

نیا دور، نئی پہچان
وہی اسلامی اقدار

faysalbank



فیصل بینک

HALF YEAR
- ENDED JUNE 30, 2020
UNAUDITED FINANCIAL STATEMENTS

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Registered Office

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

CORPORATE INFORMATION

Board of Directors

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

Board Audit & Corporate Governance Committee

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

Board Risk Management Committee

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

Recruitment Nomination and Remuneration Committee

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

Board Strategy Committee

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

CORPORATE INFORMATION

Board IT Committee

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

Shariah Board

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

Syed Majid Ali

Chief Financial Officer

Mr. Aurangzeb Amin

Company Secretary & Head of Legal

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

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

Registered Office

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

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Share Registrar

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

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DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Faysal Bank Limited ("FBL" or "the Bank") along with Unconsolidated Financial Statements for the quarter and half year ended June 30, 2020.

Company Profile

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

The Bank's footprint spreads over 200 cities across the country with 555 branches. In line with FBL's strategy of transforming itself into a full-fledged Islamic Bank, 75% of its branches are Islamic and offering dedicated sharia-compliant banking services. Islamic Banking windows are also operating in 24 conventional branches.

Holding Company

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

Economic Update

Amidst a surge in the number of coronavirus cases, the world economies are realizing the inevitability of living in a global pandemic. Despite some resumption of economic activity and relaxation in lockdowns, the IMF has downgraded its 2020 global growth forecast further to negative 4.9%, while Asian Development Bank (ADB) predicted Pakistan's Gross Domestic Product (GDP) to contract by 0.6% in 2020. Pakistan has followed suit with global measures of monetary easing by cutting its policy rate by 625 bps since March '20. The policy rate now stands at 7.00%. Monetary policy easing in line with analyst expectations has bolstered domestic equity market as KSE 100 Index rebounded from its 5-year low of 27,200 to close at 39,915 on August 9, 2020.

The recently announced FY21 budget broadly remained focused on cost rationalization and not growth as the government pushed for a stimulus package in April '20 maxing out its fiscal capacity to restore the economy and in the meantime allow financial relief to less fortunate population. The biggest challenge faced now remains on the fiscal side. Fitch Ratings has anticipated a fiscal deficit of 9.5% of GDP in the current fiscal year. Recent data shows that it

DIRECTORS' REVIEW

may be 1% lower at 8.5%. On a positive note, Pakistan's trade deficit in the financial year 2019-20, decreased by 27% to USD 23.2 billion as compared to a USD 31.8 billion recorded in 2018-19. As per the IMF the current account deficit has shrunk by 74% and is now expected to decline to 2.4% of the GDP.

Under the Debt Service Suspension Initiative (DSSI) introduced by World Bank and IMF, Pakistan will now be able to reschedule USD 2.41 billion worth of debt repayments out of a total of USD 8.974 billion due in 2020. Pakistan has also signed a USD 1.5 billion loan agreement with three international financial institutions, to strengthen its response to Covid-19.

Offshore investments in Government of Pakistan securities saw an outflow of USD 3.1 billion out of the total USD 3.75 billion invested, putting pressure on foreign exchange buffers. PKR depreciated to its lowest value against the dollar i.e. 168.2 by the end of June '20. Regardless, the average headline inflation during FY20, clocked in at 10.74%, lower than the World Bank's forecast of 11.10%, primarily due to fall in aggregate demand in response to coronavirus and dumping of global oil prices in March '20. IMF foresees inflation to converge next year to 5-7%.

With so much uncertainty caused by the pandemic and impending risks of floods and locust attacks, Pakistan's economy may face yet another testing fiscal year. There needs to be strong coordination among government and other financial stakeholders to keep the credit flowing in the economy.

Bank's Performance

Conversion to Islamic

The Bank's 'asset led' conversion strategy using preservation of franchise value as the primary driving factor continues to guide the Bank towards becoming a full-fledged Islamic Bank. The Bank's Product development, Information Technology, Business Units, Human Resources and Marketing teams with the support of our capable Shar'iah and other back office units are aggressively enabling our commitment to this goal.

Despite uncertainties forced upon the society by COVID 19, conversion to Islamic has Alhamdulillah, remained on track. FBL improved its share of Islamic deposits to 30.9% (Dec '19: 26.1%) and gross financing to 44.1% (Dec '19: 34.8%). The Bank introduced its 'Agahi' digital campaign for propagation of Islamic banking knowledge. We remain confident that by the grace of Allah and with your support we will be able to achieve our objective of full conversion by 2023.

Retail Banking

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

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Liability Products

- FBL is one of the banks selected by SBP to launch Overseas Pakistani Savings Schemes. Overseas Pakistanis can digitally open and operate a Non-resident Rupee Accounts (NRAR) and Foreign Currency (FCY) account from abroad. This facility is available through DigiBank Internet and Mobile Banking Application. FBL is also working with the SBP on stage II in which customers will get an option to invest in Overseas Bills and other investment schemes.
- Employee Banking proposition was launched with several industry first features. Going forward, the Bank intends to further enhance its Employee Banking proposition by offering a complete Employee Management solution to the corporate and CBSME clients.
- In pursuance of the SBP directives to promote digital channel in COVID 19 situation, various campaigns and customer-focused initiatives were launched during the year aimed at increasing transactions on alternate delivery channels.

SME & Commercial

FBL believes that access to finance for Small and Medium Enterprises (SME) and Commercial segments is key to sustained development of the economy. To further strengthen SME & Commercial segments, FBL has already implemented a branch-led SME model. This structure is operational in 107 branches which covers major geographical potential areas for SME segment. This model has started delivering positive results in the form of mobilization of additional deposits and provision of customized quality services to our clients.

Consumer Finance

On the financing side, various campaigns and customer-focused initiatives were launched during the year:

- During these extraordinary times, Faysal Car Finance launched "Principal Payment Holiday and Free Life Takaful Coverage" campaign for Doctors and Healthcare staff as a token of appreciation. Under this campaign, the customer will be provided with several benefits including 1st year principal payment holiday and free life takaful coverage of up to PKR 5 million valid throughout the financing tenure.

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- FBL Credit Cards initiated 0% Retail and Balance Transfer Campaign. Through this campaign, customers were able to convert their Credit Card transactions into 6-month instalment plans at 0% mark-up with fixed processing fee. In-addition, customers were also able to transfer other bank Credit Card balances to Faysal Bank Credit Cards at 0% mark-up up to 6 months.

Marketing

- FBL's Islamic identity was launched in January with its new positioning 'Barho Yaqeen Ke Sath' alongside one of its premium products 'Rehmat Business Account', to establish its Islamic product portfolio.
- FBL sent public service messages to guide customers regarding safe banking options and played its role in CSR by extending financial assistance to organizations working to combat COVID-19; partnering with Indus Hospital, Shaukat Khanum Memorial Cancer Hospital & Research Centre, Karachi Relief Trust, Akhuwat and Institute of Public Health.

Additionally, FBL played its part in the revival & rehabilitation of the economy during the COVID 19 pandemic by extending financing facilities & payment deferrals offered under SBP's initiatives to dampen the effects of Covid-19. Further to support our health system, the Bank also offered low-cost finance (SBP Scheme) to different hospitals across the country.

Financial Highlights

	Rs. in million		
Key Balance Sheet Numbers	Jun '20	Dec '19	Growth %
Investment	233,227	204,069	14.3%
Financing	300,830	309,573	-2.8%
Total Assets	655,265	629,853	4.0%
Deposits	496,367	457,789	8.4%
Profit & Loss Account	Jun '20	Jun '19	Growth %
Total Revenue	17,161	13,780	24.5%
Non-Markup Expenses	9,371	7,869	19.1%
Profit before tax and provisions	7,790	5,911	31.8%
Net Provisions	1,465	672	118.1%
Profit before tax	6,325	5,239	20.7%
Tax	2,515	2,217	13.4%
Profit after tax	3,810	3,022	26.1%
Earnings per share (Rupees)	2.51	1.99	0.52

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Total revenue of the Bank for the six months ended June 30, 2020 has shown strong growth of 24.5% over the corresponding half of previous year. This growth was achieved in the face of the far reaching adverse economic impact that the Country has experienced during the second quarter of 2020 due to COVID 19. The growth is attributable mainly to increase in net mark-up income due to low cost deposit mobilization strategy and higher mark-up rates during the first quarter of the current year. Despite the sharp policy rate cut of 200 bps during the second quarter, bank's net markup income increased by 2.5%.

The general slowdown in economy owing to the country-wide lock down during most of the second quarter '20 led to a significant decline of 16.6% in fee and commission revenue over the corresponding half year. Further foreign exchange income was also lower by Rs. 704 million or 43.1% due to the relative USD/PKR parity stability during 2020. However higher gains on government and equity securities of Rs. 1,428 million led to increase in total non-markup income by Rs. 218 million or 5.8% over the first half of CY '19.

Due to opening of 80 branches since June '19 which represent 16.8% growth in network coupled with higher inflation and devaluation of PKR, operating expenses have increased by almost 18% during the period under review. However, cost-to-income ratio of the Bank continues to move in the right direction and decreased to 53.1% from 56.1%.

Net provisions for the half year reflected charge of Rs. 1,465 million as compared to 672 million last year. The additional charge reflects prudent approach of the Bank in managing credit risk through these difficult times. While Non-Performing Advances (NPA) ratio has remained stagnant at 9.1% as compared to December '19, provision coverage has improved from 77.2% to 81.2%. The Bank has recognized impairment on equity portfolio of Rs. 380 million during the period in accordance with the SBP guidelines.

On account of strong growth in revenue supported by effective cost and risk management, the Bank was able to generate a robust growth of 26.1% in profit after tax over the corresponding period of previous year. Earnings per share improved to Rs. 2.51 per share from 1.99 per share in the corresponding period last year.

On the balance sheet side, deposits grew by 8.4% to Rs. 496.37 billion. The Bank concentrated on reducing cost of deposit during the quarter and saw significant improvement in current and low-cost savings deposits. As a result, current deposit ratio in total deposits increased from 32.9% to 35.5%. The Bank has a reasonable Advances to Deposit Ratio (ADR) and keeping in view current economic uncertainties remained cautious on lending side. As a result, the advances of the Bank registered slight decline of 2.8% to Rs. 300.83 billion as compared to December '19. Accordingly Advances to Deposit Ratio (ADR) of the Bank was at 60.6%. The liquidity generated from deposits was invested in government securities as such investment show a growth of 14.3%. Total assets increased to Rs. 655.26 billion translating in growth of 4% from 2019 year end.

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Risk management

COVID – 19 and the measures to reduce its spread has impacted the economy significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing various regulatory measures to maintain banking system's soundness and to sustain economic activity. The current environment has impacted the banks in Pakistan from various facets. Major aspects of the same on the Bank's risk management policies are given below:

Credit risk

Credit Risk Management, in coordination with Business Units, carried out multiple Rapid Portfolio Reviews & industry analyses in order to proactively identify, monitor and manage credit relationships in these unprecedented times.

Market and Liquidity Risk

In view of the volatile equity market situation, Enterprise Risk Management enhanced monitoring of equity portfolio and liquidity position of the Bank. The Bank is maintaining liquid assets including cash reserves in order to not only meet regulatory requirements but also maintain sufficient buffer.

Operational Risk

In the wake of Covid-19 outbreak, a special committee headed by the Chief Risk Officer was constituted and primarily entrusted with the task to oversee effective & timely implementation of the measures required to ensure well-being of the employees, customers and community at large, while ensuring business continuity during these difficult times.

Our staff is under instructions to sanitize hands before they enter their respective places of work and use of masks has been made mandatory. Thermal screening of all staff is conducted before they enter the Bank premises. All the branches are being disinfected on regular basis. Travel is being discouraged, wherever possible. Alternate arrangements, such as video/teleconferencing are being used. VPN access along with laptops have been provided to critical staff to facilitate work from home.

Capital adequacy ratio

Under the current scenario, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the banks to 1.5%, resulting in an overall CAR requirement of 11.5%. In addition to the measures by SBP, the management is monitoring the Bank's CAR and believes that it has sufficient buffer to meet adverse movements in credit, market or operational risks.

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Outlook

With the recent reduction in COVID 19 infections and reduced scale of lock down, economic activity is expected to slowly pick up momentum in the third quarter of 2020. While the significant reduction in interest rate will support revival of economic activities, the Bank's net markup income is likely to be affected, going forward. The Bank will continue to implement low cost deposit mobilization and retention strategy to safeguard margins. Further, focus on cost control measures will continue in order to preserve and improve profitability.

The next couple of quarters are also important in terms of monitoring asset quality. As mentioned above, the Risk Management teams are actively engaged with the respective businesses to identify and manage risks in this regard. Prudent capital management has enabled your Bank to maintain a strong Capital Adequacy Ratio of 19.06% which is well above the regulatory requirement. This will hold the Bank in good stead in managing operations effectively through these difficult times.

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

FBL remains committed to providing top class services to our customers in these testing times, through improved and enhanced offerings from alternate delivery channels and digital platforms.

Credit Rating

During June '20, VIS Credit Rating Company Limited (VIS) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings:

Long-Term AA

Short-Term A1+

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

Subsequent Events

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

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Acknowledgement

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

Approval

In compliance with the requirement of the Companies Act, 2017, this Directors' Report with the recommendation of the Board Audit and Corporate Governance Committee has been approved by the Directors in their meeting held on August 20, 2020 and signed by the Chief Executive Officer and a director.

President & CEO

Chairman / Director

Karachi

Dated: August 20, 2020

ڈائریکٹرز کا جائزہ

بعد از واقعات

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

توثیقی بیان

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

منظوری

کمپنیز ایکٹ 2017 کی شرائط کے تحت بورڈ آف آڈٹ اور کارپوریٹ گورننس کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 20 اگست، 2020 کو منعقدہ اجلاس میں ڈائریکٹرز کی جانب سے منظور کیا گیا ہے اور اس پر چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے دستخط کر دیئے ہیں۔

چیئر مین / ڈائریکٹر

صدر اور سی ای او

کراچی

20 اگست، 2020

ڈائریکٹرز کا جائزہ

بینک دولت پاکستان کی جانب سے اقدامات کے علاوہ انتظامیہ اپنے CAR سے متعلق مختلف فیصلوں کے اثرات کا بھی مسلسل جائزہ لے رہی ہے اور اس بات پر یقین رکھتی ہے کہ کریڈٹ، مارکیٹ یا آپریشنل رسک کے حوالے سے کسی بھی طرح کے خراب حالات سے نمٹنے کے لیے مناسب اسباب موجود ہیں۔

مستقبل پر نظر

کورونا وائرس کے مریضوں میں حالیہ کمی اور لاک ڈاؤن میں نرمی کے ساتھ مالی سال 2020 کی تیسری سہ ماہی میں آہستہ آہستہ معاشی سرگرمیوں کے بحال ہونے کا امکان ہے۔ شرح سود میں بہت زیادہ کمی سے بھی معاشی سرگرمیوں کی بحالی میں مدد ملے گی تاہم مستقبل میں بینک کی نیٹ مارک۔ اپ آمدنی متاثر ہو سکتی ہے۔ بینک کم قیمت ڈپازٹ بڑھانے اور منافع جات کو محفوظ بنانے کی حکمت عملی پر توجہ جاری رکھے گا۔ اس کے علاوہ، منافع جات کو محفوظ بنانے اور بڑھانے کے لیے اخراجات کو کم کرنے کے اقدامات جاری رکھے جائیں گے۔

آئندہ چند سہ ماہیوں کے دوران اثاثوں کے معیار کی نگرانی بہت ضروری ہے۔ جیسا کہ اوپر بتایا گیا ہے کہ، رسک مینجمنٹ کی ٹیمیں خطرات کی نشاندہی اور رسک مینجمنٹ کے لیے اپنے کاروباری معاملات میں مصروف عمل ہیں۔ پروڈنٹ کیپٹل مینجمنٹ نے آپ کے بینک کو 19.06 فیصد مستحکم کیپٹل ایڈیکوئیٹی ریشو برقرار رکھنے کے قابل بنایا ہے جو کہ قانونی تقاضوں سے قدر بہتر ہے۔ اس طرح بینک کو مشکل اوقات میں اپنے آپریٹنگز منوثر طریقے سے چلانے میں مدد ملے گی۔

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

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

کریڈٹ ریٹنگ:

جون 2020 کے دوران وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) اور پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے درج ذیل درجہ بندی برقرار رکھی:

طویل المیعاد: AA

قلیل المیعاد: A1+

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

ڈائریکٹرز کا جائزہ

رسک مینجمنٹ

کورونا کی وبا کو کم کرنے کے لیے اٹھائے گئے اقدامات نے معیشت کو بہت زیادہ متاثر کیا ہے۔ عالمی سطح پر پالیسی ساز اداروں اور حکومتوں نے وبا کے اثر کو کم کرنے کے لیے مالی اور معاشی طور پر خاطر خواہ اقدامات متعارف کرائے ہیں۔ بینک دولت پاکستان نے سنگین حالات کے پیش نظر شرح سود میں 625 بنیادی پوائنٹس کم کر کے 7 فیصد کر دی ہے اور بینکاری نظام کو مستحکم بنانے اور معاشی سرگرمیوں کو برقرار رکھنے کے لیے ریگولیٹری اقدامات متعارف کرائے ہیں۔ موجودہ حالات نے پاکستان میں بینکوں کو مختلف طریقوں سے متاثر کیا ہے۔ بینک کی رسک مینجمنٹ پالیسیز کے اہم پہلو درج ذیل ہیں:

کریڈٹ رسک

کریڈٹ رسک مینجمنٹ نے بزنس بونٹس کے تعاون سے موجودہ غیر معمولی حالات میں ریپیڈ پورٹ فولیو ریویز اور کریڈٹ کے تعلقات کی نشاندہی، نگرانی اور انھیں برقرار رکھنے کے لیے انڈسٹری کا جائزہ لینے کے لیے مختلف اقدامات کیے ہیں۔

مارکیٹ اینڈ لیکویڈیٹی رسک

ایکویٹی مارکیٹ کی غیر مستحکم صورتحال کے پیش نظر، انٹر پرائز رسک مینجمنٹ نے بینک کے ایکویٹی پورٹ فولیو اور لیکویڈیٹی کی نگرانی بڑھادی ہے۔ بینک نے قانونی تقاضوں کے علاوہ خاطر خواہ اثاثے برقرار رکھنے کے لیے نقد ذخائر سمیت لیکویڈیٹی اثاثوں کو سنبھال رکھا ہے۔

آپریشنل رسک

بینک کی جانب سے مذکورہ غیر معمولی حالات میں اپنے ملازمین کی صحت اور حفاظت کو یقینی بنانا اولین ترجیحات میں شامل ہے۔ اس سلسلے میں مختلف اقدامات کیے گئے ہیں تاکہ ملازمین کی صحت اور حفاظت کو یقینی بنایا جاسکے۔ ملازمین کو ہدایات دی گئی ہیں کہ وہ اپنے دفتر میں داخل ہونے سے ہاتھوں کو سنبھالنا سیکھیں۔

دفاتر اور اس سے ملحقہ تمام مقامات پر سینیٹائزنگ دیکھ دیے گئے ہیں۔ ملازمین کو فیس ماسک فراہم کیے گئے ہیں اور ماسک کے استعمال کو لازمی قرار دیا گیا ہے۔ تمام ملازمین کے دفتر کی عمارت میں داخل ہونے سے پہلے تھرمل اسکریننگ کی جاتی ہے۔ مستقل بنیادوں پر شاخوں کو ڈس انفیکٹ کیا جا رہا ہے۔

جہاں تک ممکن ہے، سفر کرنے سے گریز کیا جا رہا ہے۔ متبادل انتظامات، جیسا کہ ویڈیو/ٹیلی کانفرنسنگ کے اہتمام کو ترجیح دی جا رہی ہے۔ اہم ترین ملازمین کو گھر سے کام کرنے کے لیے لپ ٹاپ کے ساتھ وی پی این (VPN) تک رسائی کی سہولت فراہم کی گئی ہے۔

کیپٹل اینڈ لیکویڈیٹی ریشو

موجودہ حالات میں، اضافی قرضہ جات فراہم کرنے کے لیے بینک دولت پاکستان نے کیپٹل کنورژن بفر (CCB) کی بینکوں کے لیے شرائط میں نرمی کر کے 1.5 فیصد تک کمی کر دی ہے، جس کے نتیجے میں مجموعی طور پر CAR میں 11.5 فیصد کی ضرورت ہے۔

ڈائریکٹر کا جائزہ

ملک بھر میں لاک ڈاؤن کی وجہ سے مالی سال 2020 کی دوسری سہ ماہی کے دوران معاشی سرگرمیاں سست روی کا شکار رہیں، جس کی وجہ سے گزشتہ سال پہلے چھ ماہ کے مقابلے میں فیس اور کمیشن سے حاصل ہونے والی آمدنی میں 16.6 فیصد کمی ریکارڈ کی گئی۔ مالی سال 2020 کے دوران امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں استحکام کے باعث فارن ایکسچینج کی آمدنی بھی 704 ملین روپے یا 43.1 فیصد کم رہی۔ البتہ سرکاری اور ایکونومی سیکورٹیز سے 1,428 ملین روپے کے زائد منافع جات حاصل ہونے سے مالی سال 2019 کے پہلے چھ ماہ کے مقابلے میں مجموعی نان مارک۔ اپ آمدنی میں 218 ملین روپے یا 5.8 فیصد اضافہ ریکارڈ کیا گیا۔

جون 2019 سے اب تک 80 شاخیں کھولنے کی وجہ سے نیٹ ورک میں 16.8 فیصد اضافہ ہوا اس کے علاوہ مہنگائی میں زیادہ اضافے اور پاکستانی روپے کی قدر میں کمی کے باعث زیر جائزہ عرصے کے دوران آپریٹنگ اخراجات بھی 18 فیصد بڑھ گئے۔ البتہ بینک کی آمدنی اور اخراجات کے تناسب میں بہتری آئی ہے اور یہ 56.1 فیصد سے کم ہو کر 53.1 فیصد تک آگیا ہے۔

گزشتہ سال کے 672 ملین روپے کے مقابلے میں رواں چھ ماہ کے لیے نیٹ پروویڈنز چارجز 1,465 ملین روپے ہو گئے ہیں۔ چارجز میں اضافے کی وجہ بینک کی جانب سے مشکل اوقات میں کریڈٹ رسک کی مد میں احتیاطی اقدامات ہیں۔ دوسری جانب نان پرفارمنگ ایڈوانسز (NPA) ریشو دسمبر 2019 کے مقابلے میں 9.1 فیصد کی سطح پر برقرار رہا تاہم پروویڈنز کوریج 77.2 فیصد سے بڑھ کر 81.2 فیصد ہو گئی ہے۔ اسٹیٹ بینک آف پاکستان کے رہنما اصولوں کے مطابق بینک نے رواں عرصے کے دوران ایکونٹی پورٹ فولیو میں 380 ملین روپے کا نقصان برداشت کیا۔

اخراجات میں کنٹرول اور رسک مینجمنٹ کے ساتھ ریونیو میں زیادہ اضافے کی بدولت، بینک گزشتہ سال اسی عرصے کے مقابلے میں 26.1 فیصد کا شاندار منافع بعد از ٹیکس حاصل کرنے میں کامیاب رہا۔ گزشتہ سال کے اسی عرصے کے دوران 1.99 روپے کے مقابلے میں فی حصص آمدنی بڑھ کر 2.51 روپے ہو گئی۔

بیلنس شیٹ پر مجموعی ڈپازٹس 8.4 فیصد اضافے کے ساتھ 496.37 ارب روپے رہے۔ رواں سہ ماہی کے دوران بینک نے ڈپازٹس کے اخراجات کم کرنے پر بھرپور توجہ دی اور کم قیمت ڈپازٹس میں خاطر خواہ اضافہ دیکھنے میں آیا۔ جس کے نتیجے میں مجموعی ڈپازٹس میں کرنٹ ڈپازٹ ریشو 32.9 فیصد سے بڑھ کر 35.5 فیصد ہو گیا۔ بینک کا ایڈوانسز ٹو ڈپازٹ ریشو (ADR) مناسب ہے اور موجودہ غیر یقینی معاشی صورتحال کے پیش نظر قرضوں کے اجراء میں محتاط رہنے پر توجہ دی گئی ہے۔ جس کے نتیجے میں، بینک کے ایڈوانسز دسمبر 2019 کے مقابلے میں 2.8 فیصد کم ہو کر 300,83 ارب روپے ہو گئے ہیں۔ اسی طرح ایڈوانسز ٹو ڈپازٹ ریشو (ADR) 60.6 فیصد کی سطح پر رہا۔

ڈپازٹس سے حاصل ہونے والی لیکویڈٹی کی سرکاری سیکورٹیز میں سرمایہ کاری کی گئی اور اس سرمایہ کاری میں 14.3 فیصد ریکارڈ کیا گیا۔ سال 2019 کے اختتام سے مجموعی اثاثے 4 فیصد اضافے کے ساتھ 655.26 ارب روپے ہو گئے۔

ڈائریکٹرز کا جائزہ

مالیاتی جھلکیاں:

(ملین روپے)

بیلنس شیٹ	جون ۲۰۲۰ء	دسمبر ۲۰۱۹ء	اضافہ
سرمایہ کاری	233,227	204,069	14.3 فیصد
فنانسنگ	300,830	309,573	(2.8) فیصد
مجموعی اثاثہ جات	655,265	629,853	4.0 فیصد
ڈپازٹس	496,367	457,789	8.4 فیصد

(ملین روپے)

نفع اور نقصان	جون ۲۰۲۰ء	جون ۲۰۱۹ء	اضافہ
مجموعی آمدنی	17,161	13,780	24.5 فیصد
نان-مارک اپ اخراجات	9,371	7,869	19.1 فیصد
منافع قبل از ٹیکس اور پروویژن	7,790	5,911	31.8 فیصد
نیٹ پروویژنز	1,465	672	118.1 فیصد
منافع قبل از ٹیکس	6,325	5,239	20.7 فیصد
ٹیکس	2,515	2,217	13.4 فیصد
منافع بعد از ٹیکس	3,810	3,022	26.1 فیصد
فی حصص آمدن (روپے)	2.51	1.99	0.52

30 جون، 2020 کو ختم شدہ چھ مہینوں کے لیے بینک کی مجموعی آمدنی میں گزشتہ سال اسی مدت کے مقابلے میں 24.5 فیصد کا مستحکم اضافہ نظر آیا۔ یہ اضافہ کورونا وائرس کی وجہ سے مالی سال 2020 کی دوسری سہ ماہی کے دوران معیشت پر منفی اثرات کے باوجود حاصل کیا گیا۔ اضافے کی اہم وجوہات میں کم قیمت ڈپازٹ بڑھانے کی حکمت عملی سے حاصل ہونے والی نیٹ مارک - اپ آمدنی اور رواں مالی سال کی پہلی سہ ماہی میں مارک - اپ کی زیادہ شرح شامل ہیں۔ دوسری سہ ماہی میں 200 bps تک پالیسی ریٹ میں کمی کے باوجود بینک کی نیٹ مارک - اپ آمدنی میں 2.5 فیصد اضافہ ہوا۔

ڈائریکٹرز کا جائزہ

ایم ای کے ماڈل کو متعارف کرا دیا ہے۔ یہ طریقہ کار 107 شاخوں میں رائج ہے جس سے ایس ایم ای کے شعبے اہم جغرافیائی حصوں کا احاطہ کیا جاتا ہے۔ اس ماڈل سے ڈپازٹس میں اضافے کے علاوہ اپنے صارفین کو معیاری خدمات کی فراہمی سمیت دیگر مثبت نتائج آنا شروع ہو گئے ہیں۔

کنز یومر فنانس

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

- حالیہ غیر معمولی حالات کے دوران، ڈاکٹرز اور ہیلتھ کیئر اسٹاف کی ہمت افزائی کے لیے فیصل کارفنانس نے ”پرنسپل پے منٹ ہالیدی“ اینڈ فری لائف ٹکافل کوریج، جیسی اسکیم متعارف کرائی۔ اسکیم کے تحت، کسٹمر کو پہلے سال پرنسپل پے منٹ ہالیدی کے علاوہ 5 ملین روپے تک فری لائف ٹکافل کوریج کی سہولت فراہم کی جائے گی جو کہ فنانسنگ کے پورے دورانیہ کے لیے ہوگی۔

- فیصل بینک لمیٹڈ کریڈٹ کارڈز نے 0% ریٹیل اینڈ بیلنس ٹرانسفر اسکیم متعارف کرائی۔ اسکیم کے تحت، صارفین اپنے کریڈٹ کارڈ ٹرانزیکشنز کو مقررہ پروسیڈنگ فیس کے ساتھ 0% مارک۔ اپ پر 6 مہینے کی اقساط میں تبدیل کر سکتے ہیں۔ اس کے علاوہ، صارفین دیگر بینکوں کے کریڈٹ کارڈ بیلنس کو بھی 0% مارک۔ اپ پر 6 مہینے تک فیصل بینک کریڈٹ کارڈز میں ٹرانسفر کر سکتے ہیں۔

مارکیٹنگ

- فیصل بینک لمیٹڈ کی اسلامی شناخت نئی پوزیشننگ ’بڑھو یقین کے ساتھ‘ جنوری میں متعارف کرائی گئی، اس کے علاوہ اسلامی پروڈکٹ پورٹ فولیو میں پرییم پروڈکٹ ’رحمت برنس اکاؤنٹ‘ کا اضافہ کر دیا گیا ہے۔

- فیصل بینک لمیٹڈ نے محفوظ بینکنگ سے متعلق اپنے صارفین کی رہنمائی کے لیے عوامی پیغامات ارسال کیے اور کورونا وائرس کے خلاف کام کرنے والی تنظیموں کی مالی امداد میں توسیع کے ذریعے CSR میں کردار ادا کیا؛ ان میں انڈس اسپتال، شوکت خانم میموریل کینسر اسپتال اینڈ ریسرچ سینٹر، کراچی ریلیف ٹرسٹ، اخوت اور انسٹی ٹیوٹ آف پبلک ہیلتھ شامل ہیں۔

علاوہ ازیں، فیصل بینک لمیٹڈ نے کورونا وائرس کی عالمی وبا کے دوران معیشت کی بحالی اور استحکام کے لیے اسٹیٹ بینک آف پاکستان کے اقدامات کی روشنی میں فنانسنگ کی سہولیات میں توسیع اور ادائیگیوں کو ملتوی کر کے کورونا کے اثرات کو کم کرنے میں اپنا کردار ادا کیا ہے۔ اس کے علاوہ صحت کے نظام کو بہتر بنانے کے لیے بینک نے اسٹیٹ بینک آف پاکستان کی اسکیم کے تحت ملک بھر میں مختلف اسپتالوں کو کم شرح پر قرضوں کی بھی پیشکش کی ہے۔

ڈائریکٹرز کا جائزہ

عمل درآمد کیا جا رہا ہے۔

کوورونا وائرس کی وباء سے مشکلات کے باوجود الحمد للہ اسلامی بینکاری میں تبدیلی کے عمل پر مکمل توجہ مرکوز رہی جس کے نتیجے میں شریعہ کمپلائنس ڈپارٹمنٹ دسمبر 2019 کے 26.1 فیصد کے مقابلے میں 30.9 فیصد ہو گئے اور فنانسنگ کی مد میں دسمبر 2019 کے 34.8 فیصد کے مقابلے میں 44.1 فیصد رہے۔ ہم پر امید ہیں کہ اللہ تعالیٰ کے فضل و کرم سے 2023 تک ہم مکمل طور پر اسلامی بینکاری میں تبدیلی کا ہدف حاصل کر لیں گے۔

ریٹیل بینکنگ

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

لائسنس پروڈکٹس

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

- مختلف انڈسٹری فرسٹ فیچرز کے ساتھ ایمپلائی بینکنگ پروپوزیشن متعارف کی گئی ہے۔ اس کے بعد، بینک اپنے کارپوریٹ اور CBSME صارفین کو ایمپلائی میجمنٹ کا مکمل حل فراہم کرنے کے لیے ایمپلائی بینکنگ پروپوزیشن کو وسعت دینے کا خواہشمند ہے۔

- اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق کوورونا وائرس کی صورتحال میں ڈیجیٹل چینل کی تشہیر کے لیے رواں سال مختلف سرگرمیاں اور صارفین کی سہولت پر مبنی اقدامات کیے گئے ہیں تاکہ متبادل وسائل کے ذریعے ٹرانزیکشنز میں اضافہ کیا جاسکے۔

ایس ایم ای اینڈ کمرشل

فیصل بینک لمیٹڈ اس بات پر یقین رکھتا ہے کہ سال اینڈ میڈیم انٹرنیٹ پر انٹرنیٹ (SME) اور تجارتی شعبوں کے لیے فنانس تک رسائی مستقل معاشی ترقی کے لیے بہت اہم ہے۔ ایس ایم ای اینڈ تجارتی شعبوں کے مزید استحکام کے لیے فیصل بینک لمیٹڈ نے برانچ کے اندر ایس

ڈائریکٹرز کا جائزہ

حال ہی میں پیش کیے گئے مالی سال 2021 کے بجٹ میں حکومت نے ترقی پر نہیں بلکہ اپنی پوری توجہ خرچوں کو کم کرنے پر مرکوز رکھی ہے، جیسا کہ اپریل 2020 میں ایک ایسا متحرک معاشی پیکیج دینے پر زور دیا گیا کہ جس میں ملکی معیشت کو اپنی مالی حیثیت کی بحالی پر زیادہ سے زیادہ توجہ دی جائے اور اس کے ساتھ ساتھ کم آمدنی والے افراد کی مالی امداد بھی کی جاسکے۔ اب سب سے بڑے چیلنج کا سامنا مالیاتی شعبے کی جانب سے ہے۔ فچ ریٹنگس (Fitch Ratings) نے رواں مالی کے دوران جی ڈی پی کے 9.5% مالیاتی خسارے کی توقع ظاہر کی ہے۔ حالیہ ڈیٹا کے مطابق یہ خسارہ 1% کمی کے ساتھ 8.5% تک آسکتا ہے۔ ایک مثبت بات یہ ہے کہ مالی سال 2019-20 میں پاکستان کا تجارتی خسارہ 2018-19 کے 31.8 ارب امریکی ڈالر کے مقابلے میں 27% کم ہو کر 23.2 ارب امریکی ڈالر رہ گیا ہے۔ آئی ایم ایف کے مطابق کرنٹ اکاؤنٹ خسارے میں 74% کمی آچکی ہے اور اس میں اب جی ڈی پی کے 2.4% تک کی توقع ہے۔

عالمی بینک اور آئی ایم ایف کی جانب سے متعارف کرائے گئے ڈیٹ سروس سپینشن انیشیٹیو (DSSI) کے تحت پاکستان 2020 میں واجب الادا اپنے مجموعی قرضوں 8.974 ارب امریکی ڈالر میں سے 2.41 ارب امریکی ڈالر کے برابر دوبارہ قرضہ حاصل کرنے کے قابل ہو جائے گا۔ پاکستان نے کورونا وائرس سے نمٹنے کی صلاحیت کو مستحکم بنانے کے لیے تین عالمی مالیاتی اداروں کے ساتھ 1.5 ارب امریکی ڈالر کے قرضے کا معاہدہ بھی کر لیا ہے۔

حکومت پاکستان کی سکیورٹیز میں 3.75 ارب امریکی ڈالر کی غیر ملکی سرمایہ کاری میں سے 3.1 ارب امریکی ڈالر نکالے جانے سے فارن ایکسچینج ریزرو پر دباؤ نظر آرہا ہے۔ جون 2020 کے اختتام تک پاکستانی روپے کی قدر میں سب سے زیادہ کمی ہوئی جو کہ امریکی ڈالر کے مقابلے میں 168.2 روپے تک ریکارڈ کی گئی۔ مالی سال 2020 کے دوران عالمی بینک کی مہنگائی سے متعلق پیش گوئی کے مطابق مہنگائی کی توقع شرح 11.10% سے کم ہو کر 10.74% ریکارڈ کی گئی ہے، جس کی بنیادی وجوہات میں کورونا وائرس کے باعث اشیاء کی طلب میں کمی کے علاوہ مارچ 2020 میں عالمی سطح پر تیل کی قیمتیں میں شدید گراؤ شامل ہے۔ آئی ایم ایف نے آئندہ مالی سال کے دوران مہنگائی کی شرح میں 5-7% اضافے کا امکان ظاہر کیا ہے۔

دنیا میں عالمی وباء اور طوفانی بارشوں و سیلاب کے خطرات کے علاوہ مڈی کے حملوں کی وجہ سے انتہائی زیادہ غیر یقینی صورتحال کی وجہ سے شاید پاکستان کو ایک اور مالی سال میں مشکلات کا سامنا کرنا پڑے۔ اس لیے معاشی سرگرمیوں کو منافع بخش بنانے کے لیے حکومت اور دیگر مالیاتی اسٹیک ہولڈرز کے درمیان مضبوط ہم آہنگی کی ضرورت ہے۔

بینک کی کارکردگی

اسلامی بینکاری

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

ڈائریکٹرز کا جائزہ

فیصل بینک لمیٹڈ ("ایف بی ایل" یا "دی بینک") کے بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کی خدمت میں 30 جون، 2020 کو ختم شدہ ششماہی رپورٹ (ان کنسولیڈیٹڈ مالیاتی گوشواروں کے ساتھ) پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

کمپنی پروفائل

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

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

ہولڈنگ کمپنی

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

اقتصادی اپ ڈیٹ

جیسے ہی کورونا وائرس کے مریضوں کی تعداد میں اضافہ ہوا ہے تو دنیا کی معیشتوں کو احساس ہو رہا ہے کہ اب اس عالمی وباء کے ساتھ ہی زندگی چلتی رہے گی۔ کچھ معاشی سرگرمیوں کی بحالی اور لاک ڈاؤن میں نرمی کے باوجود، آئی ایم ایف نے 2020 میں عالمی معیشت کی شرح نمو میں مزید کمی کے ساتھ منفی 4.9% پیش گوئی کی ہے، جبکہ ایشیائی ترقیاتی بینک (ADB) نے 2020 میں پاکستان کی گراس ڈومیسٹک پروڈکٹ (GDP) کی شرح میں 0.6% تک اضافے کی توقع ظاہر کی ہے۔ پاکستان نے عالمی مالیاتی اقدامات میں سہولتوں کی پیروی کرتے ہوئے مارچ 2020 سے اپنے پالیسی ریٹ میں 625 bps تک کمی کر دی ہے۔ اس وقت پالیسی ریٹ 7.00% ہے۔ مانیٹرنگ پالیسی میں سہولتوں کی وجہ سے تجزیہ کاروں کی توقعات کو تقویت ملی ہے اور مقامی ایکویٹی مارکیٹ یعنی KSE 100 انڈیکس اپنے پانچ سال میں 27,200 پوائنٹس کی کمی کے بعد 9 اگست، 2020 کو 39,915 پوائنٹس کی سطح پر بند ہوا ہے۔

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FAYSAL BANK LIMITED ON REVIEW OF CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Faysal Bank Limited** ('the Bank') as at June 30, 2020 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, 2020 and June 30, 2019 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 28, 2020

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	Un-audited June 30, 2020	Audited December 31, 2019
		Rupees '000	
ASSETS			
Cash and balances with treasury banks	9	54,270,150	60,368,417
Balances with other banks	10	4,296,794	2,835,570
Lendings to financial institutions	11	6,893,000	-
Investments	12	233,227,231	204,068,952
Advances	13	300,830,322	309,573,002
Fixed assets	14	24,199,446	24,183,424
Intangible assets	15	1,367,758	1,487,541
Deferred tax assets		-	-
Other assets	16	30,180,080	27,335,751
		655,264,781	629,852,657
LIABILITIES			
Bills payable	17	11,986,198	8,356,460
Borrowings	18	50,077,809	72,746,795
Deposits and other accounts	19	496,367,299	457,789,109
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	20	1,714,698	2,763,998
Other liabilities	21	37,088,967	32,932,422
		597,234,971	574,588,784
NET ASSETS		58,029,810	55,263,873
REPRESENTED BY			
Share capital		15,176,965	15,176,965
Reserves		9,772,367	9,830,958
Surplus on revaluation of assets - net	22	9,704,952	10,748,080
Unappropriated profit		23,375,526	19,507,870
		58,029,810	55,263,873
CONTINGENCIES AND COMMITMENTS			

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2020

Note	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Rupees '000				
Mark-up / return / interest earned	25 14,755,093	13,525,245	31,956,993	25,730,270
Mark-up / return / interest expensed	26 8,063,786	8,414,766	18,739,738	15,675,413
Net mark-up / interest income	6,691,307	5,110,479	13,217,255	10,054,857
NON MARK-UP / INTEREST INCOME				
Fee and commission income	27 622,064	1,197,053	1,654,841	1,983,156
Dividend income	171,352	163,239	231,580	238,387
Foreign exchange income	596,353	840,067	928,564	1,632,529
Income from derivatives	10,508	20,448	101,043	73,720
Gain / (loss) on securities	28 542,464	(365,363)	1,015,175	(412,812)
Other income	29 46,894	164,547	12,076	210,412
Total non-mark-up / interest income	1,989,635	2,019,991	3,943,279	3,725,392
Total income	8,680,942	7,130,470	17,160,534	13,780,249
NON MARK-UP / INTEREST EXPENSES				
Operating expenses	30 4,484,501	3,940,757	9,114,816	7,730,956
Workers welfare fund	73,528	58,921	148,127	121,489
Other charges	31 105	10,842	108,012	17,019
Total non-mark-up / interest expenses	4,558,134	4,010,520	9,370,955	7,869,464
Profit before provisions	4,122,808	3,119,950	7,789,579	5,910,785
Provision and write-offs - net	32 1,245,045	877,847	1,464,808	671,543
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	2,877,763	2,242,103	6,324,771	5,239,242
Taxation	33 1,147,996	828,614	2,514,822	2,216,962
PROFIT AFTER TAXATION	1,729,767	1,413,489	3,809,949	3,022,280
Rupees				
Basic / diluted earnings per share	34 1.14	0.93	2.51	1.99

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2020

	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Rupees '000			
Profit after taxation for the period	1,729,767	1,413,489	3,809,949	3,022,280
Other comprehensive income / (loss)				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
- Movement in surplus on revaluation of investments - net of tax	(910,305)	(146,784)	(985,421)	82,924
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
- Movement in surplus on revaluation of operating fixed assets - net of tax	-	(116,672)	-	(116,672)
- Movement in surplus on revaluation of non-banking assets - net of tax	-	(19,049)	-	(19,049)
	(910,305)	(282,505)	(985,421)	(52,797)
Total comprehensive income	819,462	1,130,984	2,824,528	2,969,483

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, 2020

	Share capital	Reserves				Surplus / (deficit) on revaluation of			Unappropriated profit	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		
Rupee s '000										
Balance as at January 1, 2019 (audited)	15,176,965	10,131	632,006	23,952	8,112,819	8,778,908	(435,946)	5,529,613	5,093,667	43,498,515
Profit after taxation for the half year ended June 30, 2019	-	-	-	-	-	-	-	-	3,022,280	3,022,280
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	-	82,924	(135,721)	(52,797)	(52,797)
Total comprehensive income / (loss)	-	-	-	-	-	-	82,924	(135,721)	(52,797)	2,969,483
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(38,296)	(38,296)	38,296
Amortisation of intangible assets - customer relationship - net of tax	-	-	(97,482)	-	-	(97,482)	-	-	-	(97,482)
Balance as at June 30, 2019 (un-audited)	15,176,965	10,131	534,524	23,952	8,112,819	8,681,426	(353,022)	5,355,596	5,002,574	46,370,516
Profit after taxation for the period from July 1, 2019 to December 31, 2019	-	-	-	-	-	-	-	-	3,018,352	3,018,352
Other comprehensive income - net of tax	-	-	-	-	-	-	3,736,937	2,140,568	5,877,505	56,094
Total comprehensive income	-	-	-	-	-	-	3,736,937	2,140,568	5,877,505	3,074,446
Transfer to statutory reserve	-	-	-	-	1,208,126	1,208,126	-	-	-	(1,208,126)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(38,177)	(38,177)	38,177
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	(93,822)	(93,822)	93,822
Amortisation of intangible assets - customer relationship - net of tax	-	-	(58,594)	-	-	(58,594)	-	-	-	(58,594)
Balance as at December 31, 2019 (audited)	15,176,965	10,131	475,930	23,952	9,320,945	9,830,958	3,383,915	7,364,165	10,748,080	55,263,873
Profit after taxation for the half year ended June 30, 2020	-	-	-	-	-	-	-	-	3,809,949	3,809,949
Other comprehensive loss - net of tax	-	-	-	-	-	-	(985,421)	-	(985,421)	(985,421)
Total comprehensive income / (loss)	-	-	-	-	-	-	(985,421)	-	(985,421)	3,809,949
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(57,707)	(57,707)	57,707
Amortisation of intangible assets - customer relationship - net of tax	-	-	(58,591)	-	-	(58,591)	-	-	-	(58,591)
Balance as at June 30, 2020 (un-audited)	15,176,965	10,131	417,339	23,952	9,320,945	9,772,367	2,398,494	7,306,458	9,704,952	58,029,810

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, 2020

	Half year Ended	
	June 30, 2020	June 30, 2019
	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,324,771	5,239,242
Less: dividend income	(231,580)	(238,387)
	6,093,191	5,000,855
Adjustments:		
Depreciation on owned fixed assets	641,894	471,543
Amortisation of intangible assets	97,842	49,544
Depreciation on right-of-use assets	735,055	677,631
Depreciation on non-banking assets	3,408	7,128
Workers' welfare fund	148,127	121,489
Provision against loans and advances - net	1,450,453	274,531
Provision for diminution in value of investments - net	35,054	454,789
Reversal of provision against off balance sheet obligations - net	(880)	(1,080)
(Gain) / loss on securities unrealised - held for trading - net	(51,337)	25,360
Gain on sale of fixed assets - net	(5,475)	(9,669)
Gain on sale of non-banking assets	-	(7,813)
Charge for defined benefit plan	59,406	88,752
Income from derivative contracts - net	(101,043)	(73,720)
Mark-up / return / interest expensed - lease liability against right-of-use assets	505,778	448,854
Bad debts written off directly	4,078	7,605
	3,522,360	2,534,944
	9,615,551	7,535,799
Decrease / (increase) in operating assets		
Lendings to financial institutions	(6,893,000)	(3,251,077)
Held-for-trading securities	5,979,070	27,919,014
Advances	7,288,149	(8,068,058)
Others assets (excluding advance taxation)	(4,720,787)	(7,345,284)
	1,653,432	9,254,595
Increase / (decrease) in operating liabilities		
Bills payable	3,629,738	(13,844,135)
Borrowings from financial institutions	(23,479,605)	(58,199,429)
Deposits	38,578,190	44,903,967
Other liabilities (excluding current taxation)	3,940,785	5,336,893
	22,669,108	(21,802,704)
Income tax paid	(942,611)	(1,753,289)
Contribution to gratuity fund	(91,958)	-
Net cash generated from / (used in) operating activities	32,903,522	(6,765,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (investment) / divestment in available for sale securities	(37,774,160)	32,393,817
Net divestment in held to maturity securities	1,037,650	1,313,644
Dividends received	103,517	151,612
Investment in operating fixed assets	(737,739)	(1,412,622)
Investment in intangible assets	(74,109)	(49,555)
Proceeds from sale of fixed assets	5,687	12,886
Proceeds from sale of non-banking assets	-	141,300
Net cash (used in) / generated from investing activities	(37,439,154)	32,551,082
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(912,012)	(765,284)
Dividend paid	(18)	-
Net cash used in financing activities	(912,030)	(765,284)
(Decrease) / increase in cash and cash equivalents during the period	(5,447,662)	25,020,199
Cash and cash equivalents at the beginning of the period	62,765,265	44,879,962
Cash and cash equivalents at the end of the period	57,317,603	69,900,161

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, 2020

1 STATUS AND NATURE OF BUSINESS

- 1.1** Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are listed on the Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank has a network of 555 branches (December 31, 2019: 555); including 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1) in Pakistan.

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

Ithmaar Bank B.S.C (closed), a wholly owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2019: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMIT), (ultimate parent of the Bank) is the holding company of Ithmaar Holdings B.S.C.

- 1.2** The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited, have determined the Bank's long-term rating as 'AA' (December 31, 2019: 'AA') and the short term rating as 'A1+' (December 31, 2019: 'A1+') on June 26, 2020 and June 29, 2020.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

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

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

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

- 3.2** As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as non-distributable capital reserve (NCR). The SBP allowed the Bank to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets identified as a result of such acquisition. Accordingly, during the period ended June 30, 2020, the Bank has adjusted amortisation of intangible assets amounting to Rs. 58.591 million (net of tax) from the NCR.
- 3.3** These condensed interim unconsolidated financial statements do not include all the information and

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

disclosures required in the annual audited unconsolidated financial statements, and are limited based on the format prescribed by the State Bank of Pakistan through BPRD Circular Letter No. 05 dated March 22, 2019 and IAS 34, and should be read in conjunction with the annual audited unconsolidated financial statements for the financial year ended December 31, 2019.

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

3.4.1 There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these condensed interim unconsolidated financial statements.

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

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

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 16 - 'Leases' (amendments)	June 1, 2020
- IFRS 9 - 'Financial instruments'	January 1, 2021 *
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provision, contingent liabilities and contingent assets' (amendments)	January 1, 2022

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

* The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has an impact on all the assets of the Bank which are exposed to credit risk.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim unconsolidated financial statements are the same as applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2019.

5 BASIS OF MEASUREMENT

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

6 FUNCTIONAL AND PRESENTATION CURRENCY

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

8 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

8.1 Credit risk management

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

8.2 Liquidity risk management

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

8.3 Equity risk management

The carrying value of the Bank's investment in listed equity securities classified as available-for-sale amounts to Rs 6,412.807 million as at June 30, 2020. The Bank has only recorded an impairment of Rs 379.630 million on these listed equity securities in the condensed interim unconsolidated financial statements of the current period. As allowed by SBP, the Bank has deferred the recognition of impairment amounting to Rs 238.062 million which will be recognised on a quarterly basis till December 31, 2020.

8.4 Operational risk management

The Bank is closely monitoring the situation and has invoked required actions in pandemic environment to

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

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

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

8.5 Capital adequacy ratio

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

	Un-audited June 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
9 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
- local currency	13,770,362	10,322,390
- foreign currency	4,458,974	3,601,723
	18,229,336	13,924,113
With the State Bank of Pakistan in		
- local currency current account	21,849,170	32,960,190
- foreign currency current account	2,006,524	1,873,656
- foreign currency deposit account	4,081,035	5,325,652
	27,936,729	40,159,498
With National Bank of Pakistan in		
- local currency current account	8,097,478	5,574,470
Prize bonds	6,608	710,336
	54,270,150	60,368,417
10 BALANCES WITH OTHER BANKS		
In Pakistan		
- in current account	2,838,614	1,426,975
Outside Pakistan		
- in current account	1,429,611	1,352,850
- in deposit account	28,569	55,745
	4,296,794	2,835,570
11 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (reverse repo)	6,893,000	-

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

12 INVESTMENTS

12.1 Investments by type:

Note	Un-audited June 30, 2020				Audited December 31, 2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- Rupees '000 -----								
Held-for-trading securities								
Federal Government securities	24,961,342	-	57,340	25,018,682	31,073,816	-	1,002	31,074,818
Shares	133,404	-	(5,001)	128,403	-	-	-	-
	25,094,746	-	52,339	25,147,085	31,073,816	-	1,002	31,074,818
Available-for-sale securities								
Federal Government securities	131,930,335	-	1,626,809	133,557,144	104,109,013	-	115,329	104,224,342
Shares	8,388,082	1,785,781	(189,495)	6,412,806	8,322,582	1,745,897	878,857	7,455,542
Non Government debt securities	52,098,781	559,787	2,494,644	54,033,638	42,711,443	559,787	4,553,216	46,704,872
	192,417,198	2,345,568	3,931,958	194,003,588	155,143,038	2,305,684	5,547,402	158,384,756
Held-to-maturity securities								
Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
Non Government debt securities	12,878,384	1,538,767	-	11,339,617	13,916,034	1,543,597	-	12,372,437
	14,475,432	1,538,767	-	12,936,665	15,513,082	1,543,597	-	13,969,485
Subsidiary *								
Fully paid up ordinary shares of								
Faysal Asset Management Limited	1,139,893	-	-	1,139,893	639,893	-	-	639,893
Total Investments	233,127,269	3,884,335	3,984,297	233,227,231	202,369,829	3,849,281	5,548,404	204,068,952

* related party

12.2 Investments given as collateral

- Market treasury bills	-	21,747,989
12.3 Bai Muajjal - gross	2,212,625	2,212,625
Less: deferred income	(298,240)	(400,462)
Less: profit receivable shown in other assets	(317,337)	(215,115)
Bai Muajjal - net	1,597,048	1,597,048

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

12.4 Provision for diminution in value of investments

12.4.1 Opening balance	3,849,281	3,541,667
Charge / (reversals)		
Charge for the period / year	8.3 379,630	366,100
Reversals on disposals for the period / year	(344,576)	(58,486)
	35,054	307,614
Closing Balance	3,884,335	3,849,281

12.4.2 Particulars of provision against debt securities

Category of classification	Un-audited June 30, 2020		Audited December 31, 2019	
	Non-performing investment	Provision	Non-performing investments	Provision
----- Rupees '000 -----				
Domestic	2,098,554	2,098,554	2,103,384	2,103,384
- Loss				

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2020

12.5 The market value of securities classified as held-to-maturity as at June 30, 2020 amounted to Rs. 11,443.934 million (December 31, 2019: Rs. 12,564.225 million).

12.6 Investment in subsidiary

Faysal Asset Management Limited (the Company) was incorporated in Pakistan under the requirements of the Companies Ordinance, 1984 (now 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 license to carry out asset management and investment advisory services under the requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Particulars of the assets and liabilities of the subsidiary	Un-audited	
	Period from January 1, 2020 to June 30, 2020	Period from January 1, 2019 to June 30, 2019
	Rupees '000	
Revenue	80,983	114,932
Net loss	(15,928)	(56,382)
Total assets	861,526	330,849
Total liabilities	87,765	48,286
Net assets	773,761	282,563
Percentage (%) holding of the Bank	99.99%	99.99%

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

13 ADVANCES

	Performing		Non-performing		Total	
	Un-audited June 30, 2020	Audited December 31, 2019	Un-audited June 30, 2020	Audited December 31, 2019	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000					
Loans, cash credits, running finances, etc.	148,801,077	182,560,477	28,111,562	28,777,157	176,912,639	211,337,634
Islamic financing and related assets	142,612,234	114,980,031	1,111,155	1,096,671	143,723,389	116,076,702
Bills discounted and purchased	4,560,215	5,860,886	574,104	535,455	5,134,319	6,396,341
Advances - gross	295,973,526	303,401,394	29,796,821	30,409,283	325,770,347	333,810,677
Provision against advances						
- specific	-	-	(24,183,198)	(23,475,724)	(24,183,198)	(23,475,724)
- general	(756,827)	(761,951)	-	-	(756,827)	(761,951)
	(756,827)	(761,951)	(24,183,198)	(23,475,724)	(24,940,025)	(24,237,675)
Advances - net of provision	295,216,699	302,639,443	5,613,623	6,933,559	300,830,322	309,573,002

13.1 Particulars of advances (gross)

	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
- in local currency	323,538,111	331,186,964
- in foreign currencies	2,232,236	2,623,713
	325,770,347	333,810,677

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2020

13.2 Advances include Rs. 29,797 million (December 31, 2019: Rs. 30,409 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited June 30, 2020		Audited December 31, 2019	
	Non-performing loans	Provision	Non-performing loans	Provision
Rupees '000				
Domestic				
- other assets especially mentioned	153,144	-	1,483,618	10
- substandard	916,019	111,795	1,528,058	262,576
- doubtful	4,396,376	1,346,881	4,305,081	1,164,514
- loss	24,331,282	22,724,522	23,092,526	22,048,624
Total	29,796,821	24,183,198	30,409,283	23,475,724

13.3 Particulars of provision against advances

	Un-audited June 30, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
Rupees '000						
Opening balance	23,475,724	761,951	24,237,675	23,135,261	678,187	23,813,448
Charge for the period / year	1,960,216	-	1,960,216	2,374,327	83,764	2,458,091
Reversals during the period / year	(504,639)	(5,124)	(509,763)	(1,812,748)	-	(1,812,748)
	1,455,577	(5,124)	1,450,453	561,579	83,764	645,343
Amounts written off	(748,103)	-	(748,103)	(220,887)	-	(220,887)
Amounts charged off - agriculture financing	-	-	-	(229)	-	(229)
Closing balance	24,183,198	756,827	24,940,025	23,475,724	761,951	24,237,675

13.3.1 As allowed by the SBP the Bank has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,388,573 million (December 31, 2019: Rs 1,996,336 million) relating to advances while determining the provisioning requirement against non-performing financing as at June 30, 2020. The additional profit arising from availing the FSV benefit - net of tax as at June 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,457.030 million (December 31, 2019: Rs 1,217.765 million).

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

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

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

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited June 30, 2020	Audited December 31, 2019
Note		Rupees '000	
14	FIXED ASSETS		
	Capital work-in-progress	878,680	1,158,140
	Property and equipment	23,320,766	23,025,284
		<u>24,199,446</u>	<u>24,183,424</u>
14.1	Capital work-in-progress		
	Civil works	205,276	393,327
	Equipment	656,985	657,714
	Furniture and fixture	14,948	44,591
	Vehicles	1,471	62,508
		<u>878,680</u>	<u>1,158,140</u>
14.2	Additions to fixed assets		
	The following additions have been made to fixed assets during the period:	Un-audited Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
	Capital work-in-progress	701,663	1,348,347
	Property and equipment		
	Building on freehold land	36,075	120,492
	Furniture and fixture	97,986	60,653
	Electrical office and computer equipment	378,582	303,660
	Vehicles	58,765	1,192
	Others	445,791	246,350
	Right-of-use assets	655,444	578,299
		<u>1,672,643</u>	<u>1,310,646</u>
	Right-of-use assets due to adoption of IFRS 16	-	7,531,556
	Total	<u>2,374,306</u>	<u>10,190,549</u>
14.3	Disposal of fixed assets		
	The net book value of fixed assets disposed of during the period is as follows:		
	Furniture and fixture	3	3
	Electrical office and computer equipment	171	750
	Vehicles	38	2,465
	Total	<u>212</u>	<u>3,218</u>
		Un-audited June 30, 2020	Audited December 31, 2019
15	INTANGIBLE ASSETS	Rupees '000	
	Capital work-in-progress	243,747	412,380
	Computer softwares	439,846	294,946
	Customer relationship	684,165	780,215
		<u>1,124,011</u>	<u>1,075,161</u>
	Total	<u>1,367,758</u>	<u>1,487,541</u>
15.1	Capital work-in-progress		
	Computer software	243,747	412,380

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
15.2 Additions to intangible assets			
The following additions have been made to intangible assets during the period:			
Computer softwares - directly purchased		242,742	49,555
		Un-audited June 30, 2020	Audited December 31, 2019
		Rupees '000	
16 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		9,026,354	9,599,120
Income / mark-up accrued in foreign currency - net of provision		95,549	82,615
Advances, deposits, advance rent and other prepayments		925,759	891,027
Advance taxation (payments less provisions)		510,418	2,612,575
Non-banking assets acquired in satisfaction of claims		1,231,902	1,271,386
Branch adjustment account		1,536	-
Mark to market gain on forward foreign exchange contracts		1,816,355	859,265
Fair value of derivative contracts		9,935	90,937
Acceptances	21	12,920,870	9,142,924
Credit cards and other products fee receivable		636,632	574,288
Receivable from brokers against sale of shares		-	183,606
Dividend receivable		203,411	75,348
Receivable from 1Link (Private) Limited		489,584	363,052
Rent and amenities receivable		45,907	45,008
Rebate receivable - net		54,505	54,505
Others		1,009,753	288,485
		28,978,470	26,134,141
Less: provision held against other assets	16.1	(252,176)	(252,176)
Other assets - net of provision		28,726,294	25,881,965
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
Other assets - total		30,180,080	27,335,751
16.1 Provision held against other assets			
Dividend receivable		75,348	75,348
SBP penalties		51,135	51,135
Fraud forgery theft and account receivable		21,662	21,662
Security deposits		22,994	22,994
Others		81,037	81,037
		252,176	252,176
16.1.1 Movement in provision held against other assets			
Opening balance		252,176	257,564
Charge for the period / year		-	7,860
Reversals during the period / year		-	(13,248)
		-	(5,388)
Closing balance		252,176	252,176
17 BILLS PAYABLE			
In Pakistan		11,986,198	8,356,460

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

18 BORROWINGS	Un-audited June 30, 2020	Audited December 31, 2019
Note	----- Rupees '000 -----	
Secured		
Borrowings from the State Bank of Pakistan	8,866,807	10,598,970
- under export refinance scheme - part I and II	3,700,971	2,426,974
- under long term financing facility	1,143,016	896,508
- under long term financing facility for renewable power energy (RPE)	69,546	86,316
- under scheme of financing facility for storage of agricultural produce	14,570,559	8,087,560
- under Islamic export refinance scheme	3,929,048	-
- under refinance scheme of wages and salaries	106,134	-
- under Islamic refinance scheme for combating COVID-19	32,386,081	22,096,328
Repurchase agreement borrowings	-	21,721,810
Total secured	32,386,081	43,818,138
Unsecured		
Call borrowings	-	1,783,448
Overdrawn nostro accounts	1,249,341	438,722
Musharaka acceptances	3,200,000	18,020,000
Other borrowings	13,242,387	8,686,487
Total unsecured	17,691,728	28,928,657
	50,077,809	72,746,795
18.1	This represents borrowings from foreign financial institutions. The mark-up rates on these borrowings are ranging from 2.42% to 3.64% per annum (December 31, 2019: 3.32% to 3.43%) with maturities upto September 2020.	
19 DEPOSITS AND OTHER ACCOUNTS	Un-audited June 30, 2020	Audited December 31, 2019
	In local currency In foreign currencies Total	In local currency In foreign currencies Total
	----- Rupees '000 -----	
Customers		
Current deposits – remunerative	10,075,043	10,075,043
Current deposits – non-remunerative	142,153,053	19,088,117
Savings deposits	147,114,717	17,039,171
Term deposits	132,053,745	3,747,291
Margin deposits	3,953,837	20,458
	435,350,395	39,895,037
Financial institutions		
Current deposits	911,379	30,308
Savings deposits	12,967,840	-
Term deposits	7,212,340	-
	21,091,559	30,308
	456,441,954	39,925,345
	496,367,299	420,396,631
	27,227,566	55,570
	37,392,478	457,789,109
20 DEFERRED TAX LIABILITIES	Un-audited June 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
Deductible temporary differences on		
- provision for diminution in the value of investments	(176,637)	(182,987)
- provision against advances, off balance sheet, etc.	(1,570,654)	(1,307,267)
- provision against other assets	(99,703)	(99,703)
	(1,846,994)	(1,589,957)
Taxable temporary differences on		
- surplus on revaluation of investments	1,533,464	2,163,487
- surplus on revaluation of fixed assets	1,639,143	1,676,037
- surplus on revaluation of non banking assets	14,113	14,113
- fair value adjustment relating to net assets acquired upon amalgamation	266,824	304,285
- accelerated tax depreciation	108,148	196,033
	3,561,692	4,353,955
	1,714,698	2,763,998

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FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited June 30, 2020	Audited December 31, 2019
	Note	Rupees '000	
21 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		4,093,065	3,729,656
Mark-up / return / interest payable in foreign currencies		13,514	27,021
Unearned commission and income on bills discounted		697,951	725,288
Accrued expenses		1,718,062	2,374,642
Acceptances	16	12,920,870	9,142,924
Unclaimed dividends		45,799	45,817
Mark to market loss on forward foreign exchange contracts		585,631	2,228,384
Charity fund balance		6,339	2,278
Provision against off-balance sheet obligations	21.1	112,796	113,676
Security deposits against lease		925,253	1,201,214
Withholding tax payable		116,252	180,845
Federal excise duty payable		47,296	58,494
Payable to brokers against purchase of shares		3,635	77,747
Fair value of derivative contracts		1,297,184	1,032,154
Credit cards and other products payables		1,197,318	1,119,464
Lease liability against right-of-use asset		8,569,194	8,319,984
Token money against disposal of assets		468,888	565,357
Funds held as security		242,227	232,572
Payable to 1Link (Private) Limited		107,705	125,263
Insurance payable		114,678	144,552
Clearing and settlement accounts		3,391,883	1,172,824
Provision for gratuity		86,262	118,814
Others		327,165	193,452
		<u>37,088,967</u>	<u>32,932,422</u>
21.1 Provision against off-balance sheet obligations			
Opening balance		113,676	125,238
Charge for the period / year		461	-
Reversals during the period / year		(1,341)	(11,562)
		(880)	(11,562)
Closing balance		<u>112,796</u>	<u>113,676</u>
22 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation of:			
- available for sale securities		3,931,958	5,547,402
- fixed assets		7,505,928	7,600,529
- non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
		12,891,672	14,601,717
Deferred tax on surplus on revaluation of:			
- available for sale securities		(1,533,464)	(2,163,487)
- fixed assets		(1,639,143)	(1,676,037)
- non-banking assets acquired in satisfaction of claims		(14,113)	(14,113)
		(3,186,720)	(3,853,637)
		<u>9,704,952</u>	<u>10,748,080</u>
23 CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	26,863,314	24,074,333
Commitments	23.2	163,590,323	208,211,812
Other contingent liabilities	23.3	4,122,244	4,293,244
		<u>194,575,881</u>	<u>236,579,389</u>

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited June 30, 2020	Audited December 31, 2019
		----- Rupees '000 -----	
23.1 Guarantees:			
Financial guarantees		7,306,588	7,099,400
Performance guarantees		4,925,015	4,870,710
Other guarantees		14,631,711	12,104,223
		<u>26,863,314</u>	<u>24,074,333</u>
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		33,475,952	30,343,743
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	80,084,887	126,281,305
- forward government securities transactions	23.2.2	6,902,334	21,760,786
- derivatives - cross currency and interest rate swaps (notional principal)	23.2.3	9,474,503	9,244,773
- extending credit (irrevocable)	23.5	33,450,139	20,281,111
Commitments for acquisition of:			
- operating fixed assets		118,113	185,919
- intangible assets		84,395	114,175
		<u>163,590,323</u>	<u>208,211,812</u>
23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		63,111,377	84,264,725
Sale		16,973,510	42,016,580
		<u>80,084,887</u>	<u>126,281,305</u>
23.2.2 Commitments in respect of forward government securities transactions			
Purchase		-	21,760,786
Sale		6,902,334	-
		<u>6,902,334</u>	<u>21,760,786</u>
23.2.3 Commitments in respect of derivatives			
Sale		9,474,503	9,244,773
23.3 Other contingent liabilities			
Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case		2,510,000	2,510,000
Indemnity issued favouring the Honorable High Court in one of the cases		457,543	457,543
Cantonment tax Karachi Cantonment Board (KCB)	23.3.1	-	171,000
Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan	23.3.2	1,154,701	1,154,701
		<u>4,122,244</u>	<u>4,293,244</u>

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2020

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

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

The department and the Bank have disagreements on a matter relating to taxability of gain on bargain purchase on the acquisition of ex-RBS Pakistan. The additional tax liability on the matter amounts to Rs 1,154.701 million (December 31, 2019: Rs 1,154.701 million). The Commissioner Inland Revenue (Appeals) [(CIR(A))] has deleted the said additional tax liability, however the income tax department has filed an appeal with the Appellate Tribunal Inland Revenue against the order of CIR(A). The management and the tax advisors of the Bank are confident that the matter will be decided in the Bank's favor and accordingly, no provision has been recorded in these condensed interim unconsolidated financial statements in respect of this matter.

23.4 There are certain claims against the Bank not acknowledged as debt amounting to Rs 34,714 million (December 31, 2019: Rs 34,194 million). These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing, certain cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment and cases for damages towards opportunity losses suffered by customers due to non-disbursements of running finance facility as per the agreed terms. The above also includes an amount of Rs 25,299 million (December 31, 2019: Rs 25,299 million) in respect of a suit filed against the Bank for declaration, recovery of monies, release of securities, rendition of account and damages.

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

23.5 Commitments to extend credits

The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 33,450 million (December 31, 2019: Rs 20,281 million) which are irrevocable in nature.

	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
24 DERIVATIVE INSTRUMENTS		
Cross currency swaps (notional principal)	<u>8,970,351</u>	<u>8,780,230</u>
Interest rate swap (notional principal)	<u>504,152</u>	<u>464,543</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

24.1 Product analysis

Counterparties	June 30, 2020 (un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
----- Rupees '000 -----				
With banks for				
Hedging	-	-	-	-
Market making	4,262,559	(580,741)	504,152	9,935
With other entities for				
Hedging	-	-	-	-
Market making	4,707,792	(716,443)	-	-
Total				
Hedging	-	-	-	-
Market making	8,970,351	(1,297,184)	504,152	9,935

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

25 MARK-UP / RETURN / INTEREST EARNED

	Un-audited	
	Half year ended June 30, 2020	Half year ended June 30, 2019
----- Rupees '000 -----		
On:		
Loans and advances	19,410,561	17,949,519
Investments	11,775,254	6,578,569
Lendings to financial institutions	32,331	44,717
Balances with banks	14,525	42,644
Securities purchased under resale agreements	724,322	1,114,821
	<u>31,956,993</u>	<u>25,730,270</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited	
	Note	Half year ended June 30, 2020	Half year ended June 30, 2019
		----- Rupees '000 -----	
26	MARK-UP / RETURN / INTEREST EXPENSED		
On:			
Deposits		14,890,009	12,291,502
Securities sold under repurchase agreements		109,358	515,818
Other short term borrowings		18,078	43,399
SBP borrowings		281,259	199,899
Short sale of Pakistan Investment Bonds		42,219	72,220
Bai Muajjal		163,004	-
Musharaka acceptances		578,818	396,311
Lease liability against right-of-use assets		505,778	448,854
Cost of foreign currency swaps against foreign currency deposits / borrowings		2,151,215	1,707,410
		<u>18,739,738</u>	<u>15,675,413</u>
27	FEE AND COMMISSION INCOME		
Branch banking customer fees		224,217	347,871
Consumer finance related fees		140,439	164,886
Card related fees (debit and credit cards)		686,403	786,630
Credit related fees		29,051	68,105
Investment banking fees		60,516	107,578
Commission on trade		130,388	142,500
Commission on guarantees		37,721	41,148
Commission on cash management		30,107	24,100
Commission on remittances including home remittances		97,284	76,894
Commission on bancassurance		146,606	147,573
Commission on sale of funds unit		43,304	32,690
Others		28,805	43,181
		<u>1,654,841</u>	<u>1,983,156</u>
28	GAIN / (LOSS) ON SECURITIES		
Realised - net	28.1	963,838	(387,452)
Unrealised - held for trading - net		51,337	(25,360)
		<u>1,015,175</u>	<u>(412,812)</u>
28.1	Realised gain / (loss) gain on:		
Federal Government securities		742,809	(20,035)
Shares		194,918	(378,596)
Open end mutual funds		26,111	11,179
		<u>963,838</u>	<u>(387,452)</u>
29	OTHER INCOME		
Rent on property		91,079	99,739
Gain on sale of fixed assets - net		5,475	9,669
Gain on sale of non-banking assets - net		-	7,813
(Loss) / gain on short sale of Pakistan Investment Bonds (PIBs)		(88,139)	89,742
Notice pay		2,442	1,676
Scrap income		838	887
Others		381	886
		<u>12,076</u>	<u>210,412</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Un-audited	
	Half year ended June 30, 2020	Half year ended June 30, 2019
	Rupees '000	
30 OPERATING EXPENSES		
Total compensation expense	3,526,673	3,068,536
Property expense		
Rent and taxes	86,745	79,954
Insurance	25,254	39,893
Utilities cost	288,918	291,090
Security (including guards)	379,386	306,386
Repair and maintenance (including janitorial charges)	229,005	167,729
Depreciation on owned fixed assets	254,657	208,569
Depreciation on non-banking assets	3,408	7,128
Depreciation on right-of-use assets	735,055	677,631
Others	34,965	33,791
	2,037,393	1,812,171
Information technology expenses		
Software maintenance	837,206	664,381
Hardware maintenance	152,759	110,712
Depreciation	185,009	140,588
Amortisation	97,842	49,544
Network charges	128,855	107,424
Others	2,025	1,429
	1,403,696	1,074,078
Other operating expenses		
Directors' fees and allowances	82,541	53,805
Legal and professional charges	32,435	34,782
Outsourced services costs - staff	180,002	154,918
Travelling and conveyance	41,593	51,540
NIFT clearing charges	23,332	22,132
Depreciation	202,228	122,386
Training and development	13,571	8,805
Postage and courier charges	75,158	47,555
Communication	69,747	68,444
Marketing, advertisement and publicity	220,583	201,601
Donations	77,424	69,431
Auditors remuneration	8,217	22,564
Insurance	347,940	294,611
Stationery and printing	180,940	102,935
Bank fees and charges	63,077	50,722
Brokerage and commission	30,907	20,664
Deposit protection premium	195,328	175,237
Credit card bonus points redemption	84,735	106,895
Others	217,296	167,144
	2,147,054	1,776,171
	9,114,816	7,730,956
31 OTHER CHARGES		
Penalties imposed by the State Bank of Pakistan	108,012	17,019

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
32	PROVISION AND WRITE-OFFS - NET		
	Provision for diminution in value of investments - net	12.4	35,054
	Provision against loans and advances - net	13.3	1,450,453
	Bad debts written off directly		4,078
	Recovery of written off / charged off bad debts		(23,897)
	Reversal of provision against off balance sheet obligations - net	21.1	(880)
	Provision against other assets - net	16.1.1	-
			1,962
		<u>1,464,808</u>	<u>671,543</u>

		Half year Ended	
		June 30, 2020	June 30, 2019
		Rupees '000	
33	TAXATION		
	Current	2,836,640	2,326,507
	Prior years	60,000	338,934
	Deferred	(381,818)	(448,479)
		<u>2,514,822</u>	<u>2,216,962</u>

34 BASIC / DILUTED EARNINGS PER SHARE

		Un-audited			
		For the quarter ended		For the half year ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		Rupees '000			
	Profit after tax for the period	<u>1,729,767</u>	1,413,489	<u>3,809,949</u>	3,022,280
----- Number of shares in thousands -----					
	Weighted average number of ordinary shares	<u>1,517,697</u>	1,517,697	<u>1,517,697</u>	1,517,697
----- Rupees -----					
	Basic earnings per share	<u>1.14</u>	0.93	<u>2.51</u>	1.99

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

35 FAIR VALUE MEASUREMENTS

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

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

Fair value of financial assets

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

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

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

	June 30, 2020 (un-audited)			Total
	Level 1	Level 2	Level 3	
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments	-	158,575,825	-	158,575,825
Federal Government securities	4,161,434	2,379,776	-	6,541,210
Shares	47,479,155	6,554,483	-	54,033,638
Non-Government debt securities				
Financial assets - disclosed but not measured at fair value				
Investments	-	11,443,934	-	11,443,934
Non-Government debt securities				
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,242,861	11,242,861
Non-banking assets acquired in satisfaction of claims	-	-	2,685,689	2,685,689
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	64,920,018	-	64,920,018
Forward sale of foreign exchange	-	17,551,427	-	17,551,427
Derivatives sales	-	9,474,503	-	9,474,503
	December 31, 2019 (audited)			Total
	Level 1	Level 2	Level 3	
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments	-	135,299,160	-	135,299,160
Federal Government securities	5,356,303	2,099,239	-	7,455,542
Shares	39,550,000	7,154,872	-	46,704,872
Non-Government debt securities				
Financial assets - disclosed but not measured at fair value				
Investments	-	12,564,225	-	12,564,225
Non-Government debt securities				
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,325,755	11,325,755
Non-banking assets acquired in satisfaction of claims	-	-	2,725,172	2,725,172
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	81,296,151	-	81,296,151
Forward sale of foreign exchange	-	41,387,194	-	41,387,194
Derivatives sales	-	9,244,773	-	9,244,773

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

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV / PKFRV rates.
Ijarah Sukuk	Fair values of GoP Ijarah Sukuk are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different pre-defined / approved dealers / brokers.
Unlisted ordinary shares	Break-up value determined on the basis of the NAV of a company using the latest available audited financial statements.
Term Finance Certificates (TFCs) and Sukuk Certificates	Fair values of TFCs and Sukuk certificates are determined using MUFAP rates.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mark-to-market currency rates announced by the State Bank of Pakistan.
Derivative instruments	The 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 consolidated financial statements of the Bank for the year ended December 31 2019.
Non-banking assets acquired in satisfaction of claims	NBAs are valued by professionally qualified valuers as per the accounting policy disclosed in the consolidated financial statements of the Bank for the year ended December 31 2019.

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

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
	Rupees '000					
Profit and loss account for half year ended June 30, 2020 (un-audited)						
Net mark-up / return / profit	(9,709,329)	14,547,573	8,158,787	219,256	968	13,217,255
Inter segment revenue - net	17,493,775	(12,262,006)	(7,668,700)	(154,638)	2,591,569	-
Non mark-up / return / interest income	1,715,248	472,736	2,018,991	1,895	(265,591)	3,943,279
Total income	9,499,694	2,758,303	2,509,078	66,513	2,326,946	17,160,534
Segment direct expenses	5,436,867	263,079	165,083	57,527	3,448,399	9,370,955
Inter segment expense allocation	2,979,425	342,267	68,112	61,725	(3,451,529)	-
Total expenses	8,416,292	605,346	233,195	119,252	(3,130)	9,370,955
Provisions	378,461	1,007,879	35,054	25,019	18,395	1,464,808
Profit before tax	704,941	1,145,078	2,240,829	(77,758)	2,311,681	6,324,771

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

	2020					
	Retail	CIBG	Treasury	SAM	Others	Total
Statement of financial position as at June 30, 2020 (un-audited)	Rupees '000					
Cash and bank balances	29,168,749	-	29,398,195	-	-	58,566,944
Investments	-	17,939,482	214,733,373	3,298,820	1,139,891	237,111,566
- Investment provision	-	-	(189,495)	(3,694,840)	-	(3,884,335)
Net inter segment lending	387,342,095	-	-	-	(387,342,095)	-
Lendings to financial institutions	-	-	6,893,000	-	-	6,893,000
Advances - performing	57,654,217	232,678,182	-	-	5,641,127	295,973,526
Advances - non-performing	6,538,315	4,338,845	-	18,859,694	59,967	29,796,821
- Advances - provisions	(4,882,508)	(2,041,186)	-	(17,998,877)	(17,454)	(24,940,025)
Others	11,324,524	5,094,957	4,807,582	(2,755,816)	37,276,037	55,747,284
Total assets	487,145,392	258,010,280	255,642,655	(2,291,019)	(343,242,527)	655,264,781
Borrowings	3,562,672	28,761,250	17,753,887	-	-	50,077,809
Deposits and other accounts	467,228,563	27,694,365	-	129,320	1,315,051	496,367,299
Net inter segment borrowing	-	199,725,250	232,363,701	(2,482,816)	(429,606,135)	-
Others	16,354,157	1,829,415	1,593,109	62,477	30,950,705	50,789,863
Total liabilities	487,145,392	258,010,280	251,710,697	(2,291,019)	(397,340,379)	597,234,971
Equity	-	-	3,931,958	-	54,097,852	58,029,810
Total equity and liabilities	487,145,392	258,010,280	255,642,655	(2,291,019)	(343,242,527)	655,264,781
Contingencies and commitments	10,282,362	49,291,950	-	1,222,497	-	60,796,809
	2019					
	Retail	CIBG	Treasury	SAM	Others	Total
Profit and loss account for half year ended June 30, 2019 (un-audited)	Rupees '000					
Net mark-up / return / profit	(7,448,748)	14,124,580	3,176,485	128,818	73,722	10,054,857
Inter segment revenue - net	13,659,625	(12,762,686)	(2,464,706)	(95,821)	1,663,588	-
Non mark-up / return / interest income	2,062,734	471,192	1,402,815	5,700	(217,049)	3,725,392
Total Income	8,273,611	1,833,086	2,114,594	38,697	1,520,261	13,780,249
Segment direct expenses	5,075,828	236,986	143,013	64,882	2,348,755	7,869,464
Inter segment expense allocation	1,936,837	261,365	55,817	51,709	(2,305,728)	-
Total expenses	7,012,665	498,351	198,830	116,591	43,027	7,869,464
Provisions	255,820	141,244	415,568	(160,903)	19,814	671,543
Profit before tax	1,005,126	1,193,491	1,500,196	83,009	1,457,420	5,239,242
Statement of financial position as at December 31, 2019 (audited)						
Cash and bank balances	22,325,104	-	40,878,883	-	-	63,203,987
Investments	-	19,516,432	184,463,090	3,298,820	639,891	207,918,233
- Investment provision	-	-	(883,015)	(2,966,266)	-	(3,849,281)
Net inter segment lending	348,653,144	-	-	-	(348,653,144)	-
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	62,582,195	237,193,175	-	-	3,626,024	303,401,394
Advances - non-performing	6,266,681	3,807,114	-	20,289,645	45,843	30,409,283
- Advances - provisions	(4,503,653)	(1,033,307)	-	(18,697,708)	(3,007)	(24,237,675)
Others	10,416,842	13,994,465	1,352,471	243,892	26,999,046	53,006,716
Total assets	445,740,313	273,477,879	225,811,429	2,168,383	(317,345,347)	629,852,657
Borrowings	1,931,729	20,088,523	50,726,543	-	-	72,746,795
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	428,360,629	27,972,150	-	115,674	1,340,656	457,789,109
Net inter segment borrowing	-	216,745,546	170,558,318	1,985,797	(389,289,661)	-
Others	15,447,955	8,671,660	1,142,652	66,912	18,723,701	44,052,880
Total liabilities	445,740,313	273,477,879	222,427,513	2,168,383	(369,225,304)	574,588,784
Equity	-	-	3,383,916	-	51,879,957	55,263,873
Total equity and liabilities	445,740,313	273,477,879	225,811,429	2,168,383	(317,345,347)	629,852,657
Contingencies and commitments	8,944,978	44,725,691	-	1,204,950	-	54,875,619

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37

RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiary, employee benefit plans and its directors and key management personnel. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	June 30, 2020 (un-audited)					December 31, 2019 (audited)				
	Parent	Directors management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors management personnel	Subsidiaries	Associates	Other related parties

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

	June 30, 2020 (un-audited)					December 31, 2019 (audited)				
	Parent Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Other assets										
Interest / mark-up accrued	-	342	-	-	1,465,016	-	-	-	-	1,900,806
Commission income receivable	-	-	-	-	28,009	-	-	-	-	11,279
Maintenance receivable	-	-	2,162	-	-	-	-	1,502	-	-
Rent receivable	-	-	5,988	-	-	-	-	5,544	-	-
Sale bad receivable	-	-	8	-	-	-	-	8	-	-
Acceptances	-	-	-	-	975,000	-	-	-	-	2,004,043
Others	-	-	1,800	-	617,647	-	-	1,200	-	363,052
	-	342	9,958	-	3,085,672	-	-	8,254	-	4,279,180
Deposits and other accounts										
Opening balance	182	37,985	156,482	5,469	3,074,185	182	26,496	159,986	2,734	3,416,265
Received during the period / year	-	27,226	881,330	7,256,911	41,401,918	-	58,204	1,415,830	13,478,138	84,679,688
Withdrawn during the period / year	-	(26,566)	(860,549)	(7,257,612)	(41,917,537)	-	(46,715)	(1,419,334)	(13,475,403)	(85,021,768)
Closing balance	182	38,645	177,263	4,768	2,563,566	182	37,985	156,482	5,469	3,074,185
Other liabilities										
Interest / mark-up payable	-	103	168	-	2,249	-	196	28	-	9,970
Payable to staff retirement fund	-	-	-	-	86,262	-	-	-	-	118,814
Lease liability against right-of-use asset	-	-	-	10,858	-	-	-	10,132	-	-
Other liabilities	-	-	-	-	107,705	-	-	-	-	125,263
	-	103	168	10,858	196,216	-	196	28	10,132	254,047
Contingencies and commitments										
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	4,397	-	-	-	-	29,397
Trade related commitments	-	-	-	-	240,050	-	-	-	-	407,541
	-	-	-	-	244,447	-	-	-	-	436,938

* represents outstanding guarantee

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

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

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

RELATED PARTY TRANSACTIONS

	Half year ended June 30, 2020 (un-audited)					Half year ended June 30, 2019 (un-audited)						
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	Rupees											
	'000											
Income												
Mark-up / return / interest earned	-	-	6,189	-	-	95,990	-	-	5,672	-	-	110,017
Fee and commission income	-	15	78	22	-	61,971	-	-	52	-	-	41,671
Distribution commission income	-	-	-	-	-	-	-	-	-	3,026	-	-
Dividend income	-	-	-	-	-	128,063	-	-	-	-	-	87,324
Net gain on sale of securities	-	-	-	-	-	26,111	-	-	-	-	-	11,260
Occupancy and conservancy income	-	-	-	12,419	-	-	-	-	-	11,532	-	-
Maintenance income	-	-	-	3,904	-	-	-	-	-	-	-	-
Other income	-	-	-	600	-	-	-	-	-	3,003	-	-
Expense												
Mark-up / return / interest paid	-	1,463	5,538	864	-	146,471	-	-	6,922	3,985	-	107,346
Interest expense on lease liability	-	-	-	726	-	-	-	-	-	-	-	-
Director's fee and other expenses	-	82,541	-	-	-	-	53,805	-	-	-	-	-
Remuneration of key management personnel	-	-	300,969	-	-	912	-	-	287,642	-	-	-
Charge for defined benefit plan	-	-	-	-	-	59,406	-	-	-	-	-	88,752
Contribution to defined contribution plan	-	-	-	-	-	109,307	-	-	-	-	-	90,129
Others												
Shares / units purchased during the period	-	-	-	-	-	9,050,000	-	-	-	-	-	6,007,129
Shares / units sold during the period	-	-	-	-	-	8,700,000	-	-	-	-	-	6,506,070
Government securities purchased during the period	-	-	375,119	-	-	4,847,959	-	-	273,244	-	-	3,248,638
Government securities sold during the period	-	-	393,235	-	-	5,231,821	-	-	287,300	-	-	4,489,519
Contribution to defined benefit plan	-	-	-	-	-	91,958	-	-	-	-	-	-

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FOR THE HALF YEAR ENDED JUNE 30, 2020

	Un-audited June 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	<u>15,176,965</u>	<u>15,176,965</u>
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>47,210,145</u>	<u>43,235,482</u>
Eligible additional tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>47,210,145</u>	<u>43,235,482</u>
Eligible tier 2 capital	<u>9,022,106</u>	<u>10,070,358</u>
Total eligible capital (tier 1 + tier 2)	<u>56,232,251</u>	<u>53,305,840</u>
Risk weighted assets (RWAs):		
Credit risk	<u>232,148,204</u>	<u>216,126,150</u>
Market risk	<u>19,204,710</u>	<u>18,811,120</u>
Operational risk	<u>43,725,881</u>	<u>43,523,481</u>
Total	<u>295,078,795</u>	<u>278,460,751</u>
Common equity tier 1 capital adequacy ratio	<u>16.00%</u>	<u>15.53%</u>
Tier 1 Capital adequacy ratio	<u>16.00%</u>	<u>15.53%</u>
Total Capital adequacy ratio	<u>19.06%</u>	<u>19.14%</u>
Leverage ratio (LR):		
Eligible tier-1 capital	<u>47,210,145</u>	<u>43,235,482</u>
Total exposures	<u>760,473,858</u>	<u>738,294,782</u>
Leverage ratio (%)	<u>6.21%</u>	<u>5.86%</u>
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	<u>239,118,778</u>	<u>174,038,704</u>
Total net cash outflow	<u>120,428,121</u>	<u>122,919,223</u>
Liquidity coverage ratio (Ratio)	<u>1.986</u>	<u>1.416</u>
Net stable funding ratio (NSFR):		
Total available stable funding	<u>444,242,106</u>	<u>406,300,952</u>
Total required stable funding	<u>283,668,047</u>	<u>299,630,986</u>
Net stable funding ratio (%)	<u>156.61%</u>	<u>135.60%</u>

39 ISLAMIC BANKING BUSINESS

The Bank is operating 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1). The statement of financial position and profit and loss account of these branches for the period ended June 30, 2020 are as follows:

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FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited June 30, 2020	Audited December 31, 2019
		Rupees '000	
Statement of financial position			
ASSETS			
Cash and balances with treasury banks		16,808,032	13,320,776
Balances with other banks		934,683	432,379
Investments	39.1	33,880,619	31,443,777
Islamic financing and related assets - net	39.2	143,127,788	115,537,150
Fixed assets		8,909,877	8,798,322
Intangible assets		63,834	84,501
Other assets		7,306,376	10,256,104
		211,031,209	179,873,009
LIABILITIES			
Bills payable		4,031,711	2,029,226
Due to financial institutions		25,959,714	26,721,776
Deposits and other accounts	39.3	153,575,126	119,214,500
Due to head office		1,800,910	8,333,416
Other liabilities		11,666,544	10,965,857
		197,034,005	167,264,775
NET ASSETS		13,997,204	12,608,234
REPRESENTED BY			
Islamic banking fund		9,180,000	9,180,000
Surplus on revaluation of assets - net of tax		518,260	633,831
Unappropriated profit	39.4	4,298,944	2,794,403
		13,997,204	12,608,234
CONTINGENCIES AND COMMITMENTS			
	39.5		
		Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
Profit and loss account			
Profit / return earned	39.6	10,060,235	6,823,349
Profit / return expensed	39.7	4,950,082	4,489,492
Net profit / return		5,110,153	2,333,857
Other income			
Fee and commission income		338,176	280,078
Foreign exchange income		73,764	85,752
Others		3,136	3,212
Total other income		415,076	369,042
Total income		5,525,229	2,702,899
Other expenses			
Operating expenses		2,955,710	1,970,727
Other charges		47,012	-
Total other expenses		3,002,722	1,970,727
Profit before provisions		2,522,507	732,172
Provision and write offs - net		56,049	57,232
Profit before taxation		2,466,458	674,940
Taxation		961,919	263,227
Profit after taxation		1,504,539	411,713

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

39.1 Investments by segments:

	Un-audited June 30, 2020				Audited December 31, 2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- Rupees '000 -----								
Federal Government securities:								
- Ijarah Sukuks	-	-	-	-	6,000,000	-	(60,000)	5,940,000
- Other Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
	<u>1,597,048</u>	<u>-</u>	<u>-</u>	<u>1,597,048</u>	<u>7,597,048</u>	<u>-</u>	<u>(60,000)</u>	<u>7,537,048</u>
Non Government debt securities:								
- Unlisted	31,916,795	-	366,776	32,283,571	23,258,691	-	648,038	23,906,729
Total investments	<u>33,513,843</u>	<u>-</u>	<u>366,776</u>	<u>33,880,619</u>	<u>30,855,739</u>	<u>-</u>	<u>588,038</u>	<u>31,443,777</u>

39.2 Islamic financing and related assets - net

	Un-audited June 30, 2020	Audited December 31, 2019
----- Rupees '000 -----		
Murabaha	2,717,932	2,221,977
Musharaka	7,164	7,164
Diminishing Musharaka	81,813,206	68,640,076
Istisna	2,732,308	1,245,270
Musawamah	14,456	409
Running Musharaka	20,657,242	17,241,885
Fixed assets Ijarah financing - net	78,056	87,735
Musharaka - Islamic export refinance scheme	12,220,559	7,137,560
Istisna - Islamic export refinance scheme	1,650,000	-
Advance against Murabaha financing	716,033	1,599,406
Advance against diminishing Musharaka	6,642,688	10,539,406
Advance against Ijarah	1,499,844	2,062,305
Advance against Istisna	5,744,298	3,787,505
Advance against Islamic export refinance - LTF	5,521,257	790,884
Inventory related to Islamic financing	1,708,346	715,120
Gross Islamic financing and related assets	<u>143,723,389</u>	<u>116,076,702</u>
Less: provision against Islamic financings		
- specific	(464,666)	(413,156)
- general	(130,935)	(126,396)
	<u>(595,601)</u>	<u>(539,552)</u>
Islamic financing and related assets - net of provision	<u>143,127,788</u>	<u>115,537,150</u>

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

39.3 Deposits

	Un-audited June 30, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
-----Rupees '000-----						
Customers						
Current deposits	63,569,858	3,542,299	67,112,157	52,057,424	2,880,515	54,937,939
Savings deposits	42,743,118	1,457,232	44,200,350	27,174,303	845,567	28,019,870
Term deposits	30,070,322	216,443	30,286,765	20,396,083	360,828	20,756,911
	<u>136,383,298</u>	<u>5,215,974</u>	<u>141,599,272</u>	<u>99,627,810</u>	<u>4,086,910</u>	<u>103,714,720</u>
Financial institutions						
Current deposits	67,466	8,122	75,588	62,592	7,661	70,253
Savings deposits	10,621,216	-	10,621,216	11,985,727	-	11,985,727
Term deposits	1,279,050	-	1,279,050	3,443,800	-	3,443,800
	<u>11,967,732</u>	<u>8,122</u>	<u>11,975,854</u>	<u>15,492,119</u>	<u>7,661</u>	<u>15,499,780</u>
	<u>148,351,030</u>	<u>5,224,096</u>	<u>153,575,126</u>	<u>115,119,929</u>	<u>4,094,571</u>	<u>119,214,500</u>

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

39.4 Islamic banking business unappropriated profit

Opening balance	2,794,403	2,231,877
Add: Islamic banking profit for the period / year	2,466,458	922,174
Less: taxation	(961,919)	(359,648)
Closing balance	<u>4,298,942</u>	<u>2,794,403</u>

39.5 Contingencies and commitments

Guarantees	6,765,979	5,104,218
Commitments	<u>19,509,234</u>	<u>14,245,313</u>
	<u>26,275,213</u>	<u>19,349,531</u>

Un-audited Half year ended June 30, 2020	Un-audited Half year ended June 30, 2019
----- Rupees '000 -----	

39.6 Profit / return earned of financing, investments and placement

Profit earned on:		
Financing	8,106,768	5,183,527
Investments	<u>1,953,467</u>	<u>1,639,822</u>
	<u>10,060,235</u>	<u>6,823,349</u>

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

	Un-audited June 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
39.7 Profit on deposits and other dues expensed		
Deposits and other accounts	3,038,293	1,753,565
Other short term borrowings	1,551,136	2,498,995
Lease liability against right-of-use assets	360,653	236,932
	<u>4,950,082</u>	<u>4,489,492</u>

40 GENERAL

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

41 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue on August 20, 2020 by the Board of Directors of the Bank.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Faysal Bank Limited - Group along with unaudited condensed interim consolidated financial statements for the half year ended June 30, 2020.

Group Profile

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

FBL Group structure is as follows:

Holding Company :Faysal Bank Limited

Subsidiary : Faysal Asset Management Limited

Financial Highlights

	Rs. in million		
Key Balance Sheet Numbers	Jun '20	Dec '19	Growth %
Investment	232,713	203,594	14.3%
Financing	300,830	309,573	-2.8%
Total Assets	655,310	629,861	4.0%
Deposits	496,366	457,785	8.4%
Profit & Loss Account	Jun '20	Jun '19	Growth %
Total Revenue	17,217	13,826	24.5%
Non-Markup Expenses	9,435	7,934	18.9%
Profit before tax and provisions	7,781	5,892	32.1%
Net Provisions	1,465	671	118.3%
Profit before tax	6,316	5,221	21.0%
Tax	2,522	2,216	13.8%
Profit after tax	3,794	3,005	26.3%
Earnings per share (Rupees)	2.50	1.98	

Faysal Bank Ltd.'s consolidated profit for the half year ended June 30, '20 at PKR 3,794 million is 26.3% higher than corresponding previous period, resulting in EPS of PKR 2.50.

DIRECTORS' REVIEW

The changes brought about post acquisition of control over FAML have started to yield results. Despite very challenging business environment especially during 2nd quarter of the current year FAML showed remarkable performance and Assets Under Management (AUMs) have grown by 91.1% over December '19 to Rs. 30 billion. One of the reasons for growth in AUMs is that Faysal Bank is effectively leveraging its branch network to generate Faysal Funds sales in targeted customer segments.

Towards the end of Q1 '20 Faysal Bank invested an additional amount of Rs. 500 million in FAML after obtaining necessary regulatory approvals. This investment is a testament of the Bank's commitment towards FAML and will assist the subsidiary in achieving envisioned results.

FAML turned a corner and recorded profit after tax of Rs. 9.7 million during Q2 20 as against a loss of Rs. 25.6 million during the first quarter of the current year. Accordingly, loss after tax for the current six months period is Rs. 15.9 million which is significantly lower than loss of Rs. 23.8 million for the corresponding period previous year.

Credit Rating

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

Long-Term AA

Short-Term A1+

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

During Q1 '20, in view of the much-improved performance of FAML, VIS upgraded Asset Management rating from AM3+ to AM2. The rating signifies asset manager exhibiting very good management characteristics. 'Stable' outlook has been assigned to the rating.

Holding Company

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

DIRECTORS' REVIEW

Subsequent Events

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

Acknowledgement

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

Approval

In compliance with the requirement of the Companies Act, 2017, this directors' report with the recommendation of the Board Audit and Corporate Governance Committee has been approved by the Directors in their meeting held on August 20, 2020 and signed by the Chief Executive Officer and a director.

President & CEO

Chairman / Director

Karachi

Dated: August 20, 2020

ڈائریکٹرز کا جائزہ

بعد ازاں واقعات

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

توثیقی بیان

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

منظوری

کمپنیز ایکٹ 2017 کی شرائط کے تحت، بورڈ آڈٹ اور کارپوریٹ گورننس کمیٹی کی سفارش کے ساتھ اس ڈائریکٹرز رپورٹ کو 20 اگست، 2020 کو منعقدہ اجلاس میں ڈائریکٹرز کی جانب سے منظور کیا گیا ہے اور اس پر چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے دستخط کر دیئے ہیں۔

چیئر مین / ڈائریکٹر

صدر اور سی ای او

کراچی

تاریخ: 20 اگست، 2020

ڈائریکٹرز کا جائزہ

ایف اے ایم ایل نے شاندار کارکردگی کا مظاہرہ کرتے ہوئے پہلی سہ ماہی میں 25.6 ملین روپے خسارے کے مقابلے میں مالی سال 2020 کی دوسری سہ ماہی کے دوران 9.7 ملین روپے کا بعد از ٹیکس منافع حاصل کر لیا۔ اسی طرح، رواں ششماہی کے دوران 15.9 ملین روپے بعد از ٹیکس خسارے کا سامنا کرنا پڑا، جو کہ گزشتہ سال اسی مدت کے دوران ہونے والے خسارے 23.8 ملین روپے کے مقابلے میں بہت کم ہے۔

کریڈٹ ریٹنگ

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

طویل المیعاد: AA

قلیل المیعاد: A1+

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

وی آئی ایس کریڈٹ ریٹنگ کمپنی نے مالی سال 2020 کی پہلی سہ ماہی کے دوران ایف اے ایم ایل کی ایسیٹ مینجمنٹ میں بہتر کارکردگی کے پیش نظر ریٹنگ کو AM+3 سے بڑھا کر AM2 تفویض کی ہے۔ ریٹنگ میں اضافے سے ثابت ہوتا ہے کہ منتظمین بہت اچھی کارکردگی کی خصوصیات کے حامل ہیں۔ ریٹنگ میں ”مستحکم“ درجہ بندی تفویض کی گئی ہے۔

ہولڈنگ کمپنی

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

ڈائریکٹرز کا جائزہ

نفع اور نقصان اکاؤنٹ	جون ۲۰۲۰ء	جون ۲۰۱۹ء	اضافہ
مجموعی آمدنی	17,217	13,826	24.5 فیصد
نان۔ مارک اپ اخراجات	9,435	7,934	18.9 فیصد
منافع قبل از ٹیکس اور پروویژن	7,781	5,892	32.1 فیصد
نیٹ پروویژنز	1,465	671	118.3 فیصد
منافع قبل از ٹیکس	6,316	5,221	21.0 فیصد
ٹیکس	2,522	2,216	13.8 فیصد
منافع بعد از ٹیکس	3,794	3,005	26.3 فیصد
فی حصص آمدن (روپے)	2.50	1.98	

30 جون، 2020 کو ختم ہونے والی ششماہی میں فیصل بینک لمیٹڈ گروپ کا مجموعی منافع 3,794 ملین روپے رہا جو کہ گزشتہ سال اسی مدت کے مقابلے میں 26.3 فیصد زیادہ ہے، جس کے نتیجے میں فی حصص آمدنی (EPS) 2.50 روپے ریکارڈ کی گئی۔

ایف اے ایم ایل کا کنٹرول حاصل کرنے کے بعد کی جانے والی تبدیلیوں کے نتائج آنا شروع ہو گئے ہیں۔ انتہائی مشکل کاروباری ماحول خاص طور پر رواں سال کی دوسری سہ ماہی کے دوران ایف اے ایم ایل کے ایسٹس انڈر مینجمنٹ (AUMs) دسمبر 2019 کے مقابلے میں 91.1 فیصد اضافے کے ساتھ 30 ارب روپے تک جا پہنچے ہیں۔ AUMs میں اضافے کی ایک وجہ یہ بھی ہے کہ فیصل بینک نے اپنی شاخوں کے نیٹ ورک کے ذریعے خاص صارفین پر توجہ مرکوز کی اور فیصل فنڈز کی سیلز بڑھائی۔

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

ڈائریکٹرز کا جائزہ

فیصل بینک کے بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کی خدمت میں 30 جون، 2020 کو ختم ہونے والی ششماہی کی فیصل بینک لمیٹڈ - گروپ کی غیر آڈٹ شدہ رپورٹ کنسولیڈیٹڈ عبوری مالیاتی گوشواروں کے ساتھ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

گروپ پروفائل

فیصل بینک لمیٹڈ (FBL) نے فیصل ایسیٹ مینجمنٹ لمیٹڈ (FAML) کے 99.9 فیصد حصص حاصل کر لیے ہیں۔ ایف اے ایم ایل ایک ان - لٹڈ پبلک لمیٹڈ کمپنی ہے جو کہ نان - بینکنگ فنانس کمپنی (این بی ایف سی) کے طور پر رجسٹرڈ ہے، جس کے پاس نان - بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز، 2003 اور نان - بینکنگ فنانس کمپنیز اینڈ ٹریڈ فائینڈ انشائینز ریگولیشنز، 2008 کے تحت ایسیٹ مینجمنٹ اور سرمایہ کاری کے لیے ایڈوائزری سروسز فراہم کرنے کا لائسنس ہے۔

ایف بی ایل گروپ میں درج ذیل شامل ہیں:

ہولڈنگ کمپنی: فیصل بینک لمیٹڈ

ذیلی ادارہ: فیصل ایسیٹ مینجمنٹ لمیٹڈ

مالیاتی جھلکیاں:

بیلنس شیٹ	(ملین روپے)		اضافہ
	جون ۲۰۲۰ء	دسمبر ۲۰۱۹ء	
سرمایہ کاری	232,713	203,594	14.3 فیصد
فنانسنگ	300,830	309,573	-2.8 فیصد
مجموعی اثاثہ جات	655,310	629,861	4.0 فیصد
ڈپازٹس	496,366	457,785	8.4 فیصد

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	Un-audited June 30, 2020	Audited December 31, 2019
		Rupees '000	
ASSETS			
Cash and balances with treasury banks	10	54,270,205	60,368,426
Balances with other banks	11	4,296,872	2,835,650
Lendings to financial institutions	12	6,893,000	-
Investments	13	232,713,398	203,594,303
Advances	14	300,830,322	309,573,002
Fixed assets	15	24,311,862	24,241,544
Intangible assets	16	1,720,842	1,840,624
Deferred tax assets		-	-
Other assets	17	30,273,735	27,406,984
		655,310,236	629,860,533
LIABILITIES			
Bills payable	18	11,986,198	8,356,460
Borrowings	19	50,077,809	72,746,795
Deposits and other accounts	20	496,365,850	457,785,183
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	21	1,765,629	2,816,798
Other liabilities	22	37,159,314	32,949,870
		597,354,800	574,655,106
		57,955,436	55,205,427
NET ASSETS			
REPRESENTED BY			
Share capital		15,176,965	15,176,965
Reserves		9,772,367	9,830,958
Surplus on revaluation of assets - net	23	9,704,952	10,748,080
Unappropriated profit		23,301,143	19,449,413
Total equity attributable to the equity holders of the parent		57,955,427	55,205,416
Non-controlling interest		9	11
		57,955,436	55,205,427
CONTINGENCIES AND COMMITMENTS			
	24		

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, 2020

Note	Quarter ended		Half year ended		
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	
----- Rupees '000 -----					
Mark-up / return / interest earned	26	14,755,131	13,525,254	31,957,073	25,730,284
Mark-up / return / interest expensed	27	8,063,562	8,413,532	18,738,842	15,671,429
Net mark-up / interest income		6,691,569	5,111,722	13,218,231	10,058,855
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	653,934	1,221,733	1,714,253	2,031,097
Dividend income		179,546	166,928	239,888	242,076
Foreign exchange income		596,353	840,067	928,564	1,632,529
Income from derivatives		10,508	20,448	101,043	73,720
Gain / (loss) on securities	29	552,500	(364,505)	1,023,946	(408,629)
Other income	30	43,662	162,167	(9,265)	195,966
Total non-mark-up / interest income		2,036,503	2,046,838	3,998,429	3,766,759
Total income		8,728,072	7,158,560	17,216,660	13,825,614
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	4,516,661	3,981,993	9,179,312	7,795,009
Workers welfare fund		73,528	58,408	148,127	121,489
Other charges	32	105	11,042	108,012	17,219
Total non-mark-up / interest expenses		4,590,294	4,051,443	9,435,451	7,933,717
Profit before provisions		4,137,778	3,107,117	7,781,209	5,891,897
Provision and write-offs - net	33	1,245,045	877,214	1,464,808	670,910
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		2,892,733	2,229,903	6,316,401	5,220,987
Taxation	34	1,153,303	824,994	2,522,380	2,215,562
PROFIT AFTER TAXATION		1,739,430	1,404,909	3,794,021	3,005,425
Attributable to:					
Equity holders of the parent		1,739,432	1,404,909	3,794,023	3,005,425
Non-controlling interest		(2)	-	(2)	-
		1,739,430	1,404,909	3,794,021	3,005,425
----- Rupees -----					
Basic / diluted earnings per share	35	1.15	0.93	2.50	1.98

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

PRESIDENT & CEO

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CHAIRMAN

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2020

	Quarter ended		Half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Rupees '000			
Profit after taxation for the period	1,739,430	1,404,909	3,794,021	3,005,425
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
- Movement in surplus on revaluation of investments - net of tax	(910,305)	(146,784)	(985,421)	82,924
Items that will not be reclassified to profit and loss account in subsequent periods:				
- Movement in surplus on revaluation of operating fixed assets - net of tax	-	(116,672)	-	(116,672)
- Movement in surplus on revaluation of non-banking assets - net of tax	-	(19,049)	-	(19,049)
	(910,305)	(282,505)	(985,421)	(52,797)
Total comprehensive income	829,125	1,122,404	2,808,600	2,952,628
Attributable to:				
Equity holders of the parent	829,127	1,122,404	2,808,602	2,952,628
Non-controlling interest	(2)	-	(2)	-
	829,125	1,122,404	2,808,600	2,952,628

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

PRESIDENT & CEO

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED JUNE 30, 2020

	Share capital	Reserves				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, 2019 (audited)	15,176,965	10,131	632,006	23,952	8,112,819	8,778,908	(435,946)	5,529,613	5,093,667	14,425,209	16 43,474,765	
Profit after taxation for the half year ended June 30, 2019	-	-	-	-	-	-	-	-	3,005,425	-	3,005,425	
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	-	82,924	(135,721)	(52,797)	-	(52,797)	
Total comprehensive income / (loss)	-	-	-	-	-	-	82,924	(135,721)	(52,797)	3,005,425	2,952,628	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(38,296)	(38,296)	38,296	-	
Amortisation of intangible assets - customer relationship - net of tax	-	-	(97,482)	-	-	(97,482)	-	-	-	-	(97,482)	
Balance as at June 30, 2019 (un-audited)	15,176,965	10,131	534,524	23,952	8,112,819	8,681,426	(353,022)	5,355,596	5,002,574	17,468,930	16 46,329,911	
Profit after taxation for the period from July 1, 2019 to December 31, 2019	-	-	-	-	-	-	-	-	2,998,621	(5)	2,998,616	
Other comprehensive income - net of tax	-	-	-	-	-	-	3,736,937	2,140,568	5,877,505	57,989	5,935,494	
Total comprehensive income	-	-	-	-	-	-	3,736,937	2,140,568	5,877,505	3,056,610	(5) 8,934,110	
Transfer to statutory reserve	-	-	-	-	1,208,126	1,208,126	-	-	-	(1,208,126)	-	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(38,177)	(38,177)	38,177	-	
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	(93,822)	(93,822)	93,822	-	
Amortisation of intangible assets - customer relationship - net of tax	-	-	(58,594)	-	-	(58,594)	-	-	-	-	(58,594)	
Balance as at December 31, 2019 (audited)	15,176,965	10,131	475,930	23,952	9,320,945	9,830,958	3,383,915	7,364,165	10,748,080	19,449,413	11 55,205,427	
Profit after taxation for the half year ended June 30, 2020	-	-	-	-	-	-	-	-	3,794,023	(2)	3,794,021	
Other comprehensive loss - net of tax	-	-	-	-	-	-	(985,421)	-	(985,421)	-	(985,421)	
Total comprehensive income / (loss)	-	-	-	-	-	-	(985,421)	-	(985,421)	3,794,023	(2) 2,808,600	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(57,707)	(57,707)	57,707	-	
Amortisation of intangible assets - customer relationship - net of tax	-	-	(58,591)	-	-	(58,591)	-	-	-	-	(58,591)	
Balance as at June 30, 2020 (un-audited)	15,176,965	10,131	417,339	23,952	9,320,945	9,772,367	2,398,494	7,306,458	9,704,952	23,301,143	9 57,955,436	

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

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

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CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2020

	Half year Ended	
	June 30, 2020	June 30, 2019
	----- Rupees '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,316,401	5,220,987
Less: dividend income	(239,888)	(242,076)
	6,076,513	4,978,911
Adjustments:		
Depreciation on owned fixed assets	642,733	471,544
Amortisation of intangible assets	97,842	49,544
Depreciation on right-of-use assets	735,055	677,631
Depreciation on non-banking assets	3,408	7,128
Workers' welfare fund	148,127	121,489
Provision against loans and advances - net	1,450,453	274,531
Provision for diminution in value of investments - net	35,054	454,789
Provision against off balance sheet obligations	(880)	(1,080)
(Gain) / loss on securities unrealised - held for trading - net	(52,555)	25,208
Gain on sale of fixed assets - net	(5,744)	(9,669)
Gain on sale of non-banking assets	-	(7,813)
Charge for defined benefit plan	60,625	89,982
Income from derivative contracts - net	(101,043)	(73,720)
Mark-up / return / interest expensed - lease liability against right-of-use assets	505,745	448,854
Bad debts written off directly	4,078	7,605
	3,522,898	2,536,023
	9,599,411	7,514,934
Decrease / (increase) in operating assets		
Lendings to financial institutions	(6,893,000)	(3,251,077)
Held-for-trading securities	5,518,572	27,987,109
Advances	7,288,149	(8,068,058)
Others assets (excluding advance taxation)	(4,763,335)	(7,328,288)
	1,150,386	9,339,686
Increase / (decrease) in operating liabilities		
Bills payable	3,629,738	(13,844,134)
Borrowings from financial institutions	(23,479,605)	(58,199,429)
Deposits	38,580,667	44,892,375
Other liabilities (excluding current taxation)	3,950,540	5,320,716
	22,681,340	(21,830,472)
Income tax paid	(943,054)	(1,793,755)
Contribution to gratuity fund	(93,094)	-
Net cash generated from / (used in) operating activities	32,394,989	(6,769,607)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (investment) / divestment in available for sale securities	(37,274,160)	32,393,819
Net divestment in held to maturity securities	1,037,650	1,313,644
Dividends received	111,825	155,301
Investment in operating fixed assets	(738,129)	(1,415,991)
Investment in intangible assets	(74,109)	(49,555)
Proceeds from sale of fixed assets	6,346	12,886
Proceeds from sale of non-banking assets	-	141,300
Net cash (used in) / generated from investing activities	(36,930,577)	32,551,404
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liability against right-of-use assets	(912,011)	(765,284)
Dividend paid	(19)	3,773
Net cash used in financing activities	(912,030)	(761,511)
(Decrease) / increase in cash and cash equivalents during the period	(5,447,618)	25,020,286
Cash and cash equivalents at the beginning of the period	62,765,354	44,879,962
Cash and cash equivalents at the end of the period	57,317,736	69,900,248

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

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

1.1.1 Holding Company - Faysal Bank Limited

Faysal Bank Limited (the Bank or the Holding Company) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984 (now the Companies Act, 2017). Its shares are listed on the Pakistan Stock Exchange Limited. The Bank is mainly engaged in Conventional and Islamic Corporate, Commercial and Consumer banking activities. The Bank has a network of 555 branches (December 31, 2019: 555); including 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1) in Pakistan.

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

Ithmaar Bank B.S.C (closed), a wholly owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2019: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMIT), (ultimate parent of the Bank) is the holding company of Ithmaar Holdings B.S.C.

	Percentage of holding	
	June 30, 2020	December 31, 2019
Faysal Asset Management Limited - Subsidiary	99.99%	99.99%

The Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited, have determined the Bank's long-term rating as 'AA' (December 31, 2019: 'AA') and the short term rating as 'A1+' (December 31, 2019: 'A1+') on June 26, 2020 and June 29, 2020.

1.1.2 Subsidiary Company - Faysal Asset Management Limited

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

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

2 BASIS OF PRESENTATION

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

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

3 BASIS OF CONSOLIDATION

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

4 STATEMENT OF COMPLIANCE

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

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

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

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

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

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

4.4.1 There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these condensed interim consolidated financial statements.

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

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

Standards, interpretations or amendments	Effective date (annual periods beginning on or after)
- IFRS 16 - 'Leases' (amendments)	June 1, 2020
- IFRS 9 - 'Financial instruments'	January 1, 2021 *
- IAS 1 - 'Presentation of financial statements' (amendments)	January 1, 2022
- IAS 16 - 'Property, plant and equipment' (amendments)	January 1, 2022
- IAS 37 - 'Provision, contingent liabilities and contingent assets' (amendments)	January 1, 2022

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

* The SBP vide its BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial instruments' as January 1, 2021. IFRS 9, 'Financial instruments' has replaced IAS 39, 'Financial instruments: recognition and measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has an impact on all the assets of the Group which are exposed to credit risk.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are the same as applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2019.

6 BASIS OF MEASUREMENT

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

7 FUNCTIONAL AND PRESENTATION CURRENCY

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

8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

9 FINANCIAL RISK MANAGEMENT

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

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

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

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

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

9.1 Credit risk management

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

9.2 Liquidity risk management

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

9.3 Equity risk management

The carrying value of the Group's investment in listed equity securities classified as available-for-sale amounts to Rs 6,412.807 million as at June 30, 2020. The Group has only recorded an impairment of Rs 379.630 million on these listed equity securities in the condensed interim consolidated financial statements of the current period. As allowed by SBP, the Group has deferred the recognition of impairment amounting to Rs 238.062 million which will be recognised on a quarterly basis till December 31, 2020.

9.4 Operational risk management

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

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

monitoring the situation and is taking timely decisions to resolve any concerns.

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

9.5 Capital adequacy ratio

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

	Un-audited June 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
10 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
- local currency	13,770,416	10,322,399
- foreign currency	4,458,974	3,601,723
	18,229,390	13,924,122
With the State Bank of Pakistan in		
- local currency current account	21,849,170	32,960,190
- foreign currency current account	2,006,524	1,873,656
- foreign currency deposit account	4,081,035	5,325,652
	27,936,729	40,159,498
With National Bank of Pakistan in		
- local currency current account	8,097,478	5,574,470
Prize bonds	6,608	710,336
	54,270,205	60,368,426
11 BALANCES WITH OTHER BANKS		
In Pakistan		
- in current account	2,838,625	1,426,987
- in saving account	67	68
	2,838,692	1,427,055
Outside Pakistan		
- in current account	1,429,611	1,352,850
- in deposit account	28,569	55,745
	1,458,180	1,408,595
	4,296,872	2,835,650
12 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (reverse repo)	6,893,000	-

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

13 INVESTMENTS

13.1 Investments by type:

Note	Un-audited June 30, 2020				Audited December 31, 2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees '000								
Held-for-trading securities								
Federal Government securities	24,961,341	-	59,776	25,021,117	31,073,816	-	1,002	31,074,818
Shares	758,247	-	(6,219)	752,028	164,344	-	900	165,244
	25,719,588	-	53,557	25,773,145	31,238,160	-	1,902	31,240,062
Available-for-sale securities								
Federal Government securities	131,930,335	-	1,626,809	133,557,144	104,109,013	-	115,329	104,224,342
Shares	8,388,082	1,785,781	(189,495)	6,412,806	8,322,582	1,745,897	878,857	7,455,542
Non Government debt securities	52,098,781	559,787	2,494,644	54,033,638	42,711,443	559,787	4,553,216	46,704,872
	192,417,198	2,345,568	3,931,958	194,003,588	155,143,038	2,305,684	5,547,402	158,384,756
Held-to-maturity securities								
Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
Non Government debt securities	12,878,384	1,538,767	-	11,339,617	13,916,034	1,543,597	-	12,372,437
	14,475,432	1,538,767	-	12,936,665	15,513,082	1,543,597	-	13,969,485
Total Investments	232,612,218	3,884,335	3,985,515	232,713,398	201,894,280	3,849,281	5,549,304	203,594,303

13.2 Investments given as collateral

	Un-audited June 30, 2020	Audited December 31, 2019
Rupees '000		
- Market treasury bills	-	21,747,989
13.3 Bai Muajjal - gross	2,212,625	2,212,625
Less: deferred income	(298,240)	(400,462)
Less: profit receivable shown in other assets	(317,337)	(215,115)
Bai Muajjal - net	1,597,048	1,597,048

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

13.4 Provision for diminution in value of investments

Note	Un-audited June 30, 2020	Audited December 31, 2019
Rupees '000		
13.4.1 Opening balance	3,849,281	3,541,667
Charge / (reversals)		
Charge for the period / year	379,630	366,100
Reversals on disposals for the period / year	(344,576)	(58,486)
	35,054	307,614
Closing Balance	3,884,335	3,849,281

13.4.2 Particulars of provision against debt securities

Category of classification	Un-audited June 30, 2020		Audited December 31, 2019	
	Non-performing investment	Provision	Non-performing investments	Provision
Rupees '000				
Domestic	2,098,554	2,098,554	2,103,384	2,103,384
- Loss				

13.5 The market value of securities classified as held-to-maturity as at June 30, 2020 amounted to Rs. 11,443.934 million (December 31, 2019: Rs. 12,564.225 million).

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

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14 ADVANCES

	Performing		Non-performing		Total	
	Un-audited June 30, 2020	Audited December 31, 2019	Un-audited June 30, 2020	Audited December 31, 2019	Un-audited June 30, 2020	Audited December 31, 2019
Loans, cash credits, running finances, etc.	148,801,077	182,560,477	28,111,562	28,777,157	176,912,639	211,337,634
Islamic financing and related assets	142,612,234	114,980,031	1,111,155	1,096,671	143,723,389	116,076,702
Bills discounted and purchased	4,560,215	5,860,886	574,104	535,455	5,134,319	6,396,341
Advances - gross	295,973,526	303,401,394	29,796,821	30,409,283	325,770,347	333,810,677
Provision against advances						
- specific	-	-	(24,183,198)	(23,475,724)	(24,183,198)	(23,475,724)
- general	(756,827)	(761,951)	-	-	(756,827)	(761,951)
	(756,827)	(761,951)	(24,183,198)	(23,475,724)	(24,940,025)	(24,237,675)
Advances - net of provision	295,216,699	302,639,443	5,613,623	6,933,559	300,830,322	309,573,002

14.1 Particulars of advances (gross)

	Un-audited June 30, 2020	Audited December 31, 2019
	----- Rupees '000 -----	
- in local currency	323,538,111	331,186,964
- in foreign currencies	2,232,236	2,623,713
	325,770,347	333,810,677

14.2 Advances include Rs. 29,797 million (December 31, 2019: Rs. 30,409 million) which have been placed under non-performing status as detailed below:-

Category of classification	Un-audited June 30, 2020		Audited December 31, 2019	
	Non-performing loans	Provision	Non-performing loans	Provision
Domestic				
- other assets especially mentioned	153,144	-	1,483,618	10
- substandard	916,019	111,795	1,528,058	262,576
- doubtful	4,396,376	1,346,881	4,305,081	1,164,514
- loss	24,331,282	22,724,522	23,092,526	22,048,624
Total	29,796,821	24,183,198	30,409,283	23,475,724

14.3 Particulars of provision against advances

	Un-audited June 30, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
	----- Rupees '000 -----					
Opening balance	23,475,724	761,951	24,237,675	23,135,261	678,187	23,813,448
Charge for the period / year	1,960,216	-	1,960,216	2,374,327	83,764	2,458,091
Reversals during the period / year	(504,639)	(5,124)	(509,763)	(1,812,748)	-	(1,812,748)
	1,455,577	(5,124)	1,450,453	561,579	83,764	645,343
Amounts written off	(748,103)	-	(748,103)	(220,887)	-	(220,887)
Amounts charged off - agriculture financing	-	-	-	(229)	-	(229)
Closing balance	24,183,198	756,827	24,940,025	23,475,724	761,951	24,237,675

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14.3.1 As allowed by the SBP the Holding Company has availed benefit of forced sale value (FSV) of collaterals held as security of Rs 2,388.573 million (December 31, 2019: Rs 1,996.336 million) relating to advances while determining the provisioning requirement against non-performing financing as at June 30, 2020. The additional profit arising from availing the FSV benefit - net of tax as at June 30, 2020 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,457.030 million (December 31, 2019: Rs 1,217.765 million).

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

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

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

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

Note	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
15 FIXED ASSETS		
Capital work-in-progress	15.1 878,980	1,158,440
Property and equipment	23,432,882	23,083,104
	<u>24,311,862</u>	<u>24,241,544</u>
15.1 Capital work-in-progress		
Civil works	205,276	393,327
Equipment	657,285	658,014
Furniture and fixture	14,948	44,591
Vehicles	1,471	62,508
	<u>878,980</u>	<u>1,158,440</u>
15.2 Additions to fixed assets		
The following additions have been made to fixed assets during the period:		
Capital work-in-progress	701,663	1,348,347
Property and equipment		
Building on freehold land	36,075	120,492
Furniture and fixture	97,986	60,750
Electrical office and computer equipment	378,972	304,305
Vehicles	58,765	3,819
Others	445,791	246,350
Right-of-use assets	713,848	578,299
	<u>1,731,437</u>	<u>1,314,015</u>
Right-of-use assets due to adoption of IFRS 16	-	7,531,556
Total	2,433,100	10,193,918

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FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
15.3 Disposal of fixed assets			
The net book value of fixed assets disposed of during the period is as follows:			
Furniture and fixture		3	3
Electrical office and computer equipment		3,830	798
Vehicles		38	2,465
Total		<u>3,871</u>	<u>3,266</u>
16 INTANGIBLE ASSETS	Note	Un-audited June 30, 2020	Audited December 31, 2019
Rupees '000			
Capital work-in-progress	16.1	243,747	412,380
Computer softwares		439,846	294,945
Customer relationship		684,165	780,215
Goodwill		238,484	238,484
Management rights		114,600	114,600
Total		<u>1,477,095</u>	<u>1,428,244</u>
Capital work-in-progress			
Computer software		<u>243,747</u>	<u>412,380</u>
16.1 Additions to intangible assets			
The following additions have been made to intangible assets during the period:			
Computer softwares - directly purchased		<u>242,742</u>	<u>49,555</u>
17 OTHER ASSETS	Note	Un-audited June 30, 2020	Audited December 31, 2019
Rupees '000			
Income / mark-up accrued in local currency - net of provision		9,026,354	9,599,119
Income / mark-up accrued in foreign currency - net of provision		95,549	82,615
Advances, deposits, advance rent and other prepayments		931,236	898,295
Advance taxation (payments less provisions)		551,942	2,653,656
Non-banking assets acquired in satisfaction of claims		1,231,903	1,271,386
Branch adjustment account		1,536	-
Mark to market gain on forward foreign exchange contracts		1,816,355	859,265
Fair value of derivative contracts		9,935	90,937
Acceptances	22	12,920,870	9,142,924
Credit cards and other products fee receivable		636,632	574,288
Receivable from brokers against sale of shares		-	183,606
Dividend receivable		203,411	75,348
Receivable from 1Link (Private) Limited		489,584	363,052
Rent and amenities receivable		45,907	45,008
Rebate receivable - net		54,505	54,505
Others		1,060,452	315,416
		<u>29,076,171</u>	<u>26,209,420</u>
Less: provision held against other assets	17.1	(256,222)	(256,222)
Other assets - net of provision		<u>28,819,949</u>	<u>25,953,198</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,453,786	1,453,786
Other assets - total		<u>30,273,735</u>	<u>27,406,984</u>

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	Note	Un-audited June 30, 2020	Audited December 31, 2019
		Rupees '000	
17.1 Provision held against other assets			
Dividend receivable		75,348	75,348
SBP penalties		51,135	51,135
Fraud forgery theft and account receivable		21,662	21,662
Security deposits		22,994	22,994
Others		85,083	85,083
		256,222	256,222
17.1.1 Movement in provision held against other assets			
Opening balance		256,222	262,243
Charge for the period / year		-	7,860
Reversals during the period / year		-	(13,881)
		-	(6,021)
Closing balance		256,222	256,222
18 BILLS PAYABLE			
In Pakistan		11,986,198	8,356,460
19 BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
- under export refinance scheme - part I and II		8,866,807	10,598,970
- under long term financing facility		3,700,971	2,426,974
- under long term financing facility for renewable power energy (RPE)		1,143,016	896,508
- under scheme of financing facility for storage of agricultural produce		69,546	86,316
- under Islamic export refinance scheme		14,570,559	8,087,560
- under refinance scheme of wages and salaries		3,929,048	-
- under Islamic refinance scheme for combating COVID-19		106,134	-
		32,386,081	22,096,328
Repurchase agreement borrowings		-	21,721,810
Total secured		32,386,081	43,818,138
Unsecured			
Call borrowings		-	1,783,448
Overdrawn nostro accounts		1,249,341	438,722
Musharaka acceptances		3,200,000	18,020,000
Other borrowings	19.1	13,242,387	8,686,487
Total unsecured		17,691,728	28,928,657
		50,077,809	72,746,795

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

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FOR THE HALF YEAR ENDED JUNE 30, 2020

20 DEPOSITS AND OTHER ACCOUNTS

	Un-audited June 30, 2020			Audited December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Rupees '0 00						
Customers						
Current deposits – remunerative	10,075,043	-	10,075,043	12,358,523	-	12,358,523
Current deposits – non-remunerative	142,153,053	19,088,117	161,241,170	117,835,756	16,723,542	134,559,298
Savings deposits	147,113,268	17,039,171	164,152,439	137,494,568	15,672,852	153,167,420
Term deposits	132,053,745	3,747,291	135,801,036	122,761,268	4,921,337	127,682,605
Margin deposits	3,953,837	20,458	3,974,295	2,715,024	19,177	2,734,201
	435,348,946	39,895,037	475,243,983	393,165,139	37,336,908	430,502,047
Financial institutions						
Current deposits	911,379	30,308	941,687	1,120,002	55,570	1,175,572
Savings deposits	12,967,840	-	12,967,840	19,638,764	-	19,638,764
Term deposits	7,212,340	-	7,212,340	6,468,800	-	6,468,800
	21,091,559	30,308	21,121,867	27,227,566	55,570	27,283,136
	456,440,505	39,925,345	496,365,850	420,392,705	37,392,478	457,785,183

21 DEFERRED TAX LIABILITIES

Note	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
Deductible temporary differences on		
- provision for diminution in the value of investments	(176,637)	(182,987)
- provision against advances, off balance sheet, etc.	(1,570,654)	(1,307,267)
- provision against other assets	(99,703)	(99,703)
- defined benefit obligation	(44)	(44)
- unused tax losses	(14,280)	(11,937)
	(1,861,318)	(1,601,938)
Taxable temporary differences on		
- surplus on revaluation of investments	1,533,464	2,163,487
- surplus on revaluation of fixed assets	1,639,143	1,676,037
- surplus on revaluation of non banking assets	14,113	14,113
- fair value adjustment relating to net assets acquired upon amalgamation	266,824	304,285
- fair value adjustment relating to net assets acquired upon business combination	52,138	52,496
- accelerated tax depreciation	108,148	195,201
- fair valuation of previously held equity interest of FAML	13,117	13,117
	3,626,947	4,418,736
	1,765,629	2,816,798

22 OTHER LIABILITIES

Mark-up / return / interest payable in local currency	4,093,065	3,729,655
Mark-up / return / interest payable in foreign currencies	13,514	27,021
Unearned commission and income on bills discounted	697,951	725,288
Accrued expenses	1,732,158	2,382,341
Acceptances	12,920,870	9,142,924
Unclaimed dividends	45,803	45,822
Mark to market loss on forward foreign exchange contracts	585,631	2,228,384
Charity fund balance	6,339	2,278
Provision against off-balance sheet obligations	112,796	113,676
Security deposits against lease	925,253	1,201,214
Withholding tax payable	124,390	189,403
Federal excise duty payable	47,296	58,494
Payable to brokers against purchase of shares	3,635	77,747
Fair value of derivative contracts	1,297,184	1,032,154
Credit cards and other products payables	1,197,318	1,119,464
Lease liability against right-of-use asset	8,612,256	8,309,852
Token money against disposal of assets	468,888	565,357
Funds held as security	242,227	232,572
Payable to 1Link (Private) Limited	107,705	125,263
Insurance payable	114,678	144,552
Clearing and settlement accounts	3,391,883	1,172,824
Provision for gratuity	86,496	118,965
Others	331,978	204,620
	37,159,314	32,949,870

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FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited June 30, 2020	Audited December 31, 2019
Note		Rupees '000	
22.1	Provision against off-balance sheet obligations		
	Opening balance	113,676	125,238
	Charge for the period / year	461	-
	Reversals during the period / year	(1,341)	(11,562)
		(880)	(11,562)
	Closing balance	112,796	113,676
23	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus on revaluation of		
	- available for sale securities	3,931,958	5,547,402
	- fixed assets	7,505,928	7,600,529
	- non-banking assets acquired in satisfaction of claims	1,453,786	1,453,786
		12,891,672	14,601,717
	Deferred tax on surplus on revaluation of:		
	- available for sale securities	(1,533,464)	(2,163,487)
	- fixed assets	(1,639,143)	(1,676,037)
	- non-banking assets acquired in satisfaction of claims	(14,113)	(14,113)
		(3,186,720)	(3,853,637)
		9,704,952	10,748,080
24	CONTINGENCIES AND COMMITMENTS		
	Guarantees	24.1 26,863,314	24,074,333
	Commitments	24.2 163,590,323	208,211,812
	Other contingent liabilities	24.3 4,122,244	4,293,244
		194,575,881	236,579,389
24.1	Guarantees:		
	Financial guarantees	7,306,588	7,099,400
	Performance guarantees	4,925,015	4,870,710
	Other guarantees	14,631,711	12,104,223
		26,863,314	24,074,333
24.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- letters of credit	33,475,952	30,343,743
	Commitments in respect of:		
	- forward foreign exchange contracts	24.2.1 80,084,887	126,281,305
	- forward government securities transactions	24.2.2 6,902,334	21,760,786
	- derivatives - cross currency and interest rate swaps (notional principal)	24.2.3 9,474,503	9,244,773
	- extending credit (irrevocable)	24.4 33,450,139	20,281,111
	Commitments for acquisition of:		
	- operating fixed assets	118,113	185,919
	- intangible assets	84,395	114,175
		163,590,323	208,211,812

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FOR THE HALF YEAR ENDED JUNE 30, 2020

	Note	Un-audited June 30, 2020	Audited December 31, 2019
		Rupees '000	
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		63,111,377	84,264,725
Sale		16,973,510	42,016,580
		<u>80,084,887</u>	<u>126,281,305</u>
24.2.2 Commitments in respect of forward government securities transactions			
Purchase		-	21,760,786
Sale		6,902,334	-
		<u>6,902,334</u>	<u>21,760,786</u>
24.2.3 Commitments in respect of derivatives			
Sale		<u>9,474,503</u>	<u>9,244,773</u>
24.3 Other contingent liabilities			
24.3.1 Holding Company:			
Suit filed by a customer for recovery of alleged losses suffered which is pending in the Honorable High Court of Sindh. The Holding Company's legal advisors are confident that the Holding Company has a strong case Indemnity issued favouring the Honorable High Court in one of the cases Cantonment tax Karachi Cantonment Board (KCB)		2,510,000	2,510,000
Tax liability of gain on bargain purchase on the acquisition of ex-RBS Pakistan		457,543	457,543
	(i)	-	171,000
	(ii)	1,154,701	1,154,701
		<u>4,122,244</u>	<u>4,293,244</u>

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

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

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

The department and the Holding Company have disagreements on a matter relating to taxability of gain on bargain purchase on the acquisition of ex-RBS Pakistan. The additional tax liability on the matter amounts to Rs. 1,154.701 million (December 31, 2019: Rs. 1,154.701 million). The Commissioner Inland Revenue (Appeals) [(CIR(A)] has deleted the said additional tax liability, however the income tax department has filed an appeal with the Appellate Tribunal Inland Revenue against the order of CIR(A). The management and the tax advisors of the Holding Company are confident that the matter will be decided in the Holding Company's favor and accordingly, no provision has been recorded in these condensed interim consolidated financial statements in respect of this matter.

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- (ii) There are certain claims against the Holding Company not acknowledged as debt amounting to Rs 34,714 million (December 31, 2019: Rs 34,194 million). These mainly represent counter claims filed by the borrowers for restricting the Holding Company from disposal of assets (such as mortgaged / pledged assets kept as security), cases where the Holding Company was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing, certain cases filed by ex-employees of the Holding Company for damages sustained by them consequent to the termination from the Holding Company's employment and cases for damages towards opportunity losses suffered by customers due to non-disbursements of running finance facility as per the agreed terms. The above also includes an amount of Rs 25,299 million (December 31, 2019: 25,299 million) in respect of a suit filed against the Holding Company for declaration, recovery of monies, release of securities, rendition of account and damages.

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

24.3.2 Subsidiary Company:

- (i) The income tax returns of the Subsidiary Company for the tax years 2004 to 2019 (financial year ended June 30, 2004 to 2019) have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes. The Tax year 2005 (financial year ended June 30, 2005) has been selected by the taxation authorities for audit purpose. The tax authorities have passed an order under section 221 of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs 0.913 million for the tax year 2005 on account of apportionment of expenses and disallowance of certain expenses. The Subsidiary Company has paid Rs 0.414 million and has filed an appeal against the order before the Commissioner Appeals, the proceedings of which are underway. The remaining tax liability on these matters is Rs 0.498 million. The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.
- (ii) The income tax department has issued orders and show cause notices under section 221 of the Income Tax Ordinance, 2001 for recovery of Workers Welfare Fund (WWF) aggregating to Rs 0.818 million in respect of tax years 2008 and 2013. The details of orders and show cause along with the management actions are listed below:

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

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decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

- (iv) During the period from July 1, 2019 to December 31, 2019, the audit of the tax year 2013 (financial year ended June 30, 2013) has been completed by the taxation authorities. The tax authorities have passed an order under section 122(5A) of the Income Tax Ordinance, 2001, whereby they have determined an additional liability of Rs 4.964 million for the tax year 2013 on account of apportionment of expenses, salary expenses and hardware and software expense. The management filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on the grounds of disallowances made by the Additional Commissioner Inland Revenue. The CIR(A) remanded back a few expenses while ordered against various other expenses for which the Subsidiary Company has decided to appeal before the Appellate Tribunal Inland Revenue (ATIR). The management of the Subsidiary Company is confident that the decision in respect of these matters will be decided in the Subsidiary Company's favour and accordingly no provision for the above has been made in these condensed interim consolidated financial statements in respect of this liability.

24.4 Commitments to extend credits

The Holding Company makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 33,450 million (December 31, 2019: Rs 20,281 million) which are irrevocable in nature.

	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
25 DERIVATIVE INSTRUMENTS		
Cross currency swaps (notional principal)	8,970,351	8,780,230
Interest rate swap (notional principal)	504,152	464,543

25.1 Product analysis

Counterparties	June 30, 2020 (un-audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market gain
	Rupees '000			
With banks for				
Hedging	-	-	-	-
Market making	4,262,559	(580,741)	504,152	9,935
With other entities for				
Hedging	-	-	-	-
Market making	4,707,792	(716,443)	-	-
Total				
Hedging	-	-	-	-
Market making	8,970,351	(1,297,184)	504,152	9,935
Counterparties	December 31, 2019 (audited)			
	Cross currency swaps		Interest rate swap	
	Notional principal	Mark to market loss	Notional principal	Mark to market loss
	Rupees '000			
With banks for				
Hedging	-	-	-	-
Market making	4,273,153	(569,222)	464,543	(31)
With other entities for				
Hedging	-	-	-	-
Market making	4,507,077	(371,964)	-	-
Total				
Hedging	-	-	-	-
Market making	8,780,230	(941,186)	464,543	(31)

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	Note	Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
26 MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		19,410,641	17,949,533
Investments		11,775,254	6,578,569
Lendings to financial institutions		32,331	44,717
Balances with banks		14,525	42,644
Securities purchased under resale agreements		724,322	1,114,821
		<u>31,957,073</u>	<u>25,730,284</u>
27 MARK-UP / RETURN / INTEREST EXPENSED			
On:			
Deposits		14,889,145	12,287,519
Securities sold under repurchase agreements		109,358	515,818
Other short term borrowings		18,078	43,399
SBP borrowings		281,259	199,899
Short sale of Pakistan Investment Bonds		42,219	72,220
Bai Muajjal		163,004	-
Musharaka acceptances		578,818	396,311
Lease liability against right-of-use assets		505,745	448,854
Cost of foreign currency swaps against foreign currency deposits / borrowings		2,151,216	1,707,409
		<u>18,738,842</u>	<u>15,671,429</u>
28 FEE AND COMMISSION INCOME			
Branch banking customer fees		224,217	347,871
Consumer finance related fees		140,439	164,886
Card related fees (debit and credit cards)		686,403	786,630
Credit related fees		29,051	68,105
Investment banking fees		60,516	107,578
Commission on trade		130,388	142,500
Commission on guarantees		37,721	41,148
Commission on cash management		30,107	24,100
Commission on remittances including home remittances		97,284	76,894
Commission on bancassurance		146,606	176,181
Commission on sale of funds unit		43,304	-
Management fee		59,098	45,940
Advisory fee		512	1,267
Sales load		-	3,760
Others		28,607	44,237
		<u>1,714,253</u>	<u>2,031,097</u>
29 GAIN / (LOSS) ON SECURITIES			
Realised - net	29.1	971,391	(383,421)
Unrealised - held for trading - net		52,555	(25,208)
		<u>1,023,946</u>	<u>(408,629)</u>
29.1 Realised gain / (loss) gain on:			
Federal Government securities		742,809	(20,035)
Shares		202,471	(374,565)
Open end mutual funds		26,111	11,179
		<u>971,391</u>	<u>(383,421)</u>
30 OTHER INCOME			
Rent on property		69,173	85,205
Gain on sale of fixed assets - net		5,744	9,669
Gain on sale of non-banking assets - net		-	7,813
(Loss) / gain on short sale of Pakistan Investment Bonds (PIBs)		(88,139)	89,742
Notice pay		2,442	1,676
Scrap income		838	887
Others		677	974
		<u>(9,265)</u>	<u>195,966</u>

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		Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
Note		----- Rupees '000 -----	
31	OPERATING EXPENSES		
	Total compensation expense	3,564,565	3,111,594
	Property expense		
	Rent and taxes	80,683	78,193
	Insurance	25,336	39,893
	Utilities cost	289,875	291,090
	Security (including guards)	379,386	306,386
	Repair and maintenance (including janitorial charges)	225,655	172,068
	Depreciation on owned fixed assets	254,755	209,177
	Depreciation on non-banking assets	3,408	7,128
	Depreciation on right-of-use assets	735,055	677,631
	Others	35,431	33,791
		2,029,584	1,815,357
	Information technology expenses		
	Software maintenance	839,994	664,381
	Hardware maintenance	152,991	110,712
	Depreciation	185,299	141,042
	Amortisation	97,842	49,544
	Network charges	128,855	107,424
	Others	2,025	3,410
		1,407,006	1,076,513
	Other operating expenses		
	Directors' fees and allowances	84,916	55,355
	Legal and professional charges	44,632	36,543
	Outsourced services costs - staff	180,014	154,918
	Travelling and conveyance	41,877	54,055
	NIFT clearing charges	23,332	22,132
	Depreciation	202,679	122,926
	Training and development	14,128	8,805
	Postage and courier charges	75,411	47,555
	Communication	70,687	69,493
	Marketing, advertisement and publicity	220,731	203,057
	Donations	77,424	69,631
	Auditors remuneration	11,717	23,544
	Insurance	348,469	294,611
	Stationery and printing	180,940	103,145
	Bank fees and charges	63,395	50,722
	Brokerage and commission	32,080	25,039
	Deposit protection premium	195,328	175,237
	Credit card bonus points redemption	84,735	106,895
	Others	225,662	167,882
		2,178,157	1,791,545
		9,179,312	7,795,009
32	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	108,012	17,019
	Penalties imposed by the Securities Exchange Commission of Pakistan (SECP)	-	200
		108,012	17,219
33	PROVISION AND WRITE-OFFS - NET		
	Provision for diminution in value of investments - net	13.4 35,054	454,789
	Provision against loans and advances - net	14.3 1,450,453	274,531
	Bad debts written off directly	4,078	7,605
	Recovery of written off / charged off bad debts	(23,897)	(66,264)
	Reversal of provision against off balance sheet obligations - net	22.1 (880)	(1,080)
	Provision against other assets - net	17.1.1 -	1,329
		1,464,808	670,910

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	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
34 TAXATION		
Current	2,844,889	2,332,700
Prior years	60,000	331,934
Deferred	(382,509)	(449,072)
	<u>2,522,380</u>	<u>2,215,562</u>

	Un-audited			
	For the quarter ended		For the half year ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Rupees '000			
Profit after tax for the period	<u>1,739,430</u>	<u>1,404,909</u>	<u>3,794,021</u>	<u>3,005,425</u>
	Number of shares in thousands			
Weighted average number of ordinary shares	<u>1,517,697</u>	<u>1,517,697</u>	<u>1,517,697</u>	<u>1,517,697</u>
	Rupees			
Basic earnings per share	<u>1.15</u>	<u>0.93</u>	<u>2.50</u>	<u>1.98</u>

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

36 FAIR VALUE MEASUREMENTS

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

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

Fair value of financial assets

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

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

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

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

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

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June 30, 2020 (un-audited)				
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	158,578,261	-	158,578,261
Shares	4,785,058	2,379,776	-	7,164,834
Non-Government debt securities	47,479,155	6,554,483	-	54,033,638
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	11,443,934	-	11,443,934
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,307,544	11,307,544
Non-banking assets acquired in satisfaction of claims	-	-	2,685,689	2,685,689
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	64,050,972	-	64,050,972
Forward sale of foreign exchange	-	17,551,427	-	17,551,427
Derivatives sales	-	9,474,503	-	9,474,503
December 31, 2019 (audited)				
	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees '000			
Financial assets - measured at fair value				
Investments				
Federal Government securities	-	135,299,160	-	135,299,160
Shares	5,356,303	2,264,483	-	7,620,786
Non-Government debt securities	39,550,000	7,154,872	-	46,704,872
Financial assets - disclosed but not measured at fair value				
Investments				
Non-Government debt securities	-	12,564,225	-	12,564,225
Non-financial assets - measured at fair value				
Fixed assets (land and buildings)	-	-	11,389,113	11,389,113
Non-banking assets acquired in satisfaction of claims	-	-	2,725,172	2,725,172
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	81,296,151	-	81,296,151
Forward sale of foreign exchange	-	41,387,194	-	41,387,194
Derivatives sales	-	8,780,230	-	8,780,230

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

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

Valuation techniques used in determination of fair values within level 2

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

Valuation techniques used in determination of fair values within level 3

Item	Valuation approach and input used
Fixed assets (land and building)	Land and buildings are revalued by professionally qualified valuers as per the accounting policy disclosed in the consolidated financial statements for the year ended December 31 2019.
Non-banking assets acquired in satisfaction of claims	NBAs are valued by professionally qualified valuers as per the accounting policy disclosed in the consolidated financial statements for the year ended December 31 2019.

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

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37 SEGMENT INFORMATION

37.1 Segment details with respect to business activities

	2020					Total
	Retail	CIBG	Treasury	SAM	Others	
Profit and loss account for half year ended June 30, 2020 (un-audited)	Rupees '000					
Net mark-up / return / profit	(9,709,329)	14,547,573	8,158,787	219,256	1,944	13,218,231
Inter segment revenue - net	17,493,775	(12,262,006)	(7,668,700)	(154,638)	2,591,569	-
Non mark-up / return / interest income	1,715,248	472,736	2,018,991	1,895	(210,441)	3,998,429
Total Income	9,499,694	2,758,303	2,509,078	66,513	2,383,072	17,216,660
Segment direct expenses	5,436,867	263,079	165,083	57,527	3,512,895	9,435,451
Inter segment expense allocation	2,979,425	342,267	68,112	61,725	(3,451,529)	-
Total expenses	8,416,292	605,346	233,195	119,252	61,366	9,435,451
Provisions	378,461	1,007,879	35,054	25,019	18,395	1,464,808
Profit before tax	704,941	1,145,078	2,240,829	(77,758)	2,303,311	6,316,401
Statement of financial position as at June 30, 2020 (un-audited)						
Cash and bank balances	29,168,882	-	29,398,195	-	-	58,567,077
Investments	-	17,939,482	214,733,373	3,298,820	626,058	236,597,733
- Investment provision	-	-	(189,495)	(3,694,840)	-	(3,884,335)
Net inter segment lending	387,342,095	-	-	-	(387,342,095)	-
Lendings to financial institutions	-	-	6,893,000	-	-	6,893,000
Advances - performing	57,654,217	232,678,182	-	-	5,641,127	295,973,526
Advances - non-performing	6,538,315	4,338,845	-	18,859,694	59,967	29,796,821
- Advances - provisions	(4,882,508)	(2,041,186)	-	(17,998,877)	(17,454)	(24,940,025)
Others	11,324,524	5,094,957	4,807,582	(2,755,816)	37,835,192	56,306,439
Total assets	487,145,525	258,010,280	255,642,655	(2,291,019)	(343,197,205)	655,310,236
Borrowings	3,562,672	28,761,250	17,753,887	-	-	50,077,809
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	467,228,563	27,694,365	-	129,320	1,313,602	496,365,850
Net inter segment borrowing	-	199,725,250	232,363,701	(2,482,816)	(429,606,135)	-
Others	16,354,290	1,829,415	1,593,109	62,477	31,071,850	50,911,141
Total liabilities	487,145,525	258,010,280	251,710,697	(2,291,019)	(397,220,683)	597,354,800
Equity	-	-	3,931,958	-	54,023,478	57,955,436
Total equity and liabilities	487,145,525	258,010,280	255,642,655	(2,291,019)	(343,197,205)	655,310,236
Contingencies and commitments	10,282,362	49,291,950	-	1,222,497	-	60,796,809
	2019					Total
	Retail	CIBG	Treasury	SAM	Others	
Profit and loss account for half year ended June 30, 2019 (un-audited)	Rupees '000					
Net mark-up / return / profit	(7,448,748)	14,124,580	3,176,485	128,818	77,720	10,058,855
Inter segment revenue - net	13,659,625	(12,762,686)	(2,464,706)	(95,821)	1,663,588	-
Non mark-up / return / interest income	2,062,734	471,192	1,402,815	5,700	(175,682)	3,766,759
Total Income	8,273,611	1,833,086	2,114,594	38,697	1,565,626	13,825,614
Segment direct expenses	5,075,828	236,986	143,013	64,882	2,413,008	7,933,717
Inter segment expense allocation	1,936,837	261,365	55,817	51,709	(2,305,728)	-
Total expenses	7,012,665	498,351	198,830	116,591	107,280	7,933,717
Provisions	255,820	141,244	415,568	(160,903)	19,181	670,910
Profit before tax	1,005,126	1,193,491	1,500,196	83,009	1,439,165	5,220,987
Statement of financial position as at December 31, 2019 (audited)						
Cash and bank balances	22,325,193	-	40,878,883	-	-	63,204,076
Investments	-	19,516,432	184,463,090	3,298,820	165,242	207,443,584
- Investment provision	-	-	(883,015)	(2,966,266)	-	(3,849,281)
Net inter segment lending	348,653,144	-	-	-	(348,653,144)	-
Lendings to financial institutions	-	-	-	-	-	-
Advances - performing	62,582,195	237,193,175	-	-	3,626,024	303,401,394
Advances - non-performing	6,266,681	3,807,114	-	20,289,645	45,843	30,409,283
- Advances - provisions	(4,503,653)	(1,033,307)	-	(18,697,708)	(3,007)	(24,237,675)
Others	10,416,842	13,994,465	1,352,471	243,892	27,481,482	53,489,152
Total assets	445,740,402	273,477,879	225,811,429	2,168,383	(317,337,560)	629,860,533
Borrowings	1,931,729	20,088,523	50,726,543	-	-	72,746,795
Subordinated debt	-	-	-	-	-	-
Deposits and other accounts	428,356,703	27,972,150	-	115,674	1,340,656	457,785,183
Net inter segment borrowing	-	216,745,546	170,558,318	1,985,797	(389,289,661)	-
Others	15,451,970	8,671,660	1,142,652	66,912	18,789,934	44,123,128
Total liabilities	445,740,402	273,477,879	222,427,513	2,168,383	(369,159,071)	574,655,106
Equity	-	-	3,383,916	-	51,821,511	55,205,427
Total equity and liabilities	445,740,402	273,477,879	225,811,429	2,168,383	(317,337,560)	629,860,533
Contingencies and commitments	8,944,978	44,725,691	-	1,204,950	-	54,875,619

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

38

RELATED PARTY TRANSACTIONS

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

Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	June 30, 2020 (un-audited)				December 31, 2019 (audited)					
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
Rupees '000										
Investments										
Opening balance	-	-	-	-	4,742,110	-	-	-	-	5,453,991
Investment made during the period / year	-	-	-	-	11,136,850	-	-	-	-	16,502,481
Investment redeemed / disposed off during the period / year	-	-	-	-	(10,380,281)	-	-	-	-	(17,214,362)
Closing balance	-	-	-	-	5,498,679	-	-	-	-	4,742,110
Provision for diminution in value of investments	-	-	-	-	2,366,899	-	-	-	-	2,364,199
Advances										
Opening balance	-	-	226,887	-	9,441,893	-	-	176,873	-	5,002,325
Addition during the period / year	-	-	66,406	-	547,856	-	-	90,859	-	5,579,340
Repaid during the period / year	-	-	(18,055)	-	(5,261,811)	-	-	(40,845)	-	(1,139,772)
Written off during the period / year	-	-	-	-	(739,674)	-	-	-	-	-
Closing balance	-	-	275,238	-	3,988,264	-	-	226,887	-	9,441,893
Provision held against advances	-	-	-	-	2,124,578	-	-	-	-	2,925,840

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

	June 30, 2020 (un-audited)				December 31, 2019 (audited)					
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	Rupees '000									
Other assets										
Interest / mark-up accrued	-	-	342	-	1,465,016	-	-	189	-	1,900,806
Commission income receivable	-	-	-	-	28,009	-	-	-	-	11,279
Remuneration receivable	-	-	-	-	9,556	-	-	-	-	11,110
Receivable against reimbursement of expenses	-	-	-	-	28,014	-	-	-	-	3,541
Receivable from defined contribution plan	-	-	-	-	647	-	-	-	-	647
Front end load receivable	-	-	-	-	306	-	-	-	-	2,209
Preliminary expenses and floatation costs receivable	-	-	-	-	14,075	-	-	-	-	-
Acceptances	-	-	-	-	975,000	-	-	2,293	-	2,004,043
Others	-	-	-	-	617,647	-	-	2,293	-	378,175
	-	-	342	-	3,138,270	-	-	2,482	-	4,311,810
Deposits and other accounts										
Opening balance	182	37,985	156,482	-	3,074,185	182	26,496	159,986	-	3,416,265
Received during the period / year	-	27,226	881,330	-	41,401,918	-	58,204	1,415,830	-	84,679,688
Withdrawn during the period / year	-	(26,566)	(860,549)	-	(41,912,537)	-	(46,715)	(1,419,334)	-	(85,021,768)
Closing balance	182	38,645	177,263	-	2,563,566	182	37,985	156,482	-	3,074,185
Other liabilities										
Interest / mark-up payable	-	103	168	-	2,249	-	196	28	-	9,970
Payable to staff retirement fund	-	-	-	-	86,496	-	-	-	-	118,965
Payable against reimbursement of expenses	-	-	-	-	2,082	-	-	-	-	1,099
Other liabilities	-	-	-	-	107,705	-	2,625	320	-	125,263
	-	103	168	-	198,532	-	2,821	348	-	255,297
Contingencies and commitments										
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	4,397	-	-	-	-	29,397
Trade related commitments	-	-	-	-	240,050	-	-	-	-	407,541
	-	-	-	-	244,447	-	-	-	-	436,938

* represents outstanding guarantee

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

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

RELATED PARTY TRANSACTIONS

	Half year ended June 30, 2020 (un-audited)				Half year ended June 30, 2019 (un-audited)					
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
Rupees '000										
Income										
Mark-up / return / interest earned	-	-	6,260	-	95,990	-	-	3,515	-	74,437
Fee and commission income	-	15	78	-	113,386	-	-	9	-	30,409
Dividend income	-	-	-	-	136,371	-	-	-	-	-
Net (loss) / gain on sale of securities	-	-	-	-	26,111	-	-	-	-	6,209
Expense										
Mark-up / return / interest paid	-	1,463	5,538	-	146,471	-	-	2,687	-	55,677
Reimbursement of expenses	-	-	-	-	38,627	-	-	-	-	(936)
Director's fee and other expenses	-	84,916	-	-	-	-	12,347	-	-	-
Remuneration of key management personnel	-	-	338,461	-	912	-	-	119,818	-	-
Charge for defined benefit plan	-	-	-	-	60,625	-	-	-	-	89,684
Contribution to defined contribution plan	-	-	-	-	110,840	-	-	-	-	91,360
Others										
Shares / units purchased during the period	-	-	-	-	11,136,850	-	-	-	-	3,090,064
Shares / units sold during the period	-	-	-	-	10,333,916	-	-	-	-	3,643,639
Government securities purchased during the period	-	-	375,119	-	4,847,959	-	-	128,506	-	2,380,676
Government securities sold during the period	-	-	393,235	-	5,231,821	-	-	128,478	-	2,495,613
Contribution to defined benefit plan	-	-	-	-	93,094	-	-	-	-	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

	Un-audited June 30, 2020	Audited December 31, 2019
	Rupees '000	
39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum capital requirement (MCR):		
Paid-up capital (net of losses)	<u>15,176,965</u>	<u>15,176,965</u>
Capital adequacy ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>46,896,073</u>	<u>42,824,225</u>
Eligible additional tier 1 (ADT 1) capital	<u>-</u>	<u>-</u>
Total eligible tier 1 capital	<u>46,896,073</u>	<u>42,824,225</u>
Eligible tier 2 capital	<u>9,022,108</u>	<u>10,070,358</u>
Total eligible capital (tier 1 + tier 2)	<u>55,918,181</u>	<u>52,894,583</u>
Risk weighted assets (RWAs):		
Credit risk	<u>229,577,634</u>	<u>214,599,394</u>
Market risk	<u>19,707,342</u>	<u>18,939,653</u>
Operational risk	<u>43,819,754</u>	<u>43,587,833</u>
Total	<u>293,104,730</u>	<u>277,126,880</u>
Common equity tier 1 capital adequacy ratio	<u>16.00%</u>	<u>15.45%</u>
Tier 1 Capital adequacy ratio	<u>16.00%</u>	<u>15.45%</u>
Total Capital adequacy ratio	<u>19.08%</u>	<u>19.09%</u>
Leverage ratio (LR):		
Eligible tier-1 capital	<u>46,896,073</u>	<u>42,824,225</u>
Total exposures	<u>760,280,828</u>	<u>737,934,261</u>
Leverage ratio (%)	<u>6.17%</u>	<u>5.80%</u>
Liquidity coverage ratio (LCR):		
Total high quality liquid assets	<u>239,118,832</u>	<u>174,038,707</u>
Total net cash outflow	<u>120,441,208</u>	<u>123,796,400</u>
Liquidity coverage ratio (Ratio)	<u>1.985</u>	<u>1.406</u>
Net stable funding ratio (NSFR):		
Total available stable funding	<u>444,266,850</u>	<u>406,344,452</u>
Total required stable funding	<u>283,713,410</u>	<u>299,623,500</u>
Net stable funding ratio (%)	<u>156.59%</u>	<u>135.62%</u>

40 ISLAMIC BANKING BUSINESS

The Holding Company is operating 413 Islamic banking branches (December 31, 2019: 413) and 1 Islamic sub-branch (December 31, 2019: 1). The statement of financial position and profit and loss account of these branches for the period ended June 30, 2020 are as follows:

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

		Un-audited June 30, 2020	Audited December 31, 2019
Note		Rupees '000	
Statement of financial position			
ASSETS			
	Cash and balances with treasury banks	16,808,032	13,320,776
	Balances with other banks	934,683	432,379
40.1	Investments	33,880,619	31,443,777
40.2	Islamic financing and related assets - net	143,127,788	115,537,150
	Fixed assets	8,909,877	8,798,322
	Intangible assets	63,834	84,501
	Other assets	7,306,376	10,256,104
		211,031,209	179,873,009
LIABILITIES			
	Bills payable	4,031,711	2,029,226
	Due to financial institutions	25,959,714	26,721,776
40.3	Deposits and other accounts	153,575,126	119,214,500
	Due to head office	1,800,910	8,333,416
	Other liabilities	11,666,544	10,965,857
		197,034,005	167,264,775
NET ASSETS			
		13,997,204	12,608,234
REPRESENTED BY			
	Islamic banking fund	9,180,000	9,180,000
	Surplus on revaluation of assets - net of tax	518,260	633,831
40.4	Unappropriated profit	4,298,944	2,794,403
		13,997,204	12,608,234
CONTINGENCIES AND COMMITMENTS			
40.5		Un-audited	
		Half year ended June 30, 2020	Half year ended June 30, 2019
		Rupees '000	
Profit and loss account			
	Profit / return earned	10,060,235	6,823,349
	Profit / return expensed	4,950,082	4,489,492
	Net profit / return	5,110,153	2,333,857
Other income			
	Fee and commission income	338,176	280,078
	Foreign exchange income	73,764	85,752
	Other income	3,136	3,212
	Total other income	415,076	369,042
Total income			
		5,525,229	2,702,899
Other expenses			
	Operating expenses	2,955,710	1,970,727
	Other charges	47,012	-
	Total other expenses	3,002,722	1,970,727
		2,522,507	732,172
	Provision and write offs - net	56,049	57,232
	Profit before taxation	2,466,458	674,940
	Taxation	961,919	263,227
	Profit after taxation	1,504,539	411,713

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

40.1 Investments by segments:	Un-audited				Audited			
	June 30, 2020				December 31, 2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Rupees '000								
Federal Government securities:								
- Ijarah Sukuks	-	-	-	-	6,000,000	-	(60,000)	5,940,000
- Other Federal Government securities	1,597,048	-	-	1,597,048	1,597,048	-	-	1,597,048
	1,597,048	-	-	1,597,048	7,597,048	-	(60,000)	7,537,048
Non Government debt securities:								
- Unlisted	31,916,795	-	366,776	32,283,571	23,258,691	-	648,038	23,906,729
Total investments	33,513,843	-	366,776	33,880,619	30,855,739	-	588,038	31,443,777

	Un-audited June 30, 2020	Audited December 31, 2019
Rupees '000		
40.2 Islamic financing and related assets - net		
Murabaha	2,717,932	2,221,977
Musharaka	7,164	7,164
Diminishing Musharaka	81,813,206	68,640,076
Istisna	2,732,308	1,245,270
Musawamah	14,456	409
Running Musharaka	20,657,242	17,241,885
Fixed assets Ijarah financing - net	78,056	87,735
Musharaka - Islamic export refinance scheme	12,220,559	7,137,560
Istisna - Islamic export refinance scheme	1,650,000	-
Advance against Murabaha financing	716,033	1,599,406
Advanced against Diminishing Musharaka	6,642,688	10,539,406
Advance against Ijarah	1,499,844	2,062,305
Advance against Istisna	5,744,298	3,787,505
Advance against Islamic export refinance - LTF	5,521,257	790,884
Inventory related to Islamic financing	1,708,346	715,120
Gross Islamic financing and related assets	143,723,389	116,076,702
Less: provision against Islamic financings		
- specific	(464,666)	(413,156)
- general	(130,935)	(126,396)
	(595,601)	(539,552)
Islamic financing and related assets - net of provision	143,127,788	115,537,150

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2020

40.3 Deposits	Un-audited			Audited		
	June 30, 2020			December 31, 2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees '000 -----						
Customers						
Current deposits	63,569,858	3,542,299	67,112,157	52,057,424	2,880,515	54,937,939
Savings deposits	42,743,118	1,457,232	44,200,350	27,174,303	845,567	28,019,870
Term deposits	30,070,322	216,443	30,286,765	20,396,083	360,828	20,756,911
	<u>136,383,298</u>	<u>5,215,974</u>	<u>141,599,272</u>	<u>99,627,810</u>	<u>4,086,910</u>	<u>103,714,720</u>
Financial institutions						
Current deposits	67,466	8,122	75,588	62,592	7,661	70,253
Savings deposits	10,621,216	-	10,621,216	11,985,727	-	11,985,727
Term deposits	1,279,050	-	1,279,050	3,443,800	-	3,443,800
	<u>11,967,732</u>	<u>8,122</u>	<u>11,975,854</u>	<u>15,492,119</u>	<u>7,661</u>	<u>15,499,780</u>
	<u>148,351,030</u>	<u>5,224,096</u>	<u>153,575,126</u>	<u>115,119,929</u>	<u>4,094,571</u>	<u>119,214,500</u>

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

40.4 Islamic Banking Business Unappropriated Profit

Opening balance	2,794,403	2,231,877
Add: Islamic banking profit for the period / year	2,466,458	922,174
Less: taxation	(961,919)	(359,648)
Closing balance	<u>4,298,942</u>	<u>2,794,403</u>

40.5 CONTINGENCIES AND COMMITMENTS

Guarantees	6,765,979	5,104,218
Commitments	<u>19,509,234</u>	<u>14,245,313</u>
	<u>26,275,213</u>	<u>19,349,531</u>

40.6 Profit / return earned of financing, investments and placement	Un-audited	
	Half year ended June 30, 2020	Half year ended June 30, 2019
	----- Rupees '000 -----	
Profit earned on:		
Financing	8,106,768	5,183,527
Investments	<u>1,953,467</u>	<u>1,639,822</u>
	<u>10,060,235</u>	<u>6,823,349</u>

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

FOR THE HALF YEAR ENDED JUNE 30, 2020

	Un-audited	
	Half year ended June 30, 2020	Half year ended June 30, 2019
	----- Rupees '000 -----	
40.7 Profit on deposits and other dues expensed		
Deposits and other accounts	3,038,293	1,753,565
Other short term borrowings	1,551,136	2,498,995
Lease liability against right-of-use assets	360,653	236,932
	<u>4,950,082</u>	<u>4,489,492</u>

41 GENERAL

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

42 DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on August 20, 2020 by the Board of Directors of the Holding Company.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

CHAIRMAN

DIRECTOR

DIRECTOR

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