	270,210	61,362	-	-
With other entities for				
Hedging	-	-	-	-
Market making	1,079,517	(80,799)	-	-
Total				
Hedging	-	-	-	-
Market making	1,349,727	(19,437)	-	-
Counterparties	December 31, 2021 (Audited)			
	Cross currency swaps		Interest rate swaps	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
	Rupees '000			
With banks for				
Hedging	-	-	-	-
Market making	2,682,872	(104,219)	264,770	2,080
With other entities for				
Hedging	-	-	-	-
Market making	3,734,322	(862,472)	-	-
Total				
Hedging	-	-	-	-
Market making	6,417,194	(966,691)	264,770	2,080
Un-audited				
For the half year ended				
	June 30, 2022		June 30, 2021	
	Rupees '000			

24 MARK-UP / RETURN / INTEREST EARNED

On:		
Loans and advances	20,852,996	13,417,488
Investments	19,268,909	10,804,559
Lendings to financial institutions	486,683	196,184
Balances with banks	668	143
Securities purchased under resale agreements	204,554	75,550
	<u>40,813,810</u>	<u>24,493,924</u>

25 MARK-UP / RETURN / INTEREST EXPENSED

On:		
Deposits	17,178,573	9,541,351
Securities sold under repurchase agreements	3,584,257	462,408
Other short term borrowings	86,818	24,763
SBP borrowings	765,998	461,870
Musharaka acceptances	246,788	99,952
Lease liability against right-of-use assets	563,240	716,959
Cost of foreign currency swaps against foreign currency deposits / borrowings	2,152,108	1,271,000
	<u>24,577,782</u>	<u>12,578,303</u>

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

For the half year ended June 30, 2022

		Un-audited	
		For the half year ended	
		June 30, 2022	June 30, 2021
		Rupees '000	
26	FEE AND COMMISSION INCOME		
	Branch banking customer fees	461,878	391,631
	Consumer finance related fees	284,686	249,999
	Card related fees (debit and credit cards)	1,447,906	907,927
	Credit related fees	5,919	16,980
	Investment banking fees	179,544	126,265
	Commission on trade	211,382	188,293
	Commission on guarantees	84,178	67,148
	Commission on cash management	44,647	37,914
	Commission on remittances including home remittances	291,115	166,898
	Commission on bancassurance	108,099	143,238
	Commission on sale of funds unit	72,700	98,832
	Others	37,320	37,025
		3,229,374	2,432,150
27	(LOSS) / GAIN ON SECURITIES		
	Realised - net	(792,734)	474,616
	Unrealised - held for trading - net	22,089	(24,373)
		(770,645)	450,243
27.1	Realised (loss) / gain on:		
	Federal Government securities	(58,648)	245,979
	Shares	(740,078)	147,445
	Open end mutual funds	8,579	19,672
	Associates	(2,587)	61,520
		(792,734)	474,616
28	OTHER INCOME		
	Rent on property	110,625	103,031
	Gain on disposal of fixed assets - net	26,378	14,131
	Gain on disposal of non-banking assets - net	-	47,487
	Notice pay	(126)	221
	Scrap income	2,115	2,635
	Others	276	273
		139,268	167,778

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

For the half year ended June 30, 2022

Note	Un-audited	
	For the half year ended	
	June 30, 2022	June 30, 2021
	Rupees '000	
29 OPERATING EXPENSES		
Total compensation expense	4,827,783	3,877,834
Property expense		
Rent and taxes	189,717	214,333
Insurance	23,755	24,679
Utilities cost	518,701	302,628
Security (including guards)	465,224	361,147
Repair and maintenance (including janitorial charges)	312,068	266,344
Depreciation on owned fixed assets	271,987	264,314
Depreciation on non-banking assets	2,483	2,483
Depreciation on right-of-use assets	770,959	766,439
Others	60,318	41,143
	2,615,212	2,243,510
Information technology expenses		
Software maintenance	921,974	604,328
Hardware maintenance	161,820	114,385
Depreciation on owned fixed assets	183,962	173,718
Amortisation	89,743	63,180
Network charges	130,049	116,945
Others	-	304
	1,487,548	1,072,860
Other operating expenses		
Directors' fees and allowances	62,880	50,160
Legal and professional charges	94,908	48,800
Outsourced services costs - staff	225,677	206,738
Travelling and conveyance	78,960	36,769
NIFT clearing charges	26,257	24,775
Depreciation on owned fixed assets	242,695	239,126
Training and development	17,624	9,175
Postage and courier charges	123,139	59,237
Communication	182,458	90,002
Marketing, advertisement and publicity	565,396	129,043
Donations	88,257	79,917
Auditors remuneration	14,502	12,045
Insurance	533,796	450,501
Stationery and printing	213,913	161,742
Bank fees and charges	67,924	90,419
Brokerage and commission	24,984	50,918
Deposit protection premium	301,996	260,117
Credit card bonus points redemption	113,289	90,402
Others	298,140	234,450
	3,276,795	2,324,336
	12,207,338	9,518,540
30 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	4,714	4,141
31 (REVERSALS OF PROVISIONS AND WRITE-OFFS) / PROVISIONS AND WRITE-OFFS- NET		
Reversal of provision against diminution in value of investments	11.3 (79,448)	(316,391)
(Reversal of provision) / provision against loans and advances	12.3 (191,958)	506,889
Reversal of provision against other assets	15.1.1 (30,336)	-
Bad debts written-off directly	137,666	18,548
Recoveries of written-off / charged-off bad debts	(236,061)	(197,949)
Reversal of provision against off balance sheet obligations	20.1 (5,520)	(22,645)
	(405,657)	(11,548)

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

For the half year ended June 30, 2022

32 TAXATION

Un-audited	
For the half year ended	
June 30, 2022	June 30, 2021
----- Rupees '000 -----	
Current	4,316,397
Prior periods	2,458,155
Deferred	(1,038,275)
	40,000
	1,015,210
	27,597
	4,293,332
	2,525,752

33 BASIC / DILUTED EARNINGS PER SHARE

	Un-audited			
	For the quarter ended		For the half year ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
----- Rupees '000 -----				
Profit after tax for the period	2,248,788	1,916,582	4,381,772	4,019,822
----- Number of shares in thousands -----				
Weighted average number of ordinary shares	1,517,697	1,517,697	1,517,697	1,517,697
----- Rupees -----				
Basic earnings per share	1.48	1.26	2.89	2.65

33.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at June 30, 2022 and June 30, 2021 which would have any effect on the earnings per share if the option to convert is exercised.

34 FAIR VALUE MEASUREMENTS

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

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

34.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the 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, 2022

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, 2022 (Un-audited)			
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	310,426,554	-	310,426,554
Shares	7,508,062	1,989,732	-	9,497,794
Non-Government debt securities	47,450,000	2,482,983	-	49,932,983
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	5,796,400	-	-
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,883,910	11,883,910
Non-banking assets acquired in satisfaction of claims	-	-	2,254,408	2,254,408
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	73,022,735	-	73,022,735
Forward sale of foreign exchange	-	35,254,763	-	35,254,763
Derivatives sales	-	1,349,727	-	1,349,727
	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	286,782,453	-	286,782,453
Shares	7,188,901	1,834,687	-	9,023,588
Non-Government debt securities	47,512,500	5,389,647	-	52,902,147
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	6,754,838	-	6,754,838
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,996,326	11,996,326
Non-banking assets acquired in satisfaction of claims	-	-	2,509,571	2,509,571
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	92,123,357	-	92,123,357
Forward sale of foreign exchange	-	41,314,763	-	41,314,763
Derivatives sales	-	6,681,964	-	6,681,964

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, 2022

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 or PSX rates.

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

Valuation techniques used in determination of fair values within level 3

Item	Valuation approach and input used
Fixed assets (land and buildings)	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in the unconsolidated financial statements of the Bank for the year ended December 31, 2021.
Non-banking assets acquired in satisfaction of claims	NBAs are valued by professionally qualified valuers as per the accounting policy disclosed in the unconsolidated financial statements of the Bank for the year ended December 31, 2021.

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, 2022

35 SEGMENT INFORMATION

35.1 Segment details with respect to business activities

Profit and loss account for the half year ended June 30, 2022 (un-audited)

	Retail	CIBG	Treasury	SAM	Others	Total
Net mark-up / return / profit	(10,666,534)	13,980,328	13,290,606	62,226	(430,598)	16,236,028
Inter segment revenue - net	22,124,905	(12,627,429)	(12,405,914)	218,272	2,690,166	-
Non mark-up / return / interest income	2,903,447	1,109,288	1,076,593	(108,270)	(556,558)	4,424,500
Total income	14,361,818	2,462,187	1,961,285	172,228	1,703,010	20,660,528

Segment direct expenses	7,267,114	388,989	153,312	80,944	4,500,722	12,391,081
Inter segment expense allocation	3,958,413	368,260	78,275	71,963	(4,476,911)	-
Total expenses	11,225,527	757,249	231,587	152,907	23,811	12,391,081
Provisions	(89,672)	110,979	(41,223)	(377,758)	(7,983)	(405,657)
Profit before tax	3,225,963	1,593,959	1,770,921	397,079	1,687,182	8,675,104

Statement of financial position as at June 30, 2022 (un-audited)

Cash and bank balances	26,564,853	-	50,476,025	-	-	77,040,878
Lendings to financial institutions	-	-	-	-	-	-
Investments	-	8,306,121	368,749,474	3,256,467	1,139,894	381,451,956
- Investment provision	-	-	(1,335,086)	(2,037,453)	-	(3,372,539)
Net inter segment lending	579,378,089	-	-	-	(579,378,089)	-
Advances - performing	94,138,285	372,553,989	-	-	4,962,627	471,654,901
Advances - non-performing	3,517,906	5,243,311	-	13,911,132	33,113	22,705,462
- Advances - provisions	(3,081,823)	(3,908,245)	-	(13,109,309)	71,009	(20,028,368)
Others	15,874,509	4,327,895	11,506,827	(1,907,961)	38,429,337	68,230,607
Total assets	716,391,819	386,523,071	429,397,240	112,876	(534,742,109)	997,682,897

Borrowings	10,352,547	75,928,678	67,249,873	-	-	153,531,098
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	682,738,658	38,286,497	-	2,056,319	(677,358)	722,404,116
Net inter segment borrowing	-	270,327,939	359,949,729	(1,942,510)	(628,335,158)	-
Others	23,300,614	1,979,957	3,102,054	(932)	25,738,753	54,120,446
Total liabilities	716,391,819	386,523,071	430,301,656	112,877	(603,273,763)	930,055,660
Equity	-	-	(904,416)	-	68,531,653	67,627,237
Total equity and liabilities	716,391,819	386,523,071	429,397,240	112,877	(534,742,110)	997,682,897

Contingencies and commitments	23,380,263	106,998,670	165,214,434	1,421,559	288,514	297,303,440
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Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2022

2021					
Retail	CIBG	Treasury	SAM	Others	Total

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

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

Net mark-up / return / profit	(5,143,131)	8,465,912	8,634,986	142,697	(184,843)	11,915,621
Inter segment revenue - net	13,566,060	(6,913,745)	(7,881,363)	(86,120)	1,315,168	-
Non mark-up / return / interest income	2,324,200	705,391	1,561,038	18,985	(334,716)	4,274,898
Total income	10,747,129	2,257,558	2,314,661	75,562	795,609	16,190,519

Segment direct expenses	5,731,061	171,723	147,960	72,167	3,533,582	9,656,493
Inter segment expense allocation	3,159,036	301,067	69,574	60,178	(3,589,855)	-
Total expenses	8,890,097	472,790	217,534	132,345	(56,273)	9,656,493
Provisions	(81,330)	1,117,315	(309,670)	(752,633)	14,770	(11,548)
Profit before tax	1,938,362	667,453	2,406,797	695,850	837,112	6,545,574

Statement of financial position as at December 31, 2021 (audited)

Cash and bank balances	25,719,573	-	36,314,336	-	-	62,033,909
Lendings to financial institutions	-	-	-	-	-	-
Investments	-	12,146,534	344,341,447	3,295,550	1,139,893	360,923,424
- Investment provision	-	-	(1,376,309)	(2,075,678)	-	(3,451,987)
Net inter segment lending	544,748,188	-	-	-	(544,748,188)	-
Advances - performing	44,232,459	299,855,056	-	-	49,291,066	393,378,581
Advances - non-performing	4,468,490	5,552,943	-	13,322,251	63,212	23,406,896
- Advances - provisions	(3,305,409)	(3,915,462)	-	(13,008,111)	(261,133)	(20,490,115)
Others	14,556,574	3,271,446	6,421,470	(1,884,442)	31,446,450	53,811,498
Total assets	630,419,875	316,910,517	385,700,944	(350,430)	(463,068,700)	869,612,206

Borrowings	8,613,513	67,596,975	34,979,341	-	-	111,189,829
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	597,346,400	46,115,178	-	293,151	334,579	644,089,308
Net inter segment borrowing	-	201,826,122	347,495,914	(642,968)	(548,679,068)	-
Others	24,459,962	1,372,242	1,591,877	(613)	21,086,279	48,509,747
Total liabilities	630,419,875	316,910,517	384,067,132	(350,430)	(527,258,210)	803,788,884
Equity	-	-	1,633,812	-	64,189,510	65,823,322
Total equity and liabilities	630,419,875	316,910,517	385,700,944	(350,430)	(463,068,700)	869,612,206

Contingencies and commitments	17,549,250	128,712,861	157,887,793	1,310,929	200,885	305,661,718
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Notes to and forming part of the Condensed Interim Unconsolidated Financial Statements

For the half year ended June 30, 2022

36 RELATED PARTY TRANSACTIONS

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

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

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

	June 30, 2022 (Un-audited)					December 31, 2021 (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	893,247	3,904,683	-	-	-	1,139,893	1,161,872	3,495,158
Investment made during the period / year	-	-	-	-	592,480	6,300,000	-	-	-	-	200,000	15,218,625
Investment redeemed / sold during the period / year	-	-	-	-	(199,894)	(6,546,358)	-	-	-	-	(488,625)	(14,809,100)
Closing balance	-	-	-	1,139,893	1,285,833	3,658,325	-	-	-	1,139,893	893,247	3,904,683
Provision for diminution in value of investments	-	-	-	-	-	2,034,992	-	-	-	-	-	2,037,337
Advances												
Opening balance	-	-	436,889	-	-	1,709,934	-	-	255,772	-	-	1,799,681
Addition during the period / year	-	-	175,746	-	-	-	-	-	418,843	-	-	483,407
Repaid during the period / year	-	-	(98,589)	-	-	(149,275)	-	-	(237,726)	-	-	(573,154)
Closing balance	-	-	514,046	-	-	1,560,659	-	-	436,889	-	-	1,709,934
Provision held against advances	-	-	-	-	-	508,642	-	-	-	-	-	508,642
Fixed assets - right-of-use assets												
Opening balance	-	-	-	2,878	-	-	-	-	-	7,814	-	-
Addition during the period / year	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the period / year	-	-	-	(2,467)	-	-	-	-	-	(4,936)	-	-
Closing balance	-	-	-	411	-	-	-	-	-	2,878	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	11,927	-	-

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

For the half year ended June 30, 2022

	June 30, 2022 (Un-audited)					December 31, 2021 (Audited)						
	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties
Rupees '000												
Other assets												
Interest / mark-up accrued	-	-	1,237	-	-	71,849	-	-	512	-	-	63,774
Commission income receivable	-	-	-	-	151	19,262	-	-	-	-	222	37,861
Defined benefit plan asset	-	-	-	-	-	127,785	-	-	-	-	-	127,785
Maintenance and other receivables	-	-	-	3,668	-	-	-	-	-	5,817	-	-
Rent receivable	-	-	-	-	-	-	-	-	-	6,984	-	-
Others	-	-	-	-	-	4,146,926	-	-	-	-	-	729,363
	-	-	1,237	3,668	151	4,365,822	-	-	512	12,801	222	968,783
Deposits and other accounts												
Opening balance	328,397	51,148	178,430	55,236	15,350	9,800,472	182	44,456	139,814	4,244	14,910	10,509,734
Received during the period / year	656,431	39,777	1,008,670	18,102,396	225,600	313,062,301	705,659	90,608	2,583,653	22,955,666	1,427,130	512,144,964
Withdrawn during the period / year	(328,215)	(33,253)	(1,058,944)	(18,146,372)	(226,977)	(318,718,249)	(377,444)	(83,916)	(2,545,037)	(22,904,694)	(1,424,649)	(512,856,267)
Transfer in / (out) during the period / year	-	-	-	-	-	-	-	-	-	-	(2,041)	2,041
Closing balance	656,613	57,672	128,156	11,260	13,973	4,144,524	328,397	51,148	178,430	55,236	15,350	9,800,472
Other liabilities												
Interest / mark-up payable	-	377	357	99	47	36,539	-	207	127	-	-	48,212
Other liabilities	-	-	-	18,833	-	41,885	-	-	-	18,833	-	78,572
	-	377	357	18,932	47	78,424	-	207	127	18,833	-	126,784
Contingencies and commitments												
Trade related commitments	-	-	-	-	-	110,469	-	-	-	-	-	135,898
	-	-	-	-	-	110,469	-	-	-	-	-	135,898

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

36.2

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

RELATED PARTY TRANSACTIONS

June 30, 2022 (Un-audited)						June 30, 2021 (Un-audited)					
Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiary	Associates	Other related parties
Rupees '000											
Income											
Mark-up / return / interest earned	-	11,552	-	-	50,110	-	-	7,664	-	-	49,667
Fee and commission income	-	57	34	26	13	77,943	-	98	95	90	87
Dividend income	-	-	-	-	50,089	83,470	-	-	-	57,867	33,253
Net gain / (loss) on sale of securities	-	-	228	-	106	(2,242)	-	-	3	17	61,520
Gain on sale of fixed assets	-	-	-	-	-	-	-	-	8	-	19,752
Maintenance income	-	-	-	3,830	-	-	-	-	-	3,503	-
Occupancy and conservancy income	-	-	-	-	-	-	-	-	-	12,933	-
Rent income	-	-	-	14,140	-	-	-	-	-	12,933	-
Other income	-	-	-	-	-	-	-	-	-	568	-
Expense											
Mark-up / return / interest paid	-	1,649	857	782	229	599,299	-	807	1,953	902	421
Interest expense on lease liability	-	-	-	-	-	-	-	-	-	404	-
Director's fee and other expenses	-	62,880	-	-	-	-	-	50,160	-	-	-
Remuneration	-	-	400,058	-	-	914	-	-	328,612	-	980
Consultancy fee	-	-	-	-	-	2,086	-	-	-	-	4,297
Commission expense	-	-	-	16,667	-	-	-	-	-	11,062	-
Charge for defined benefit plan	-	-	-	-	-	118,380	-	-	-	-	105,429
Contribution to defined contribution plan	-	-	-	-	-	133,459	-	-	-	-	124,413
Donations made during the period	-	-	-	-	-	88,257	-	-	-	-	79,917
Others											
Shares / units purchased during the period	-	-	-	-	-	6,300,000	-	-	-	-	7,950,000
Shares / units sold during the period	-	-	-	-	200,000	6,543,648	-	-	-	261,520	7,878,154
Government securities purchased during the period	-	-	113,056	-	-	1,656,602	-	-	293,862	-	3,317,609
Government securities sold during the period	-	-	219,954	-	-	3,145,468	-	-	329,626	495,847	3,952,459
Sale proceeds from disposal of fixed assets	-	-	-	-	-	-	-	-	22	-	-

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

For the half year ended June 30, 2022

	Un-audited June 30, 2022	Audited December 31, 2021
	Rupees '000	
37 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	59,111,590	57,148,341
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	59,111,590	57,148,341
Eligible tier 2 capital	6,625,926	6,750,021
Total eligible capital (tier 1 + tier 2)	65,737,516	63,898,362
Risk weighted assets (RWAs):		
Credit risk	304,372,208	276,029,983
Market risk	46,387,629	30,008,658
Operational risk	58,490,426	58,490,426
Total	409,250,263	364,529,067
Common equity tier 1 capital adequacy ratio (in %)	14.44%	15.68%
Tier 1 Capital adequacy ratio (in %)	14.44%	15.68%
Total Capital adequacy ratio (in %)	16.06%	17.53%
Leverage ratio (LR):		
Eligible tier-1 capital	59,111,590	57,148,341
Total exposures	1,204,965,890	1,046,913,545
Leverage ratio (in %)	4.91%	5.46%
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	356,559,382	327,727,701
Total net cash outflow	186,479,075	153,262,154
Liquidity coverage ratio (Ratio)	1.912	2.138
Net stable funding ratio (NSFR):		
Total available stable funding	660,979,361	594,201,368
Total required stable funding	412,561,126	345,964,068
Net stable funding ratio (in %)	160.21%	171.75%

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

For the half year ended June 30, 2022

38 ISLAMIC BANKING BUSINESS

The Bank is operating 628 Islamic banking branches (December 31, 2021: 595) including 2 Islamic sub-branches (December 31, 2021: 2). The statement of financial position and profit and loss account of these branches for the period ended June 30, 2022 are as follows:

		Un-audited June 30, 2022	Audited December 31, 2021
	Note	----- Rupees '000 -----	
Statement of financial position			
ASSETS			
Cash and balances with treasury banks		55,028,130	34,500,786
Balances with other banks		5,280,868	2,345,633
Due from financial institutions		22,000,000	-
Investments	38.1	255,828,011	169,622,462
Islamic financing and related assets - net	38.2	438,680,826	351,466,762
Fixed assets		26,066,726	18,063,668
Intangible assets		812,998	231,682
Due from head office		7,968,702	79,488
Other assets		27,643,648	16,326,810
		839,309,909	592,637,291
LIABILITIES			
Bills payable		10,906,020	9,671,804
Due to financial institutions		94,528,962	99,267,708
Deposits and other accounts	38.3	669,365,150	428,362,073
Due to head office		-	4,666,798
Other liabilities		17,978,133	17,501,285
		792,778,265	559,469,668
		46,531,644	33,167,623
NET ASSETS			
REPRESENTED BY			
Islamic banking fund		27,180,000	22,180,000
Reserves		-	-
Surplus on revaluation of assets - net of tax		5,160,221	1,132,979
Unappropriated profit	38.4	14,191,423	9,854,644
		46,531,644	33,167,623
CONTINGENCIES AND COMMITMENTS			
	38.5		

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

For the half year ended June 30, 2022

		Un-audited	
	Note	For the half year ended	
		June 30, 2022	June 30, 2021
		Rupees '000	
Profit and loss account			
Profit / return earned	38.6	29,740,496	11,542,456
Profit / return expensed	38.7	14,676,471	4,567,514
Net profit / return		15,064,025	6,974,942
Other income			
Fee and commission income		1,530,911	812,210
Foreign exchange income		189,292	174,023
Gain on securities		6,675	16,372
Others		104,017	68,197
Total other income		1,830,895	1,070,802
Total income		16,894,920	8,045,744
Other expenses			
Operating expenses		7,925,855	4,667,175
Other charges		33,364	5
Total other expenses		7,959,219	4,667,180
Profit before provisions		8,935,701	3,378,564
Provisions and write offs - net		432,208	1,451,272
Profit before taxation		8,503,493	1,927,292
Taxation		4,166,714	751,644
Profit after taxation		4,336,779	1,175,648

38.1 Investments by segments:

	Un-audited				Audited			
	June 30, 2022				December 31, 2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees '000								
Federal Government securities:								
- Ijarah Sukuks	231,109,351	-	(2,259,020)	228,850,331	142,350,109	-	(1,014,416)	141,335,693
- Other Federal Government securities	3,484,336	-	-	3,484,336	925,512	-	-	925,512
	234,593,687	-	(2,259,020)	232,334,667	143,275,621	-	(1,014,416)	142,261,205
Shares								
- Listed companies	150,000	-	-	150,000	100,000	-	-	100,000
Non Government Debt securities:								
- Listed	15,000,000	-	410,000	15,410,000	15,000,000	-	487,500	15,487,500
- Unlisted	7,933,344	-	-	7,933,344	11,773,608	-	149	11,773,757
	22,933,344	-	410,000	23,343,344	26,773,608	-	487,649	27,261,257
Total investments	257,677,031	-	(1,849,020)	255,828,011	170,149,229	-	(526,767)	169,622,462

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

For the half year ended June 30, 2022

38.2 Islamic financing and related assets - net

Un-audited
June 30,
2022

Audited
December 31,
2021

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

Murabaha	45,536,062	31,630,824
Musharaka	7,164	7,164
Diminishing Musharaka	192,091,158	169,178,512
Istisna	30,862,696	29,274,907
Tawwaruq	3,209,221	2,131,046
Running Musharaka	107,998,101	73,228,956
Fixed assets Ijarah financing - net	38,008	47,914
Tijarah	617,081	1,091,633
Advance against Murabaha financing	3,713,130	2,440,981
Advanced against Diminishing Musharaka	27,096,291	19,610,409
Advance against Ijarah	5,375,000	1,312,461
Advance against Istisna	9,689,864	12,906,932
Advance against Islamic export refinance	4,023,728	5,225,476
Advance against Tijarah	205,119	216,504
Musawamah	195,812	187,825
Bai salam	291,930	433,702
Salam	6,200	13,500
Inventory related to Istisna	8,177,670	2,814,621
Inventory related to Murahaba	1,712,452	1,535,917
Inventory related to Salam	2,300	100,000
Inventory related to Tijarah	1,171,348	984,847
Gross Islamic financing and related assets	442,020,335	354,374,131
Less: provision against Islamic financings		
- specific	(3,099,092)	(2,666,575)
- general	(240,417)	(240,794)
	(3,339,509)	(2,907,369)
Islamic financing and related assets - net of provision	438,680,826	351,466,762

38.3 Deposits

Un-audited June 30, 2022			Audited December 31, 2021		
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total

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

Customers

Current deposits	227,073,127	24,596,140	251,669,267	171,716,974	21,947,496	193,664,470
Savings deposits	192,413,381	19,202,210	211,615,591	168,304,245	15,291,589	183,595,834
Term deposits	140,368,166	576,505	140,944,671	30,904,502	490,615	31,395,117
	559,854,674	44,374,855	604,229,529	370,925,721	37,729,700	408,655,421

Financial institutions

Current deposits	6,765,267	48,197	6,813,464	247,179	30,425	277,604
Savings deposits	56,376,607	-	56,376,607	14,963,498	-	14,963,498
Term deposits	1,945,550	-	1,945,550	4,465,550	-	4,465,550
	65,087,424	48,197	65,135,621	19,676,227	30,425	19,706,652
	624,942,098	44,423,052	669,365,150	390,601,948	37,760,125	428,362,073

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

For the half year ended June 30, 2022

	Un-audited June 30, 2022	Audited December 31, 2021
	----- Rupees '000 -----	
38.4 Islamic banking business unappropriated profit		
Opening balance	9,854,644	5,124,874
Add: Islamic Banking profit for the period / year	8,503,493	7,753,722
Less: taxation	(4,166,714)	(3,023,952)
Closing balance	14,191,423	9,854,644
38.5 Contingencies and commitments		
Guarantees	27,171,371	23,409,723
Commitments	84,448,722	109,246,212
	111,620,093	132,655,935
	Un-audited	
	For the half year ended	
	June 30, 2022	June 30, 2021
	----- Rupees '000 -----	
38.6 Profit / return earned of financing, investments and placement		
Profit earned on:		
Financing	17,848,840	7,872,142
Investments	11,891,656	3,670,314
	29,740,496	11,542,456
38.7 Profit on deposits and other dues expensed		
Deposits and other accounts	10,618,538	3,262,817
Other short term borrowings	3,504,799	869,369
Lease liability against right-of-use assets	553,134	435,328
	14,676,471	4,567,514

39 GENERAL

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

40 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on August 25, 2022 has declared an interim cash dividend of Rs. 0.5 i.e. 5% (June 30, 2021: 5%). The condensed interim unconsolidated financial statements for the half year ended June 2022 do not include the effect of this appropriation which will be accounted for in the unconsolidated financial statements for the year ended December 31, 2022.

41 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on August 25, 2022 by the Board of Directors of the Bank.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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 half year ended June 30, 2022.

Group Profile

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

FBL also has significant influence on the basis of its holding in the following open-ended mutual funds managed by FAML.

Associates	% Holding
Faysal Stock Fund	36.15%
Faysal Islamic Stock Fund	20.31%
Faysal Islamic Special Income Fund – FISIP I	100.00%
Faysal Saving Growth Fund	28.32%
Faysal Pension Fund - Debt	85.17%
Faysal Pension Fund - Equity	85.15%
Faysal Pension Fund - Money Market	84.77%
Faysal Islamic Pension Fund - Debt	88.94%
Faysal Islamic Pension Fund - Equity	96.02%
Faysal Islamic Pension Fund - Money Market	84.04%

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		
	June '22	December '21	Growth %
Investment	377,908	357,249	5.8%
Financing	474,332	396,295	19.7%
Total Assets	998,259	869,968	14.7%
Deposits	722,397	644,040	12.2%

Rs. in million

Profit & Loss Account	June '22	June '21	Growth %
Total Revenue	20,957	16,299	28.6%
Non-Markup Expenses	12,513	9,740	28.5%
Share of profit of associates	(126)	67	(288.1%)
Profit before tax & provisions	8,318	6,627	25.5%
Net Provisions	(406)	(12)	3283.3%
Profit before tax	8,723	6,638	31.4%
Tax	4,366	2,570	69.9%
Profit after tax	4,358	4,068	7.1%
Earnings per share (Rupees)	2.87	2.68	

Faysal Bank's consolidated profit after tax for the half year ended June 30, 2022 at PKR 4,358 million is 7.1% higher than corresponding period of previous year. FAML continued to show improvement in performance and Assets Under Management (AUMs) as of June 30, 2022 were PKR 75.2 billion. FAML has recorded profit after tax of PKR 142 million during the period under review registering a 23.5% growth over the first half of the previous year. The strong financial performance of the company is even more commendable keeping in view the bearish stock market conditions prevailing during the period under review.

Credit Rating

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

Long-Term AA
Short-Term A1+

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

VIS has assigned Management Quality rating of AM2+ to FAML. The rating signifies asset manager exhibiting very good management characteristics.

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% (2021: 66.78%) of the shareholding in Faysal Bank Ltd. Ithmaar Bank B.S.C. (closed) is a wholly owned subsidiary of Ithmaar Holdings B.S.C. and Dar Al-Maal Al-Islami Trust (DMIT) is the holding company of Ithmaar Holding B.S.C. and ultimate parent of the Group. DMIT was formed by indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and tradition.

Subsequent Events

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

Acknowledgement

On behalf of the Board & Management of the Group, we would like to take this opportunity to thank the shareholders and valued customers for the trust they have reposed in the Bank. We are also grateful to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued support and guidance. We would also like to express sincere appreciation for the Shariah Board 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 25, 2022 and signed by the Chief Executive Officer and a director.

President & CEO

Chairman

Karachi

Dated: August 25, 2022

منظوری

کمپنیز ایکٹ 2017 کی شرائط کے تحت، بورڈ آڈٹ اور کارپوریٹ گورننس کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 25 اگست 2022 کو منعقدہ اجلاس میں ڈائریکٹرز کی جانب سے منظور کیا گیا ہے اور اس پر چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے دستخط کر دیے ہیں۔

چیرمین

صدر اور سی ای او

کراچی

25 اگست، 2022

ہولڈنگ کمپنی

اتمار بینک بی۔ ایس۔ سی (کلوزڈ)، جو کہ سینٹرل بینک آف بحرین کا لائسنس یافتہ ادارہ ہے، جو بالواسطہ اور بلاواسطہ طور پر بینک کے 66.78 فیصد (2021 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

شما ہی کے اختتام سے لیکر اس رپورٹ کی تاریخ کے درمیان بینک کی مالی پوزیشن کو خاطر خواہ طور پر متاثر کرنے والی کوئی تبدیلی یا معاہدہ نہیں ہوا 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 بھی بے حد مشکور اور پر خلوص رہنمائی پر شریعہ بورڈ کے بھی متمنی ہیں۔

30 جون 2022 کو ختم شدہ ششماہی کے لیے فیصل بینک کا بعد از محصول مشترکہ منافع 4,358 ملین روپے ہے جو کہ گزشتہ سال کی اسی مدت کے مقابلے میں 7.1 فیصد زیادہ ہے۔ FAML نے کارکردگی میں بہتری کے رجحان کو جاری رکھا ہے اور ایسٹس انڈر مینجمنٹ (AUMs) 30 جون، 2022 کو 75.2 ارب روپے تھے۔ FAML نے زیر جائزہ سہ ماہی کے دوران بعد از محصول منافع 142 ملین روپے رجسٹر کیا جو کہ گزشتہ سال کی پہلی ششماہی کے مقابلے میں 23.5 فیصد زیادہ ہے۔ زیر جائزہ مدت کے دوران کمپنی کی مالی کارکردگی مستحکم ہے اور اس میں اسٹاک مارکیٹ کی بہترین حالات کے باعث مزید استحکام کی توقع ہے۔

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 ایجنسینے مستحکم حالت کی درجہ بندی تفویض کی ہے۔

وی آئی ایس کریڈٹ ریٹنگ کمپنی نے ایف اے ایم ایل کے لیے مینجمنٹ کو الٹی ریٹنگ AM2+ تفویض کی ہے۔ ریٹنگ میں اضافے سے ثابت ہوتا ہے کہ منتظمین بہت اچھی کارکردگی کی خصوصیات کے حامل ہیں۔

ایف بی ایل گروپ درج ذیل پر مشتمل ہے:

ہولڈنگ کمپنی : فیصل بینک لمیٹڈ

ذیلی ادارہ : فیصل ایسیٹ مینجمنٹ لمیٹڈ

مالیاتی جھلکیاں:

بیلنس شیٹ

عمو	(ملین روپے)		
	دسمبر ۲۰۲۱ء	جون ۲۰۲۲ء	
سرمایہ کاری	357,249	377,908	
فنانسنگ	396,295	474,332	
کل اثاثہ جات	869,968	998,259	
ڈپازٹس	644,040	722,397	

نفع اور نقصان اکاؤنٹ

عمو	(ملین روپے)		
	جون ۲۰۲۱ء	جون ۲۰۲۲ء	
مجموعی آمدنی	16,299	20,957	
مارک اپ کے علاوہ اخراجات	9,740	12,513	
ایسوسی ایٹس کے منافع کا حصہ	67	-126	
منافع قبل از ٹیکس اور پروویژن	6,627	8,318	
نیٹ پروویژن	-12	-406	
منافع قبل از ٹیکس	6,638	8,723	
ٹیکسز	2,570	4,366	
منافع بعد از ٹیکس	4,068	4,358	
فی حصص آمدن (روپے)	2.68	2.87	

ڈائریکٹرز کا جائزہ

کنسولیدیٹڈ فنانشل اسٹیٹمنٹس کا جائزہ

بورڈ آف ڈائریکٹرز کی طرف سے فیصل بینک لمیٹڈ (”ایف بی ایل“ یا ”دی بینک“) کی ڈائریکٹرز رپورٹ غیر آڈٹ شدہ عبوری مالیاتی گوشواروں 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۔ لسٹ پبلک لمیٹڈ کمپنی ہے جو کہ نان۔ بینکنگ فنانس کمپنی (این بی ایف سی) کے طور پر رجسٹرڈ ہے، جس کے پاس نان۔ بینکنگ فنانس کمپنیز (اسٹیٹسمنٹ اینڈ ریگولیشنز) رولز، 2003 اور نان۔ بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹرنیشنل ریگولیشنز، 2008 کے تحت ایسیٹ مینجمنٹ اور سرمایہ کاری کے لیے ایڈوائزری سروسز فراہم کرنے کا لائسنس ہے۔

فیصل بینک لمیٹڈ FAML کے زیر انتظام درج ذیل اوپن اینڈ میوچل فنڈز میں بالواسطہ اور بلا واسطہ ہولڈنگ کی بنیاد پر نمایاں اثر و رسوخ حاصل ہے:

ایسوی ایٹس	ہولڈنگ %
فیصل اسٹاک فنڈ	36.15%
فیصل اسلامک اسٹاک فنڈ	20.31%
فیصل اسلامک اسپیشل انکم فنڈ	100.00%
فیصل سیونگ گروتھ فنڈ	28.32%
فیصل پینشن فنڈ، ڈیٹ	85.17%
فیصل پینشن فنڈ، ایکویٹی	85.15%
فیصل پینشن فنڈ، منی مارکیٹ	84.77%
فیصل اسلامک پینشن فنڈ، ڈیٹ	88.94%
فیصل اسلامک پینشن فنڈ، ایکویٹی	96.02%
فیصل اسلامک پینشن فنڈ، منی مارکیٹ	84.04%

Condensed Interim Consolidated Statement of Financial Position (Un-audited)

As at June 30, 2022

	Un-audited June 30, 2022	Audited December 31, 2021
Note		
	----- Rupees '000 -----	

ASSETS

Cash and balances with treasury banks	10	69,848,463	58,516,658
Balances with other banks	11	7,192,524	3,517,361
Lendings to financial institutions		-	-
Investments	12	377,907,833	357,249,356
Advances	13	474,331,995	396,295,362
Fixed assets	14	27,276,528	26,416,480
Intangible assets	15	2,115,086	2,098,064
Deferred tax assets	20	-	-
Other assets	16	39,586,620	25,875,215
		998,259,049	869,968,496

LIABILITIES

Bills payable	17	14,465,132	14,122,901
Borrowings	18	153,531,098	111,189,829
Deposits and other accounts	19	722,396,920	644,039,999
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	20	956,605	611,506
Other liabilities	21	38,928,072	33,873,861
		930,277,827	803,838,096
		67,981,222	66,130,400

NET ASSETS

REPRESENTED BY

Share capital		15,176,965	15,176,965
Reserves		12,568,441	12,613,183
Surplus on revaluation of assets - net	22	6,064,496	7,061,583
Unappropriated profit		34,171,272	31,278,631
Total equity attributable to the equity holders of the Bank		67,981,174	66,130,362
Non-controlling interest		48	38
		67,981,222	66,130,400

CONTINGENCIES AND COMMITMENTS

23

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

For the quarter and half year ended June 30, 2022

		Quarter ended		Half year ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Note		Rupees '000			
Mark-up / return / interest earned	25	23,513,505	12,468,250	40,816,446	24,497,196
Mark-up / return / interest expensed	26	14,463,225	5,993,485	24,583,377	12,574,396
Net mark-up / interest income		9,050,280	6,474,765	16,233,069	11,922,800
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	1,885,075	1,438,558	3,523,311	2,654,068
Dividend income		230,160	105,172	349,570	188,017
Foreign exchange income		859,923	513,720	1,429,045	1,025,768
Income / (Loss) from derivatives		45,270	(13,438)	49,898	(44,875)
(Loss) / gain on securities	28	(639,616)	47,627	(752,803)	398,602
Other income	29	51,607	58,684	125,091	154,845
Total non mark-up / interest income		2,432,419	2,150,323	4,724,112	4,376,425
Total income		11,482,699	8,625,088	20,957,181	16,299,225
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	6,406,462	4,960,122	12,329,382	9,602,102
Workers Welfare Fund		105,476	57,555	179,029	133,812
Other charges	31	2,328	4,136	4,714	4,141
Total non mark-up / interest expenses		6,514,266	5,021,813	12,513,125	9,740,055
Share of (loss) / profit of associates	12.5	(125,656)	15,672	(126,497)	67,387
Profit before provisions		4,842,777	3,618,947	8,317,559	6,626,557
(Reversal of provisions and write-offs) / Provisions and write-offs - net	32	(259,044)	521,180	(405,658)	(11,548)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,101,821	3,097,767	8,723,217	6,638,105
Taxation	33	2,953,772	1,144,723	4,365,513	2,569,849
PROFIT AFTER TAXATION		2,148,049	1,953,044	4,357,704	4,068,256
Attributable to:					
Equity holders of the Bank		2,148,049	1,953,034	4,357,694	4,068,241
Non-controlling interest		-	10	10	15
		2,148,049	1,953,044	4,357,704	4,068,256
Rupees					
Basic / diluted earnings per share	34	1.41	1.29	2.87	2.68

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

For the quarter and half year ended June 30, 2022

	Quarter ended		Half year ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	----- Ru pees '000 -----			
Profit after taxation for the period	2,148,049	1,953,044	4,357,704	4,068,256
Other comprehensive (loss) / income				
<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	(1,067,655)	331,977	(945,040)	(217,660)
Total comprehensive income	<u>1,080,394</u>	<u>2,285,021</u>	<u>3,412,664</u>	<u>3,850,596</u>
Attributable to:				
Equity holders of the Bank	1,080,394	2,285,011	3,412,654	3,850,581
Non-controlling interest	-	10	10	15
	<u>1,080,394</u>	<u>2,285,021</u>	<u>3,412,664</u>	<u>3,850,596</u>

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

Condensed Interim Consolidated Statement of Changes in Equity

For the half year ended June 30, 2022

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

Rupees '000

Balance as at January 1, 2021 (Audited) 15,176,965 10,131 375,518 23,952 10,623,046 11,032,647 1,778,725 7,248,748 9,027,473 24,981,002 15 60,218,102

Profit after taxation for the half year ended June 30, 2021

-	-	-	-	-	-	-	-	-	4,068,241	15	4,068,256
-	-	-	-	-	-	(217,660)	-	(217,660)	-	-	(217,660)
-	-	-	-	-	-	(217,660)	-	(217,660)	4,068,241	15	3,850,596

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

-	-	-	-	-	-	-	(58,112)	(58,112)	58,112	-	-
---	---	---	---	---	---	---	----------	----------	--------	---	---

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

-	-	-	-	-	-	-	(182,538)	(182,538)	182,538	-	-
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Amortisation of intangible assets - customer relationship - net of tax

-	-	(25,047)	-	-	(25,047)	-	-	-	-	-	(25,047)
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Balance as at June 30, 2021 (Un-audited)

15,176,965	10,131	350,471	23,952	10,623,046	11,007,600	1,561,065	7,008,098	8,569,163	29,289,893	30	64,043,651
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Profit after taxation for the period from July 1, 2021 to December 31, 2021

-	-	-	-	-	-	-	-	-	4,284,816	8	4,284,824
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Other comprehensive (loss) / income - net of tax

-	-	-	-	-	-	(1,449,466)	-	(1,449,466)	35,292	-	(1,414,174)
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Total comprehensive (loss) / income

-	-	-	-	-	-	(1,449,466)	-	(1,449,466)	4,320,108	8	2,870,650
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Transfer to statutory reserve

-	-	-	-	1,630,636	1,630,636	-	-	-	(1,630,636)	-	-
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Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax

-	-	-	-	-	-	-	(58,113)	(58,113)	58,113	-	-
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Transfer from surplus on revaluation of non-banking assets on disposal - net of tax

-	-	-	-	-	-	-	(1)	(1)	1	-	-
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Amortisation of intangible assets - customer relationship - net of tax

-	-	(25,053)	-	-	(25,053)	-	-	-	-	-	(25,053)
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Transaction with owners recorded directly in equity

Interim cash dividend declared on August 26, 2021 at Re 0.5 per share

-	-	-	-	-	-	-	-	-	(758,848)	-	(758,848)
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Balance as at December 31, 2021 (Audited)

15,176,965	10,131	325,418	23,952	12,253,682	12,613,183	111,599	6,949,984	7,061,583	31,278,631	38	66,130,400
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Profit after taxation for the half year ended June 30, 2022

-	-	-	-	-	-	-	-	-	4,357,694	10	4,357,704
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Other comprehensive loss - net of tax

-	-	-	-	-	-	(945,040)	-	(945,040)	-	-	(945,040)
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Total comprehensive (loss) / income

-	-	-	-	-	-	(945,040)	-	(945,040)	4,357,694	10	3,412,664
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Transaction with owners recorded directly in equity

Final cash dividend - Re 1 per share declared subsequent to the year ended December 31, 2021

-	-	-	-	-	-	-	-	-	(1,517,100)	-	(1,517,100)
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Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax

-	-	-	-	-	-	(52,047)	-	(52,047)	52,047	-	-
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Amortisation of intangible assets - customer relationship - net of tax

-	-	(44,742)	-	-	(44,742)	-	-	-	-	-	(44,742)
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Balance as at June 30, 2022 (Un-audited)

15,176,965	10,131	280,676	23,952	12,253,682	12,568,441	(885,488)	6,949,984	6,064,496	34,171,272	48	67,981,222
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The annexed notes 1 to 42 form an integral part of these condensed interim consolidated financial statements.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the half year ended June 30, 2022

	Note	June 30, 2022	June 30, 2021
		Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,723,217	6,638,105
Less: dividend income		(349,570)	(188,017)
Less: share of loss of associates		126,497	(67,387)
		8,500,144	6,382,701
Adjustments:			
Depreciation on owned fixed assets		704,051	678,488
Amortisation of intangible assets		89,906	63,242
Depreciation on right-of-use assets		796,408	763,971
Depreciation on non-banking assets		2,483	2,483
Workers Welfare Fund		179,029	133,812
(Reversal of provision) / provision against loans and advances - net		(191,958)	506,889
Reversal of provision for diminution in value of investments - net		(79,448)	(316,391)
Reversal of provision against other assets - net		(30,336)	-
Reversal of provision against off balance sheet obligations - net		(5,520)	(22,645)
Unrealised (gain) / loss on securities - held for trading - net		(37,344)	19,022
Gain on sale of fixed assets - net		(26,342)	(14,131)
Gain on sale of non-banking assets - net		-	(47,487)
Charge for defined benefit plan		118,380	108,079
(Income) / loss from derivative contracts - net		(49,898)	44,875
Mark-up / return / interest expensed - leased liability against right-of-use assets		568,215	713,954
Bad debts written off directly		137,666	18,548
		2,175,292	2,652,709
		10,675,436	9,035,410
(Increase) / decrease in operating assets			
Lendings to financial institutions		-	(4,515,000)
Held-for-trading securities		11,645,278	(49,198,460)
Advances		(77,982,341)	(26,032,487)
Others assets (excluding advance taxation)		(13,668,942)	2,641,345
		(80,006,005)	(77,104,602)
Increase / (decrease) in operating liabilities			
Bills Payable		342,231	372,205
Borrowings from financial institutions		41,681,724	25,012,152
Deposits		78,356,921	51,184,357
Other liabilities (excluding current taxation)		4,768,850	(5,195,472)
		125,149,726	71,373,242
Income tax paid		(3,546,662)	(2,612,033)
Contribution to gratuity fund		(118,380)	(105,832)
Net cash generated from operating activities		52,154,115	586,185
CASH FLOWS FROM INVESTING ACTIVITIES			
Net divestment in available for sale securities		(34,876,413)	(2,196,203)
Net investment in associates		12,866	(252,573)
Net divestment in held to maturity securities		933,750	1,020,002
Dividends received		324,186	118,406
Investment in operating fixed assets		(1,736,541)	(846,973)
Investment in intangible assets		(147,993)	(160,777)
Proceeds from sale of fixed assets		26,968	15,266
Proceeds from sale of non-banking assets		-	468,837
Net cash used in investing activities		(35,463,176)	(1,834,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability against right-of-use assets		(849,820)	(870,494)
Dividend paid		(1,493,696)	(26)
Net cash used in financing activities		(2,343,516)	(870,520)
Increase / (Decrease) in cash and cash equivalents during the period		14,347,423	(2,118,350)
Cash and cash equivalents at the beginning of the period		59,488,821	61,126,589
Cash and cash equivalents at the end of the period		73,836,244	59,008,239

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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 633 branches (December 31, 2021: 606 branches) including 2 sub-branches (December 31, 2021: 2). Out of these, 628 (December 31, 2021: 595) are Islamic banking branches and 5 (December 31, 2021: 11) are conventional.

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

Ithmaar Bank B.S.C (closed), a fully owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2021: 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, 2021: 'AA') and the short term rating as 'A1+' (December 31, 2021: 'A1+') on June 25, 2022 and June 30, 2022 respectively.

1.1.2 Subsidiary Company - Faysal Asset Management Limited

	Percentage of holding	
	June 30, 2022	December 31, 2021
Faysal Asset Management Limited - Subsidiary	99.99%	99.99%

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

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

VIS Credit Rating Company Limited has assigned Asset Management rating of AM2+ (December 31, 2021: AM2+) as at June 30, 2022 to the Subsidiary Company.

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 (Un-audited)

For the half year ended June 30, 2022

- 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 Islamic banking branches are disclosed in note 39 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 unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan 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 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, 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 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, 2022, the Bank has adjusted amortisation of intangible assets net of tax amounting to Rs. 44.742 million (period ended June 30, 2021: Rs. 25.047 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 financial year ended December 31, 2021.

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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, 2022 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, 2023*
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2024
- IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (amendments)	January 1, 2023
- IAS 12 - 'Income taxes' (amendments)	January 1, 2023

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

*The SBP vide its BPRD Circular Letter No. 03 of 2022 dated July 05, 2022 has deferred the applicability of IFRS 9, 'Financial Instruments' to accounting periods beginning on or after January 1, 2023 and has also issued detailed application guidelines for implementation of IFRS 9. 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. The impact of the application of IFRS 9 in Pakistan on the Bank's financial statements is currently being assessed based on the detailed application guidelines issued by the SBP.

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, 2021.

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 costs) and depreciated over the respective lease terms.

7 FUNCTIONAL AND PRESENTATION CURRENCY

7.1 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 (Un-audited)

For the half year ended June 30, 2022

7.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

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, 2021.

9 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2021.

	Un-audited June 30, 2022	Audited December 31, 2021
	----- Rupees '000 -----	----- Rupees '000 -----
10 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
- local currency	16,722,023	13,697,324
- foreign currencies	-	1,506,351
	16,722,023	15,203,675
With State Bank of Pakistan in		
- local currency current accounts	39,378,465	28,507,227
- foreign currency current accounts	2,519,614	2,303,501
- foreign currency deposit accounts	5,160,030	4,256,376
	47,058,109	35,067,104
With National Bank of Pakistan in		
- local currency current accounts	6,052,453	8,139,477
Prize bonds	15,878	106,402
	<u>69,848,463</u>	<u>58,516,658</u>
11 BALANCES WITH OTHER BANKS		
In Pakistan		
- in current accounts	1,680,125	2,037,115
- in saving accounts	69	68
	1,680,194	2,037,183
Outside Pakistan		
- in current account	5,295,192	1,321,316
- in deposit account	217,138	158,862
	5,512,330	1,480,178
	<u>7,192,524</u>	<u>3,517,361</u>

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

12	INVESTMENTS	Note	Un-audited June 30, 2022				Audited December 31, 2021			
			Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
12.1	Investments by type:		Rupees '000							
	Held-for-trading securities									
	Federal Government securities		84,795	-	3,412	88,207	11,649,925	-	2,128	11,652,053
	Shares		771,201	-	-	771,201	851,349	-	(14,762)	836,587
			855,996	-	3,412	859,408	12,501,274	-	(12,634)	12,488,640
	Available-for-sale securities									
	Federal Government securities	12.2	313,106,112	-	(2,764,305)	310,341,807	276,556,257	-	(1,425,857)	275,130,400
	Shares		11,969,291	1,335,087	(1,147,873)	9,466,331	10,697,994	1,376,309	(903,843)	8,417,842
	Non Government debt securities		48,002,275	519,291	2,450,000	49,932,984	50,947,014	557,516	2,512,649	52,902,147
			373,077,678	1,854,378	(1,462,178)	369,761,122	338,201,265	1,933,825	182,949	336,450,389
	Held-to-maturity securities									
	Non Government debt securities	12.4	7,314,521	1,518,161	-	5,796,360	8,248,271	1,518,162	-	6,730,109
	Associates	12.5	1,490,943	-	-	1,490,943	1,580,218	-	-	1,580,218
	Total Investments		382,739,138	3,372,539	(1,458,766)	377,907,833	360,531,028	3,451,987	170,315	357,249,356

12.2	Investments given as collateral	Un-audited June 30, 2022		Audited December 31, 2021	
		Rupees '000		Rupees '000	

- Market Treasury Bills	6,229,606	19,760,221
- Ijarah Sukuks	47,623,300	-
- Pakistan Investment Bonds	9,993,000	-
	63,845,906	19,760,221

12.3 Provision for diminution in value of investments

12.3.1	Opening balance	3,451,987	3,777,288
	Charge / (Reversal)		
	Reversals for the period / year	8,204	(12,724)
	Reversals on disposals for the period / year	(87,652)	(312,577)
		(79,448)	(325,301)
	Closing Balance	3,372,539	3,451,987

12.3.2	Particulars of provision against debt securities	Un-audited June 30, 2022		Audited December 31, 2021	
		Non- performing investments	Provision	Non- performing investments	Provision
	Category of classification	Rupees '000			
	Domestic				
	- Loss	2,037,453	2,037,453	2,075,678	2,075,678

12.4 The market value of non government debt securities classified as held-to-maturity as at June 30, 2022 amounted to Rs. 5,796 million (December 31, 2021: Rs. 6,755 million).

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

12.5 Movement of investment in associates

June 30, 2022						
Country of incorporation	% Holding	Investment at the beginning of the period	Investment / (redemption) during the period	Share of profit / (loss)	Dividend received	Investment at the end of the year

Rupees '000

Associates

Faysal Asset Allocation Fund	Pakistan	-	72,442	(72,442)	-	-	-
Faysal Special Savings Fund - FSSP-I	Pakistan	2.15	106,209	(106,209)	-	-	-
Faysal Government Securities Fund	Pakistan	17.35	143,163	(143,163)	-	-	-
Faysal Stock Fund	Pakistan	36.15	-	515,411	(89,582)	-	425,829
Faysal Islamic Stock Fund	Pakistan	20.31	-	125,000	(22,346)	-	102,654
Faysal Islamic Special Income Fund - FISIP-I	Pakistan	100.00	-	105,303	21	-	105,324
Faysal Saving Growth Fund	Pakistan	28.32	1,076,852	(386,677)	34,863	(50,089)	674,949
Faysal Pension Fund - Debt	Pakistan	85.17	30,120	-	939	-	31,059
Faysal Pension Fund - Equity	Pakistan	85.15	30,168	-	(2,610)	-	27,558
Faysal Pension Fund - Money Market	Pakistan	84.77	30,320	-	1,276	-	31,596
Faysal Islamic Pension Fund - Debt	Pakistan	88.94	30,367	-	1,133	-	31,500
Faysal Islamic Pension Fund - Equity	Pakistan	96.02	30,226	-	(1,287)	-	28,939
Faysal Islamic Pension Fund - Money Market	Pakistan	84.04	30,351	-	1,184	-	31,535
			<u>1,580,218</u>	<u>37,223</u>	<u>(76,409)</u>	<u>(50,089)</u>	<u>1,490,943</u>

December 31, 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 year

Rupees '000

Associates

Faysal Income & Growth Fund	Pakistan	-	267,056	(267,056)	-	-	-
Faysal Islamic Stock Fund	Pakistan	-	236,820	(236,820)	-	-	-
Faysal Asset Allocation Fund	Pakistan	22.51	51,158	18,377	2,907	-	72,442
Faysal Savings Growth Fund	Pakistan	34.57	686,509	383,203	48,087	(40,947)	1,076,852
Faysal Special Savings Fund - FSSP-I	Pakistan	100.00	-	104,836	1,843	(470)	106,209
Faysal Government Securities Fund	Pakistan	99.52	-	139,321	3,842	-	143,163
Faysal Pension Fund - Debt	Pakistan	97.77	-	30,000	120	-	30,120
Faysal Pension Fund - Equity	Pakistan	99.14	-	30,000	168	-	30,168
Faysal Pension Fund - Money Market	Pakistan	93.03	-	30,000	320	-	30,320
Faysal Islamic Pension Fund - Debt	Pakistan	99.80	-	30,000	367	-	30,367
Faysal Islamic Pension Fund - Equity	Pakistan	99.82	-	30,000	226	-	30,226
Faysal Islamic Pension Fund - Money Market	Pakistan	96.08	-	30,000	351	-	30,351
			<u>1,241,543</u>	<u>321,861</u>	<u>58,231</u>	<u>(41,417)</u>	<u>1,580,218</u>

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

13 ADVANCES

	Performing		Non performing		Total	
	Un-audited June 30, 2022	Audited December 31, 2021	Un-audited June 30, 2022	Audited December 31, 2021	Un-audited June 30, 2022	Audited December 31, 2021
Rupees '000						
Loans, cash credits, running finances, etc.	33,558,687	42,476,315	17,962,882	19,036,593	51,521,569	61,512,908
Islamic financing and related assets	437,793,617	350,461,085	4,226,718	3,913,046	442,020,335	354,374,131
Bills discounted and purchased	302,597	441,181	515,862	457,257	818,459	898,438
Advances - gross	471,654,901	393,378,581	22,705,462	23,406,896	494,360,363	416,785,477
Provision against advances						
- specific	-	-	(19,043,245)	(19,544,542)	(19,043,245)	(19,544,542)
- general	(985,123)	(945,573)	-	-	(985,123)	(945,573)
	(985,123)	(945,573)	(19,043,245)	(19,544,542)	(20,028,368)	(20,490,115)
Advances - net of provision	470,669,778	392,433,008	3,662,217	3,862,354	474,331,995	396,295,362

13.1 Particulars of advances (gross)

- in local currency
- in foreign currencies

	Un-audited June 30, 2022	Audited December 31, 2021
Rupees '000		
- in local currency	493,880,550	414,316,390
- in foreign currencies	479,813	2,469,087
	494,360,363	416,785,477

13.2 Advances include Rs. 22,705 million (December 31, 2021: Rs. 23,407 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited June 30, 2022		Audited December 31, 2021	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees '000				
Domestic				
- other assets especially mentioned	241,940	150	263,776	64
- substandard	735,729	83,150	1,366,413	117,909
- doubtful	845,184	231,704	595,141	215,372
- loss	20,882,609	18,728,241	21,181,566	19,211,197
Total	22,705,462	19,043,245	23,406,896	19,544,542

13.3 Particulars of provision against advances

	Un-audited June 30, 2022			Audited December 31, 2021		
	Specific	General	Total	Specific	General	Total
Rupees '000						
Opening balance	19,544,542	945,573	20,490,115	20,649,632	915,776	21,565,408
Exchange adjustment	116,969	-	116,969	48,119	-	48,119
Charge for the period / year	876,113	39,550	915,663	2,464,778	29,797	2,494,575
Reversals during the period / year	(1,107,621)	-	(1,107,621)	(1,690,139)	-	(1,690,139)
	(231,508)	39,550	(191,958)	774,639	29,797	804,436
Amounts written off	(386,758)	-	(386,758)	(1,927,848)	-	(1,927,848)
Closing balance	19,043,245	985,123	20,028,368	19,544,542	945,573	20,490,115

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

13.3.1 General provision represents provision maintained against fully secured performing portfolio of consumer finance and unsecured performing portfolio of consumer and small enterprise finance, as required by the Prudential Regulations issued by the SBP.

In addition to the requirements of the Prudential Regulations, the management has exercised prudence and maintained a general provision upto 1% of performing consumer portfolio as at June 30, 2022 amounting to Rs. 250 million.

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 2,063 million (December 31, 2021: Rs 1,976 million) relating to advances while determining the provisioning requirement against non-performing financing as at June 30, 2022. The additional profit arising from availing the FSV benefit (net of tax) as at June 30, 2022 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,052 million (December 31, 2021: Rs 1,205 million).

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

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

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

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

		Un-audited June 30, 2022	Audited December 31, 2021
	Note	Rupees '000	
14 FIXED ASSETS			
Capital work-in-progress	14.1	2,899,037	1,640,844
Property and equipment		24,377,491	24,775,636
		<u>27,276,528</u>	<u>26,416,480</u>
14.1 Capital work-in-progress			
Civil works		699,148	287,365
Equipment		1,581,534	880,538
Furniture and fixture		251,293	124,286
Vehicles		48,776	33,289
Land and building		318,286	315,366
		<u>2,899,037</u>	<u>1,640,844</u>

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

14.2 Additions to fixed assets

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

Capital work-in-progress

1,735,527

841,084

Property and equipment

Furniture and fixture

36,054

9,152

Electrical, office and computer equipment

378,929

508,814

Building on leasehold land

5,332

-

Vehicles

-

16,470

Right-of-use assets

556,511

654,002

Leasehold land

2,568

-

Others

55,465

188,112

1,034,859

1,376,550

Total

2,770,386

2,217,634

14.3 Disposal of fixed assets

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

Furniture and fixture

96

49

Electrical, office and computer equipment

889

1,013

Vehicles

1,033

9

Others

1,131

64

Total

3,149

1,135

15 INTANGIBLE ASSETS

Note

Un-audited
June 30,
2022

Audited
December 31,
2021

Rupees '000

Capital work-in-progress

15.1

647,175

598,179

Computer software

622,416

613,325

Customer relationship

492,411

533,476

Management rights

114,600

114,600

Goodwill

238,484

238,484

1,467,911

1,499,885

Total

2,115,086

2,098,064

15.1 Capital work-in-progress

Computer software

647,175

598,179

15.2 Additions to intangible assets

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

Computer software - directly purchased

98,997

229,382

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

	Note	Un-audited June 30, 2022	Audited December 31, 2021
		Rupees '000 -----	
16 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		16,977,521	10,666,314
Income / mark-up accrued in foreign currencies - net of provision		15,812	4,524
Advances, deposits, advance rent and other prepayments		1,455,933	905,190
Advance taxation (payments less provisions)		46,629	3,004
Non-banking assets acquired in satisfaction of claims		983,162	985,645
Mark to market gain on forward foreign exchange contracts		4,540,517	1,869,513
Fair value of derivative contracts		-	2,080
Acceptances	21	8,151,629	8,343,820
Credit cards and other products fee receivable		483,419	488,906
Receivable from brokers against sale of shares		921,789	370,970
Dividend receivable		100,732	75,348
Receivable from 1Link (Private) Limited		4,146,926	729,363
Rent and amenities receivable		2,621	22,006
Rebate receivable - net		134,728	22,668
Defined benefit plan asset		117,981	117,981
Others		562,611	353,609
		38,642,010	24,960,941
Less: provision held against other assets	16.1	(326,637)	(356,973)
Other assets - net of provision		38,315,373	24,603,968
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	22	1,271,247	1,271,247
Other assets - total		39,586,620	25,875,215
16.1 Provision held against other assets			
Dividend receivable		75,348	75,348
Fraud forgery theft and account receivable		20,867	-
SBP penalties		50,473	51,050
Security deposits		22,993	22,994
Others		156,956	207,581
		326,637	356,973
16.1.1 Movement in provision held against other assets			
Opening balance		356,973	329,878
Charge for the period / year		-	29,758
Reversals during the period / year		(30,336)	(2,663)
		(30,336)	27,095
Closing balance		326,637	356,973
17 BILLS PAYABLE			
In Pakistan		14,465,132	14,122,901

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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 - part I and II
- 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 scheme of Islamic Rupee-based discounting facility under EFS/IERS
- under Islamic refinance facility for storage of agricultural produce
- under Mudarabah based Open Market Operation (OMO)

Repurchase agreement borrowings

Borrowing from other financial institutions

Total secured

Unsecured

Overdrawn nostro accounts

Musharaka acceptances

Other borrowings

Total unsecured

Un-audited
June 30,
2022

Audited
December 31,
2021

Rupees '000

223,152	614,152
734,422	919,241
669,870	717,788
14,771	28,783
30,404,634	30,993,655
4,034,452	7,280,953
6,612,086	5,973,187
12,106,035	7,733,936
28,610,832	21,721,871
273,433	314,644
965,105	-
228,898	145,956
9,774,340	-
94,652,030	76,444,166
54,224,749	19,730,756
1,449,576	467,156
150,326,355	96,642,078
3,204,743	2,545,198
-	1,500,000
-	10,502,553
3,204,743	14,547,751
153,531,098	111,189,829

19 DEPOSITS AND OTHER ACCOUNTS

	Un-audited June 30, 2022			Audited December 31, 2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees '000						
Customers						
Current deposits	232,274,875	26,576,610	258,851,485	184,248,112	24,957,795	209,205,907
Savings deposits	211,154,546	22,405,246	233,559,792	206,181,337	19,665,122	225,846,459
Term deposits	156,101,709	1,241,841	157,343,550	144,979,759	1,950,361	146,930,120
Margin deposits	4,948,403	164,387	5,112,790	3,603,873	7,416	3,611,289
	604,479,533	50,388,084	654,867,617	539,013,081	46,580,694	585,593,775
Financial institutions						
Current deposits	7,553,336	48,197	7,601,533	1,739,920	30,445	1,770,365
Savings deposits	56,582,220	-	56,582,220	45,310,309	-	45,310,309
Term deposits	3,345,550	-	3,345,550	11,365,550	-	11,365,550
	67,481,106	48,197	67,529,303	58,415,779	30,445	58,446,224
	671,960,639	50,436,281	722,396,920	597,428,860	46,611,139	644,039,999

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

		Un-audited June 30, 2022	Audited December 31, 2021
	Note	Rupees '000	
20 DEFERRED TAX (LIABILITIES) / ASSETS			
Taxable temporary differences on			
- surplus on revaluation of fixed assets		1,495,691	1,528,114
- surplus on revaluation of non-banking assets		14,113	14,113
- surplus on revaluation of investments		-	71,350
- fair value adjustment relating to net assets acquired upon amalgamation		211,737	208,056
- fair value adjustment relating to net assets acquired upon business combination		52,496	52,496
- accelerated tax depreciation		(42,116)	1,462
- deferred tax liability due to imposition of Super Tax for tax year 2022		800	-
- fair valuation of previously held equity interest in the Subsidiary Company		13,118	13,118
		1,745,839	1,888,709
Deductible temporary differences on			
- provision for diminution in the value of investments		11,850	(32,236)
- provision against advances, off balance sheet etc.		(26,415)	(1,059,541)
- provision against other assets		(123,959)	(140,068)
- deficit on revaluation of investments		(628,736)	-
- Alternate Corporate Tax (ACT)		(19,272)	(39,039)
- defined benefit obligation		-	(2,843)
- unused tax losses		-	(1,705)
- others		(2,703)	(1,771)
		(789,234)	(1,277,203)
		956,605	611,506
21 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		4,185,489	2,567,306
Mark-up / return / interest payable in foreign currencies		5,524	3,109
Unearned commission and income on bills discounted		771,585	852,715
Accrued expenses		2,372,906	2,496,960
Acceptances	16	8,151,629	8,343,820
Dividend payable including unclaimed dividends		75,828	52,424
Mark to market loss on forward foreign exchange contracts		2,610,530	989,223
Current taxation (provision less payments)		900,491	745,295
Charity fund balance		-	1,273
Provision against off-balance sheet obligations	21.1	99,374	104,894
Security deposits against leases		132,702	189,725
Withholding tax payable		162,639	108,603
Federal excise duty payable		76,830	61,446
Payable to brokers against purchase of shares		1,516,468	522,535
Fair value of derivative contracts		1,330,262	966,691
Payable related to credit cards and other products		334,265	276,092
Lease liability against right-of-use assets		9,984,793	9,717,316
Advance against disposal of assets		12,208	4,366
Funds held as security		279,883	270,227
Payable to 1Link (Private) Limited		41,885	78,572
Insurance payable		64,617	92,807
Clearing and settlement accounts		5,537,140	5,107,985
Others		175,548	320,477
		38,822,596	33,873,861
21.1 Provision against off-balance sheet obligations			
Opening balance		104,894	127,569
Charge for the period / year		1,417	2,075
Reversals during the period / year		(6,937)	(24,750)
		(5,520)	(22,675)
Closing balance		99,374	104,894

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

	Note	Un-audited June 30, 2022	Audited December 31, 2021
		----- Rupees '000 -----	
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
- available for sale securities		(1,462,178)	182,949
- fixed assets		7,135,465	7,220,789
- non-banking assets acquired in satisfaction of claims		1,271,247	1,271,247
		6,944,534	8,674,985
Deferred tax on surplus / (deficit) on revaluation of:			
- available for sale securities		628,737	(71,350)
- fixed assets		(1,494,662)	(1,527,939)
- non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
		(880,038)	(1,613,402)
		6,064,496	7,061,583
23 CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	37,873,975	34,644,920
Commitments	23.2	255,307,221	266,894,554
Other contingent liabilities	23.3	4,122,244	4,122,244
		297,303,440	305,661,718
23.1 Guarantees:			
Financial guarantees		6,404,647	6,686,179
Performance guarantees		11,630,105	9,614,460
Other guarantees		19,839,223	18,344,281
		37,873,975	34,644,920
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		74,602,679	77,150,641
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	108,277,498	131,320,853
- forward government securities transactions	23.2.2	55,587,209	19,884,976
- derivatives - cross currency and interest rate swaps (notional principal)	23.2.3	1,349,727	6,681,964
- extending credit (irrevocable)	23.4	15,202,928	31,655,235
Commitments for acquisition of:			
- operating fixed assets		129,485	115,530
- intangible assets		157,695	85,355
		255,307,221	266,894,554
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		73,022,735	90,624,579
Sale		35,254,763	40,696,274
		108,277,498	131,320,853
23.2.2 Commitments in respect of forward government securities transactions			
Purchase		55,587,209	19,884,976
23.2.3 Commitments in respect of derivatives			
Sale		1,349,727	6,681,964

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

		Un-audited June 30, 2022	Audited December 31, 2021
	Note		
			Rupees '000

23.3 Other contingent liabilities

23.3.1 Holding Company:

Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Holding Company's legal advisors are confident that the Holding Company has a strong case. Indemnity issued favouring the Honorable High Court in one of the cases. Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan (i)

2,510,000	2,510,000
457,543	457,543
1,154,701	1,154,701
4,122,244	4,122,244

- (i) Income tax assessments of the Holding Company have been finalised upto the tax year 2020 (accounting year 2019). Income tax return for TY 2021 (accounting year 2020) has been 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, 2021: Rs. 1,154.701 million). The Commissioner Inland Revenue (Appeals) [CIR(A)] has deleted the said additional tax liability, however the income tax department has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR(A). Recently, ATIR has passed an order and maintain the decision of CIR(A) in favor of Holding Company, confirming that gain on bargain purchase is not taxable. 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 29,736 million (December 31, 2021: Rs 30,799 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, 2021: Rs 25,299 million) in respect of a suit filed against the Holding Company for declaration, recovery of monies, release of securities, rendition of account and damages.

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

23.3.2 Subsidiary Company:

- (i) The income tax returns of the Subsidiary Company for the tax years 2004 to 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.
- (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:

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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

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

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

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

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

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

- (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

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

Ordinance, 2001. The management has filed an appeal before the CIR(A) on the subject matter and has paid an amount of Rs 0.083 million being 10% of the total amount of penalty imposed under the order and has thus obtained an automatic stay on the subject matter. The management of the Subsidiary Company is confident that the matter will be decided in the Subsidiary Company's favour and accordingly no provision in respect of this penalty has been made in these condensed interim consolidated financial statements.

23.4 Commitments to extend credits

The Holding Company makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facilities are unilaterally withdrawn except for Rs. 15,203 million (December 2021: Rs. 31,655 million) which are irrevocable in nature.

	Un-audited June 30, 2022	Audited December 31, 2021
	Rupees '000	
Cross currency swaps (notional principal)	1,349,727	6,417,194
Interest rate swap (notional principal)	-	264,770

24.1 Product analysis

Counterparties	June 30, 2022 (Un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)
Rupees '000				
With banks for				
Hedging	-	-	-	-
Market making	270,210	61,362	-	-
With other entities for				
Hedging	-	-	-	-
Market making	1,079,517	(80,799)	-	-
Total				
Hedging	-	-	-	-
Market making	1,349,727	(19,437)	-	-
Rupees '000				
Counterparties	December 31, 2021 (Audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market gain / (loss)	Notional principal	Mark to market gain / (loss)
Rupees '000				
With banks for				
Hedging	-	-	-	-
Market making	2,682,872	(104,219)	264,770	2,080
With other entities for				
Hedging	-	-	-	-
Market making	3,734,322	(862,472)	-	-
Total				
Hedging	-	-	-	-
Market making	6,417,194	(966,691)	264,770	2,080

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

		Un-audited	
	Note	June 30, 2022	June 30, 2021
		----- Rupees '000 -----	
25	MARK-UP / RETURN / INTEREST EARNED		
On:			
		20,855,631	13,417,551
	Loans and advances		
	Investments	19,268,908	10,807,757
	Lendings to financial institutions	486,683	196,184
	Balances with banks	670	154
	Securities purchased under resale agreements	204,554	75,550
		40,816,446	24,497,196
26	MARK-UP / RETURN / INTEREST EXPENSED		
On:			
		17,179,193	9,540,449
	Deposits		
	Securities sold under repurchase agreements	3,584,257	462,408
	Other short term borrowings	86,818	24,763
	SBP borrowings	765,998	461,870
	Musharaka acceptances	246,788	99,952
	Lease liability against right-of-use assets	568,215	713,954
	Cost of foreign currency swaps against foreign currency deposits / borrowings	2,152,108	1,271,000
		24,583,377	12,574,396
27	FEE AND COMMISSION INCOME		
		461,878	391,631
	Branch banking customer fees		
	Consumer finance related fees	284,686	249,999
	Card related fees (debit and credit cards)	1,447,906	907,927
	Credit related fees	5,919	16,980
	Investment banking fees	179,544	126,265
	Commission on trade	211,382	188,293
	Commission on guarantees	84,178	67,148
	Commission on cash management	44,647	37,914
	Commission on remittances including home remittances	291,115	166,898
	Commission on bancassurance	108,099	143,238
	Commission on sale of funds unit	72,700	98,832
	Management fee	217,254	154,643
	Advisory fee	3,576	9,167
	Sales load	73,108	58,108
	Others	37,319	37,025
		3,523,311	2,654,068
28	(LOSS) / GAIN ON SECURITIES		
	Realised - net	(790,147)	417,624
	Unrealised - held for trading - net	37,344	(19,022)
		(752,803)	398,602
28.1	Realised (loss) / gain on:		
	Federal Government securities	(58,648)	245,979
	Shares	(740,078)	90,453
	Open end mutual funds	8,579	19,672
	Associates	(2,587)	61,520
		(790,147)	417,624
29	OTHER INCOME		
		96,484	90,098
	Rent on property		
	Gain on sale of fixed assets - net	26,342	14,131
	Gain on sale of non-banking assets - net	-	47,487
	Notice pay	(126)	221
	Scrap income	-	2,635
	Others	2,391	273
		125,091	154,845

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

		Un-audited	
		June 30, 2022	June 30, 2021
		Rupees '000	
30 OPERATING EXPENSES			
Total compensation expense		4,859,576	3,926,773
Property expense			
Rent and taxes		190,911	215,384
Insurance		23,979	24,813
Utilities cost		519,898	302,974
Security (including guards)		465,224	361,147
Repair and maintenance (including janitorial charges)		316,863	270,811
Depreciation on owned fixed assets		274,606	264,563
Depreciation on non-banking assets		2,483	2,483
Depreciation on right-of-use assets		796,408	763,971
Others		60,589	41,398
		2,650,961	2,247,544
Information technology expenses			
Software maintenance		925,273	605,363
Hardware maintenance		163,027	114,816
Depreciation		186,480	174,536
Amortisation		89,906	63,242
Network charges		130,049	116,945
Others		-	303
		1,494,735	1,075,205
Other operating expenses			
Directors' fees and allowances		66,830	52,760
Legal and professional charges		120,401	71,495
Outsourced services costs - staff		225,744	206,792
Travelling and conveyance		79,536	37,138
NIFT clearing charges		26,257	24,775
Depreciation		242,965	239,389
Training and development		18,150	9,364
Postage and courier charges		123,161	59,389
Communication		183,288	90,989
Marketing, advertisement and publicity		565,448	129,094
Donations		89,257	79,917
Auditors remuneration		18,044	14,012
Insurance		537,846	451,850
Stationery and printing		213,913	161,742
Bank fees and charges		68,420	91,215
Brokerage and commission		8,317	39,860
Deposit protection premium		301,996	260,117
Credit card bonus points redemption		113,289	90,402
Others		321,248	242,280
		3,324,110	2,352,580
		12,329,382	9,602,102
31 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		4,714	4,141

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

		Un-audited	
	Note	June 30, 2022	June 30, 2021
		Rupees '000	
32	(REVERSALS OF PROVISIONS AND WRITE-OFFS) / PROVISIONS AND WRITE-OFFS- NET		
	Reversal of provision for diminution in value of investments	12.3	(79,448)
	(Reversal) / charge of provision against loans and advances	13.3	(191,958)
	Reversal of provision against other assets	16.1.1	(30,336)
	Bad debts written off directly		137,666
	Recoveries of written off / charged off bad debts		(236,062)
	Reversal of provision against off balance sheet obligations	21.1	(5,520)
			(405,658)
33	TAXATION		
	Current		4,362,283
	Prior years		(1,038,275)
	Deferred		1,041,505
			4,365,513
34	BASIC EARNINGS PER SHARE		
	Profit after tax for the period		4,357,704
			4,068,256

		Number of shares in thousands	
Weighted average number of ordinary shares		<u>1,517,697</u>	<u>1,517,697</u>
		Rupees	
Basic earnings per share		<u>2.87</u>	<u>2.68</u>

34.1 Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at June 30, 2022 and June 30, 2021 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 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).

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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:

		June 30, 2022 (Un-audited)		
		Level 1	Level 2	Level 3
		Rupees'000		
On-balance sheet financial instruments				Total
Financial assets - measured at fair value				
Investments				
	Federal Government securities	-	310,430,014	-
	Shares	8,993,046	1,264,486	-
	Non-Government debt securities	31,430,000	18,502,984	-
Financial assets - disclosed but not measured at fair value				
Investments				
	Non-Government debt securities (note 12.4)	-	6,080,000	-
Non-financial assets - measured at fair value				
	Fixed assets (land and buildings)	-	-	12,065,975
	Non-banking assets acquired in satisfaction of claims	-	-	2,254,409
Off-balance sheet financial instruments - measured at fair value				
	Forward purchase of foreign exchange	-	73,022,735	-
	Forward sale of foreign exchange	-	35,254,763	-
	Derivatives sales	-	1,349,727	-
		December 31, 2021 (Audited)		
		Level 1	Level 2	Level 3
		Rupees'000		
On-balance sheet financial instruments				Total
Financial assets - measured at fair value				
Investments				
	Federal Government securities	-	286,782,453	-
	Shares	7,188,900	2,065,529	-
	Non-Government debt securities	47,512,500	5,389,647	-
Financial assets - disclosed but not measured at fair value				
Investments				
	Non-Government debt securities	-	6,754,838	-
Non-financial assets - measured at fair value				
	Fixed assets (land and buildings)	-	-	12,058,074
	Non-banking assets acquired in satisfaction of claims	-	-	2,509,571
Off-balance sheet financial instruments - measured at fair value				
	Forward purchase of foreign exchange	-	92,123,357	-
	Forward sale of foreign exchange	-	41,314,763	-
	Derivatives sales	-	6,681,964	-

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.

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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 or PSX rates.

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

Valuation techniques used in determination of fair values within level 3

Item	Valuation approach and input used
Fixed assets (land and building)	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in the financial statements of the Holding Company for the year ended December 31 2021.
Non-banking assets acquired in satisfaction of claims	NBAs are valued by professionally qualified valuers as per the accounting policy disclosed in the financial statements of the Holding Company for the year ended December 31 2021.

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 (Un-audited)

For the half year ended June 30, 2022

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

	2022					
	Retail	CIBG	Treasury	SAM	Others	Total
Profit and loss for the half year ended ended June 30, 2022 (Un-audited)						
Net mark-up / return / profit	(10,666,534)	13,980,328	13,585,966	62,226	(855,414)	16,106,572
Inter segment revenue - net	22,124,905	(12,627,429)	(12,405,914)	218,272	2,690,166	-
Non mark-up / return / interest income	2,907,276	1,109,288	1,076,593	(108,270)	(260,775)	4,724,112
Total Income	14,365,647	2,462,187	2,256,645	172,228	1,573,977	20,830,684
Segment direct expenses	7,267,114	388,989	153,312	80,944	4,622,766	12,513,125
Inter segment expense allocation	3,958,413	368,260	78,275	71,963	(4,476,911)	-
Total expenses	11,225,527	757,249	231,587	152,907	145,855	12,513,125
Provisions	(89,672)	110,979	(41,223)	(377,758)	(7,984)	(405,658)
Profit before tax	3,229,792	1,593,959	2,066,281	397,079	1,436,106	8,723,217
Statement of financial position as at June 30, 2022 (Un-audited)						
Cash and bank balances	26,564,853	-	50,476,134	-	-	77,040,987
Lendings to financial institutions	-	-	-	-	-	-
Investments	-	8,306,121	368,749,474	3,256,467	968,310	381,280,372
- Investment provision	-	-	(1,348,190)	(2,024,349)	-	(3,372,539)
Net inter segment lending	579,378,089	-	-	-	(579,378,089)	-
Advances - performing	94,138,285	372,553,989	-	-	4,962,627	471,654,901
Advances - non-performing	3,517,906	5,243,311	-	13,911,132	33,113	22,705,462
- Advances - provisions	(3,081,823)	(3,908,245)	-	(13,109,309)	71,009	(20,028,368)
Others	15,874,509	4,327,895	11,506,827	(1,907,961)	39,176,964	68,978,234
Total assets	716,391,819	386,523,071	429,384,245	125,980	(534,166,066)	998,259,049
Borrowings	10,352,547	75,928,678	67,249,873	-	-	153,531,098
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	682,738,658	38,286,497	-	2,056,319	(684,554)	722,396,920
Net inter segment borrowing	-	270,327,939	359,949,729	(1,942,510)	(628,335,158)	-
Others	23,300,614	1,979,957	3,102,054	(932)	25,968,116	54,349,809
Total liabilities	716,391,819	386,523,071	430,301,656	112,877	(603,051,596)	930,277,827
Equity	-	-	1,666,786	-	66,314,436	67,981,222
Total equity and liabilities	716,391,819	386,523,071	431,968,442	112,877	(536,737,160)	998,259,049
Contingencies and commitments	23,380,263	106,998,670	165,214,434	1,421,559	288,514	297,303,440

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

	2021					
	Retail	CIBG	Treasury	SAM	Others	Total
	Rupees '000					
Profit and loss 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 December 31, 2021 (Audited)

Cash and bank balances	25,719,683	-	36,314,336	-	-	62,034,019
Lendings to financial institutions	-	-	-	-	-	-
Investments	-	12,146,534	344,341,447	3,295,550	917,812	360,701,343
- Investment provision	-	-	(1,376,309)	(2,075,678)	-	(3,451,987)
Net inter segment lending	544,748,188	-	-	-	(544,748,188)	-
Advances - performing	44,232,459	299,855,056	-	-	49,291,066	393,378,581
Advances - non-performing	4,468,490	5,552,943	-	13,322,251	63,212	23,406,896
- Advances - provisions	(3,305,409)	(3,915,462)	-	(13,008,111)	(261,133)	(20,490,115)
Others	14,556,465	3,271,446	6,421,470	(1,884,442)	32,024,820	54,389,759
Total assets	630,419,876	316,910,517	385,700,944	(350,430)	(462,712,411)	869,968,496
Borrowings	8,613,513	67,596,975	34,979,341	-	-	111,189,829
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	597,346,400	46,115,178	-	293,151	285,270	644,039,999
Net inter segment borrowing	-	201,826,122	347,495,914	(642,968)	(548,679,068)	-
Others	24,459,963	1,372,242	1,591,877	(613)	21,184,799	48,608,268
Total liabilities	630,419,876	316,910,517	384,067,132	(350,430)	(527,208,999)	803,838,096
Equity	-	-	1,633,812	-	64,496,588	66,130,400
Total equity and liabilities	630,419,876	316,910,517	385,700,944	(350,430)	(462,712,411)	869,968,496
Contingencies and commitments	17,549,250	128,712,861	157,887,793	1,310,929	200,885	305,661,718

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, 2022 (Un-audited)				December 31, 2021 (Audited)					
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
Rupees '000										
Investments										
Opening balance	-	-	-	1,580,218	4,081,802	-	-	-	1,241,543	4,056,857
Investment made during the period / year	-	-	-	889,870	10,530,974	-	-	-	1,624,707	21,145,830
Investment redeemed / sold during the period / year	-	-	-	(535,506)	(10,481,342)	-	-	-	(1,302,846)	(21,120,885)
Equity method adjustment	-	-	-	16,814	-	-	-	-	16,814	-
Closing balance	-	-	-	1,951,396	4,131,434	-	-	-	1,580,218	4,081,802
Provision for diminution in value of investments	-	-	-	-	2,034,992	-	-	-	-	2,037,337
Advances										
Opening balance	-	-	531,323	-	1,709,934	-	-	258,224	-	1,799,681
Addition during the period / year	-	82,946	181,593	-	-	-	-	540,268	-	483,407
Repaid during the period / year	-	(1,063)	(186,080)	-	(149,275)	-	-	(267,169)	-	(573,154)
Written off during the period / year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	81,883	526,836	-	1,560,659	-	-	531,323	-	1,709,934
Provision held against advances	-	-	-	-	508,642	-	-	-	-	508,642

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

	June 30, 2022 (Un-audited)				Other related parties	December 31, 2021 (Audited)				
	Parent	Directors	Key management personnel	Associates		Parent	Directors	Key management personnel	Associates	Other related parties
Rupees '000										
Other assets										
Interest / mark-up accrued	-	1,009	1,291	-	71,849	-	-	847	-	63,774
Commission income receivable	-	-	-	151	19,262	-	-	-	222	37,861
Defined benefit plan asset	-	-	-	-	117,981	-	-	-	-	117,981
Remuneration receivable	-	-	-	2,909	23,920	-	-	-	3,815	24,704
Receivable against reimbursement of expenses	-	-	-	10,788	89,750	-	-	-	3,465	59,325
Receivable from defined contribution plan	-	-	-	-	858	-	-	-	-	803
Front end load receivable	-	-	-	-	8,562	-	-	-	64	3,386
Preliminary expenses and floatation costs receivable	-	-	-	1,100	4,282	-	-	-	1,114	3,174
Dividend receivable	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	4,146,926	-	-	-	-	729,363
	-	1,009	1,291	14,948	4,483,390	-	-	847	8,680	1,040,371
Deposits and other accounts										
Opening balance	328,397	51,148	231,277	15,350	9,800,472	182	44,456	139,814	14,910	10,509,734
Received during the period / year	656,431	233,146	1,209,034	225,600	313,062,301	705,659	90,608	2,749,082	1,427,130	512,144,964
Withdrawn during the period / year	(328,215)	(248,704)	(1,256,005)	(226,977)	(318,748,249)	(377,444)	(83,916)	(2,657,619)	(1,424,649)	(512,856,267)
Transfer in / (out) during the period / year	-	-	-	-	-	-	-	-	(2,041)	2,041
Closing balance	656,613	35,589	184,306	13,973	4,114,524	328,397	51,148	231,277	15,350	9,800,472
Other liabilities										
Interest / mark-up payable	-	468	404	47	36,539	-	207	277	-	48,212
Payable against reimbursement of expenses	-	-	-	-	-	-	-	-	-	124
Other liabilities	-	-	-	-	41,885	-	-	-	-	78,572
	-	468	404	47	78,424	-	207	277	-	126,908
Contingencies and commitments										
Trade related commitments	-	-	-	-	110,469	-	-	-	-	135,898
	-	-	-	-	110,469	-	-	-	-	135,898

* represents outstanding guarantee

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

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

RELATED PARTY TRANSACTIONS

RELATED PARTY TRANSACTIONS										
June 30, 2022 (Un-audited)						June 30, 2021 (Un-audited)				
Parent	Directors	Key management personnel	Associates	Other related parties		Parent	Directors	Key management personnel	Associates	Other related parties
Rupees '000										
Income										
-	4,640	11,964	-	50,110	-	-	-	7,700	-	49,667
-	57	34	41,463	241,273	-	-	98	95	18,290	271,563
-	-	-	50,089	85,255	-	-	-	-	-	35,303
-	-	228	106	(2,242)	-	-	-	3	61,520	19,752
-	-	-	-	-	-	-	-	8	-	-
Expense										
-	2,598	926	229	599,299	-	-	807	1,953	421	304,306
-	-	-	22,694	234,074	-	-	-	-	7,880	105,927
-	66,830	-	-	-	-	-	52,760	-	-	-
-	-	504,944	-	914	-	-	-	397,927	-	980
-	-	-	-	2,086	-	-	-	-	-	4,297
-	-	-	-	123,899	-	-	-	-	-	108,079
-	-	-	-	138,932	-	-	-	-	-	128,338
-	-	-	-	88,257	-	-	-	-	-	-
Others										
-	-	-	889,870	10,530,974	-	-	-	-	1,727,454	10,012,543
-	-	-	535,506	10,478,632	-	-	-	-	1,407,744	10,508,042
-	-	113,056	-	1,656,602	-	-	-	293,862	-	3,317,609
-	-	219,954	-	3,145,468	-	-	-	329,626	-	3,952,459
-	-	-	-	5,519	-	-	-	-	-	105,832
-	-	-	-	-	-	-	-	22	-	-

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

	Un-audited June 30, 2022	Audited December 31, 2021
38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	----- Rupees '000 -----	
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	15,176,965	15,176,965
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	59,145,836	56,923,128
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	59,145,836	56,923,128
Eligible tier 2 capital	6,625,927	6,750,022
Total eligible capital (tier 1 + tier 2)	65,771,764	63,673,150
Risk weighted assets (RWAs):		
Credit risk	301,919,852	273,538,696
Market risk	46,695,526	30,736,393
Operational risk	58,977,507	58,977,507
Total	407,592,885	363,252,596
Common equity tier 1 capital adequacy ratio	14.51%	15.67%
Tier 1 Capital adequacy ratio	14.51%	15.67%
Total Capital adequacy ratio	16.14%	17.53%
Leverage ratio (LR):		
Eligible tier-1 capital	59,145,836	56,923,128
Total exposures	1,205,056,678	1,046,737,575
Leverage ratio (in %)	4.91%	5.44%
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	356,559,418	327,723,433
Total net cash outflow	186,492,370	155,715,157
Liquidity coverage ratio (Ratio)	1.912	2.105
Net stable funding ratio (NSFR):		
Total available stable funding	661,469,384	594,478,277
Total required stable funding	413,086,784	346,320,285
Net stable funding ratio (in %)	160.13%	171.66%

39 ISLAMIC BANKING BUSINESS

The Bank is operating 628 Islamic banking branches (December 31, 2021: 595) including 2 Islamic sub-branch (December 31, 2021: 2). The statement of financial position and profit and loss account of these branches for the period ended June 30, 2022 are as follows:

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

		Un-audited June 30, 2022	Audited December 31, 2021
		Rupees '000	
Statement of financial position			
ASSETS			
		55,028,130	34,500,786
		5,280,868	2,345,633
		22,000,000	-
	38.1	255,828,011	169,622,462
	38.2	438,680,826	351,466,762
		26,066,726	18,063,668
		812,998	231,682
		7,968,702	79,488
		27,643,648	16,326,810
		839,309,909	592,637,291
LIABILITIES			
		10,906,020	9,671,804
		94,528,962	99,267,708
	38.3	669,365,150	428,362,073
		-	4,666,798
		17,978,133	17,501,285
		792,778,265	559,469,668
		46,531,644	33,167,623
NET ASSETS			
REPRESENTED BY			
		27,180,000	22,180,000
		-	-
		5,160,221	1,132,979
	38.4	14,191,423	9,854,644
		46,531,644	33,167,623
CONTINGENCIES AND COMMITMENTS			
	38.5		
		Un-audited For the half year ended June 30, 2022	June 30, 2021
		Rupees '000	
Profit and loss account			
	38.6	29,740,496	11,542,456
	38.7	14,676,471	4,567,514
		15,064,025	6,974,942
Other income			
		1,530,911	812,210
		189,292	174,023
		6,675	16,372
		104,017	68,197
		1,830,895	1,070,802
		16,894,920	8,045,744
Other expenses			
		7,925,855	4,667,175
		33,364	5
		7,959,219	4,667,180
		8,935,701	3,378,564
		432,208	1,451,272
		8,503,493	1,927,292
		4,166,714	751,644
		4,336,779	1,175,648

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

39.1 Investments by segments:

	Un-audited June 30, 2022				Audited December 31, 2021			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees '000							
Federal Government securities:								
- Ijarah Sukuks	231,109,351	-	(2,259,020)	228,850,331	142,350,109	-	(1,014,416)	141,335,693
- Other Federal Government securities	3,484,336	-	-	3,484,336	925,512	-	-	925,512
	234,593,687	-	(2,259,020)	232,334,667	143,275,621	-	(1,014,416)	142,261,205
Shares								
- Listed companies	150,000	-	-	150,000	100,000	-	-	100,000
Non Government Debt securities:								
- Listed	15,000,000	-	410,000	15,410,000	15,000,000	-	487,500	15,487,500
- Unlisted	7,933,344	-	-	7,933,344	11,773,608	-	149	11,773,757
	22,933,344	-	410,000	23,343,344	26,773,608	-	487,649	27,261,257
Total investments	257,677,031	-	(1,849,020)	255,828,011	170,149,229	-	(526,767)	169,622,462

39.2 Islamic financing and related assets - net

	Un-audited June 30, 2022	Audited December 31, 2021
	Rupees '000	
Murabaha	45,536,062	31,630,824
Musharaka	7,164	7,164
Diminishing Musharaka	192,091,158	169,178,512
Istisna	30,862,696	29,274,907
Tawwaruq	3,209,221	2,131,046
Running Musharaka	107,998,101	73,228,956
Fixed assets Ijarah financing - net	38,008	47,914
Tijarah	617,081	1,091,633
Advance against Murabaha financing	3,713,130	2,440,981
Advanced against Diminishing Musharaka	27,096,291	19,610,409
Advance against Ijarah	5,375,000	1,312,461
Advance against Istisna	9,689,864	12,906,932
Advance against Islamic export refinance	4,023,728	5,225,476
Advance against Tijarah	205,119	216,504
Musawamah	195,812	187,825
Bai salam	291,930	433,702
Salam	6,200	13,500
Inventory related to Istisna	8,177,670	2,814,621
Inventory related to Murahaba	1,712,452	1,535,917
Inventory related to Salam	2,300	100,000
Inventory related to Tijarah	1,171,348	984,847
Gross Islamic financing and related assets	442,020,335	354,374,131
Less: provision against Islamic financings		
- specific	(3,099,092)	(2,666,575)
- general	(240,417)	(240,794)
	(3,339,509)	(2,907,369)
Islamic financing and related assets - net of provision	438,680,826	351,466,762

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

39.3 Deposits

	Un-audited			Audited		
	June 30, 2022			December 31, 2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees '000 -----						
Customers						
Current deposits	227,073,127	24,596,140	251,669,267	171,716,974	21,947,496	193,664,470
Savings deposits	192,413,381	19,202,210	211,615,591	168,304,245	15,291,589	183,595,834
Term deposits	140,368,166	576,505	140,944,671	30,904,502	490,615	31,395,117
	559,854,674	44,374,855	604,229,529	370,925,721	37,729,700	408,655,421
Financial institutions						
Current deposits	6,765,267	48,197	6,813,464	247,179	30,425	277,604
Savings deposits	56,376,607	-	56,376,607	14,963,498	-	14,963,498
Term deposits	1,945,550	-	1,945,550	4,465,550	-	4,465,550
	65,087,424	48,197	65,135,621	19,676,227	30,425	19,706,652
	624,942,098	44,423,052	669,365,150	390,601,948	37,760,125	428,362,073

39.4 Islamic banking business unappropriated profit

	Un-audited June 30, 2022	Audited December 31, 2021
Opening balance	9,854,644	5,124,874
Add: Islamic Banking profit for the period / year	8,503,493	7,753,722
Less: taxation	(4,166,714)	(3,023,952)
Closing balance	14,191,423	9,854,644

39.5 Contingencies and commitments

Guarantees	27,171,371	23,409,723
Commitments	84,448,722	109,246,212
	111,620,093	132,655,935

39.6 Profit / return earned of financing, investments and placement

Profit earned on:

	Un-audited For the half year ended June 30, 2022	June 30, 2021
Financing	17,848,840	7,872,142
Investments	11,891,656	3,670,314
	29,740,496	11,542,456

Notes to and forming part of the Condensed Interim Consolidated Financial Statements (Un-audited)

For the half year ended June 30, 2022

Un-audited	
For the half year ended	
June 30, 2022	June 30, 2021
----- Rupees '000 -----	

39.7 Profit on deposits and other dues expensed

Deposits and other accounts	10,618,538	3,262,817
Other short term borrowings	3,504,799	869,369
Lease liability against right-of-use assets	553,134	435,328
	<u>14,676,471</u>	<u>4,567,514</u>

40 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim consolidated financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the holding company in their meeting held on August 25, 2022 has declared an interim cash dividend of Rs. 0.5 i.e. 5% (June 30, 2021: 5%). The condensed interim consolidated financial statements for the half year ended June 2022 do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ended December 31, 2022.

42 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on August 25, 2022 by the Board of Directors of the Holding Company.

If undelivered please return to:

FAYSAL BANK LIMITED

Registrar:

M/s. Central Depository
Company of Pakistan Limited.
CDC House, 99-B, Block-B,
SMCHS, Main Shahrah-e-Faisal,
Karachi-74400

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