

Growing with you

Quarterly Report September 2021

Contents

| | |
|--|-----------|
| Corporate Information | 02 |
| Directors' Report | 04 |
| Statement of Financial Position | 14 |
| Profit and Loss Account | 15 |
| Statement of Comprehensive Income | 16 |
| Statement of Changes in Equity | 17 |
| Cash Flow Statement | 18 |
| Notes to and forming part of the financial statements | 19 |
| Consolidated Financial Statements | 44 |

Corporate Information

Board of Directors

| | |
|------------------------------|-------------------------------------|
| Mr. Ali Hussain | Chairman (Non-Executive Director) |
| Mr. Syed Amir Ali | President & Chief Executive Officer |
| Dr. Amjad Waheed | Independent Director |
| Mr. Haider Ali Hilaly | Independent Director |
| Dr. Lalarukh Ejaz | Independent Director |
| Mr. Sulaiman Sadruddin Mehdi | Independent Director |
| Mr. Syed Ali Hasham | Non-Executive Director |
| Mr. Tasnim-ul-Haq Farooqui | Non-Executive Director |

Shariah Supervisory Board

| | |
|--------------------------|-------------|
| Mufti Irshad Ahmad Aijaz | Chairperson |
| Mufti Javed Ahmad | Member |
| Mufti Muhammad Husain | Member |
| Mufti Syed Hussain Ahmed | Member |

Audit Committee

| | |
|------------------------------|-------------|
| Mr. Haider Ali Hilaly | Chairperson |
| Dr. Lalarukh Ejaz | Member |
| Mr. Sulaiman Sadruddin Mehdi | Member |
| Mr. Syed Ali Hasham | Member |
| Mr. Tasnim-ul-Haq Farooqui * | Member |

Risk Management Committee

| | |
|------------------------------|-------------|
| Dr. Amjad Waheed | Chairperson |
| Mr. Sulaiman Sadruddin Mehdi | Member |
| Mr. Syed Ali Hasham | Member |
| Mr. Syed Amir Ali | Member |

Human Resource Management Committee

| | |
|------------------------------|-------------|
| Mr. Sulaiman Sadruddin Mehdi | Chairperson |
| Dr. Amjad Waheed | Member |
| Dr. Lalarukh Ejaz | Member |
| Mr. Syed Ali Hasham | Member |
| Mr. Syed Amir Ali | Member |
| Mr. Tasnim-ul-Haq Farooqui * | Member |

Board Remuneration Committee

| | |
|------------------------------|-------------|
| Mr. Sulaiman Sadruddin Mehdi | Chairperson |
| Mr. Ali Hussain | Member |
| Dr. Amjad Waheed | Member |
| Dr. Lalarukh Ejaz | Member |
| Mr. Syed Ali Hasham | Member |
| Mr. Tasnim-ul-Haq Farooqui * | Member |

Information Technology (IT) Committee

| | |
|------------------------------|-------------|
| Dr. Lalarukh Ejaz | Chairperson |
| Mr. Haider Ali Hilaly | Member |
| Mr. Syed Amir Ali | Member |
| Mr. Tasnim-ul-Haq Farooqui * | Member |

* effective from October 27, 2021 the Board appointed him as member of Audit Committee, Human Resource Management Committee, Board Remuneration Committee and Information Technology (IT) Committee.

Company Secretary

Mr. Muhammad Shoaib

Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Adviser

1-Haidermota & Co.
Barrister at Law

2-Mohsin Tayebaly & Co.
Corporate Legal Consultants / Barristers & Advocates
High Courts & Supreme Court

Management (in alphabetical order)

Asim Salim
Bilal Fiaz
Burhan Hafeez Khan
Kashif Nisar
Mahmood Rashid
Masood Muhammad Khan
Mateen Mahmood
Muhammad Adnan Siddiqui
Muhammad Asadullah Chaudhry
Muhammad Irfan Ahmed
Muhammad Shoaib
Muhammad Uzair Sipra
Rizwan Ata
Rizwan Qamar Lari
Sohail Sikandar
Syed Amir Ali
Syed Arif Mahtab
Syed Muhammad Aamir Shamim
Tariq Ali Khan
Usman Shahid
Zaheer Elahi Babar

General Manager Central
Group Head, Consumer Business
General Manager South West
Head, Products & Shariah Structuring
Head, Security & Government Relations
Head, Compliance
General Manager South East
Head, Information Technology
Head, Human Resource
Head, Shariah Compliance
Company Secretary
Head, Legal
Group Head, Distribution
Group Head, Internal Audit
Chief Financial Officer
President & CEO
Head, Operations
Group Head, Treasury & Financial Institutions
General Manager North
Head, Risk Management
Group Head, Corporate Banking

Registered Office

11th Floor, Executive Tower, Dolmen City, Marine Drive,
Block-4, Clifton,
Karachi.
Phone (92-21) 111-247(BIP)-111
Fax: (92-21) 35378373
Email: info@bankislami.com.pk

Share Registrar

CDC Share Registrar Services Limited
Head Office: CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi- 74400.
Tel: (92) 0800-23275 Fax: (92-21) 34326040
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

Public Dealing Timings of Share Registrar

Monday to Thursday: 9:00 am to 5:00 pm
Friday: 9:00 am to 12:30 pm and 2:30 pm to 5:00 pm

Website:

www.bankislami.com.pk

Directors' Report

Dear Shareholders,

On behalf of the Board, we are pleased to present the interim report of BankIslami Pakistan Limited ('BankIslami' or 'the Bank') for the nine months ended September 30, 2021.

Economic Snapshot

Monetary Policy Committee (MPC) decided to raise the policy rate by 25 bps to 7.25% in September 2021. The decision was made to sustain appropriate policy mix so as to ensure longevity of economic growth and slow down the increase in current account deficit. Current Account Balance (CA) stood at a deficit of USD 2.3 Bn at Aug 21 as opposed to surplus of USD 838 Mn at Aug 20 due to increase in international commodity prices and augmentation in imports.

Despite FX reserves have grown from USD 20.5 Bn in Dec 20 to USD 26 Bn in Sep 21, PKR has depreciated against USD by 6.8% to 170.7 in Sep 21 vs 159.8 in Dec 20 largely attributable to adaption of flexible market-based exchange rate regime and growth in CA deficit. Moreover, many other currencies have also depreciated in recent times as monetary tightening is under consideration by the Federal Reserve of USA.

Year on year inflation in the domain increased from 8% in Dec 2020 to 9% in September 2021 on account of increase in domestic demand and increase in prices of commodities and domestic produce due to higher import cost. Looking ahead, inflation outlook remains dependent on domestic demand and trend of global commodity prices which are coping with cost increases due to inflationary trend in countries like, USA, Canada, Russia, Brazil, UK, France, India, Bangladesh and Australia.

GDP growth for Pakistan for FY22 has been projected to hover around 4%. Keeping in view that IMF has asked Pakistan to reduce current account deficit through adjustment of exchange rate, increase of USD inflows through non-debt sources and further increase in SBP's discount rate, it is expected that MPC may take monetary tightening measures and further increase the policy rate during the year.

Source: State Bank of Pakistan and Bloomberg

Financial Performance

Following are the key financial highlights for the nine months ended September 30, 2021:

| Particulars (Financial Position) | Sep 2021 | Dec 2020 | Sep 2020 | Growth % | |
|--|-------------------------------|----------|----------|-------------|-------------|
| | ----- Rupees in Million ----- | | | Vs Dec 2020 | Vs Sep 2020 |
| Total Deposits | 309,270 | 283,641 | 256,149 | 9.0% | 20.7% |
| Total Assets | 363,958 | 336,297 | 307,125 | 8.2% | 18.5% |
| Total Financing and Related Assets – net | 155,655 | 130,162 | 134,791 | 19.6% | 15.5% |
| Investments – net | 106,909 | 95,240 | 60,173 | 12.3% | 77.7% |
| Treasury and Bank Placements | 48,070 | 53,948 | 58,291 | -10.9% | -17.5% |
| Net Assets | 22,167 | 19,895 | 20,084 | 11.4% | 10.4% |
| Branches network (number) | 340 | 343 | 340 | -0.9% | 0.0% |

| Particulars (Profit and Loss) | Nine Months Ended | | |
|-----------------------------------|-------------------------------|----------|----------|
| | Sep 2021 | Sep 2020 | Growth % |
| | ----- Rupees in million ----- | | |
| Net Spread Earned | 8,070 | 9,945 | -18.9% |
| Fee and Commission Income | 872 | 657 | 32.7% |
| Operating Expenses | 6,825 | 6,257 | 9.1% |
| Operating Profit | 2,652 | 4,794 | -44.7% |
| Provisions and Write Offs-Net | -272 | 1,891 | -114.4% |
| Profit After Tax | 1,855 | 1,762 | 5.3% |
| Basic Earnings per share (Rupees) | 1.6734 | 1.5894 | 5.3% |

Continuing with the strategy of improving the deposit mix, BankIslami remained focused towards garnering low cost Current and Saving deposits. Resultantly, Current and Saving deposits grew by 15.0% and 17.5% respectively as compared to end of December 2020. Likewise, the Bank also trimmed its high cost Term Deposits which reduced by 3.6% during the same tenor. As a result, Banks's overall Deposits went up by 9% during nine months ended Sep'21. Comparing the same with the Deposit position at the end of Sep'20, total deposit depicted a growth of 20.7%.

In line with supportive FY22 economic budget, accommodative monetary policy and growth in domestic demand, BankIslami increased its core earning asset base via Islamic financing and investments. On the credit side, the Bank expanded its exposure towards corporate and consumer segments on the back of its robust risk underwriting framework due to which infection ratio of the Bank also improved to 10.7% at Sep'21 vis-à-vis 12.1% at Dec'20. The investment book of the Bank also grew by 12.3% during the same period, as surplus liquidity was parked towards GoP Sukuk to strengthen BankIslami's Capital Adequacy Ratio which stood at 16.7% at the end of Sep'21 when compared with CAR of 16.1% at the end of Dec'20.

Bank's Net Spreads Earned narrowed by 18.9% despite growth in CASA deposits and earning assets. This was primarily due to downward repricing on assets consequent to reduction in discount rate during the year 2020. Service based Non Funded Income of the Bank grew by 13.6% owing to continuous growth in Fee and Commission Income stemming from (i) Digital Delivery Channels, (ii) Trade and FI relationships, (iii) Wealth Management segment, and (iv) Consumer Finance services. The Bank also generated one-off capital gain of Rs. 151.6 Mn on sale of its investment in two of its subsidiaries, namely, BIPL Securities Limited and BankIslami Modaraba Investments Limited. Increase in NFI through these channels was partially off-set by decline in FX income and Capital Gains on sale of fixed income securities.

Operating expenses of the Bank rose by 9.1% mainly due to increase in costs on account of inflation and variable cost incurred to support business growth.

As a result of contraction in net spreads following the reduction in Policy rate, the operating profit of the Bank decreased to Rs. 2,652 Mn during 9M'21, but profit before tax increased due to recoveries during the period against previous delinquencies as opposed to net provisioning charged against infected assets during same period last year. Net reversals booked during 9M'21 also includes reversal of provision against advance paid for acquisition of property, amounting to Rs. 722 Mn, as a result of settlement of dispute with a developer and withdrawal of related litigations. This reversal was off-set to some extent on account additional provisioning booked during 9M'21 against non-performing exposures. Consequently, the Bank posted Profit After Tax amounting to Rs. 1,855 Mn for the nine months ended September 30, 2021, depicting a growth of 5.3% from PAT of Rs. 1,762 Mn posted during same period last year, *Alhamdulillah*.

Group Results

As at September 30, 2021, total assets of the Group rose by 7.8% when compared with asset base of December 2020. Growth in the financial position of the Group was primarily attributable to growth in Deposits and Earning Assets of the Islamic Banking segment. Owing to reduction in Policy rate and the related repricing of assets and liabilities, net spreads earned by the Group reduced during the nine months ended September 30, 2021. Nonetheless, the Group still reported a Profit After Tax (PAT) of Rs. 1,801 Mn for 9M'21, higher by 12.6% when compared with PAT of Rs. 1,599 Mn for 9M'20. This was mainly due to (i) net reversals booked against non-performing assets; (ii) increase in profit from associated entity and (iii) increase in profits from discontinued operations (held for sale subsidiaries).

During the period ended September 30, 2021, the Group successfully completed the sale transaction of its two subsidiaries which were classified as 'Non-Current Assets held for sale', namely, BIPL Securities Limited and BankIslami Modaraba Investments Limited. As a result, these entities have now ceased to be part of the Group.

Board Composition

The current composition of the Board is as follows:

Total number of Directors 8*

Composition:

| | | |
|-------|--------------------------|---|
| (i) | Independent Directors: | 4 |
| (ii) | Non-executive Directors: | 3 |
| (iii) | Executive Director: | 1 |
| (a) | Female Director: | 1 |
| (b) | Male Directors: | 7 |

**Names of Directors of the Bank have been incorporated in the corporate information section of this report.*

Changes in the Board of Directors

The Board has appointed Mr. Tasnim-ul-Haq Farooqui as a replacement for Mr. Siraj Ahmed Dadabhoy who had tendered his resignation on August 25, 2021.

Acknowledgement

The Board would like to place on record its deep appreciation to the State Bank of Pakistan for providing assistance and guidance. It would also like to thank the Securities and Exchange Commission of Pakistan and other regulatory authorities for their support. We would like to express our gratitude to our valued customers, business partners and shareholders for their continued patronage and trust. Moreover, we would also like to acknowledge the dedication, commitment and hard work put in by our management team and employees that has enabled BankIslami to achieve a prominent position in Banking industry in general and Islamic Banking industry in particular.

On behalf of the Board,

-Sd-

Syed Amir Ali
Chief Executive Officer

-Sd-

Ali Hussain
Chairman of the Board

October 27, 2021

بورڈ آف ڈائریکٹرز میں تبدیلیاں رزمیات

بورڈ نے جناب سراج احمد دادا بھائے، جنہوں نے 25 اگست، 2021 کو اپنا استعفیٰ جمع کر دیا تھا، کی جگہ جناب تسنیم الحق فاروقی کی تقرری کی ہے۔

اظہار تشکر

بورڈ، اسٹیٹ بینک آف پاکستان کی جانب سے فراہم کردہ معاونت اور رہنمائی پر اس کا تہہ دل سے مشکور ہے اور اسے ریکارڈ کا حصہ بنانے کا خواہاں ہے۔ اس کے ساتھ بورڈ، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ضابطہ کار حکام کا بھی شکریہ ادا کرنا چاہتا ہے، جنہوں نے اس کی معاونت کی۔ ہم اپنے گراں قدر صارفین، کاروباری شراکت داروں اور حصص یافتگان کی جانب سے کی جانے والی مسلسل سرپرستی اور ان کے ہم پر اعتماد کا بھی شکریہ ادا کرنا چاہتے ہیں۔ اس کے علاوہ ہم اپنی انتظامی ٹیم کے اراکین اور ملازمین کے خلوص، لگن، عزم اور محنت کا بھی اعتراف کرتے ہوئے انہیں سراہنا چاہتے ہیں، جنہوں نے بینک اسلامی کو عمومی طور پر بینکاری کی صنعت اور خاص طور پر اسلامی بینکاری کی صنعت میں نمایاں مقام حاصل کرنے کے قابل بنایا۔

منجانب بورڈ

-Sd-

علی حسین

چیئر مین آف دی بورڈ

-Sd-

سید عامر علی

پریزیڈنٹ اینڈ چیف ایگزیکٹو آفیسر

27 اکتوبر، 2021

گروپ کے نتائج

30 ستمبر، 2021 کو گروپ کے مجموعی اثاثہ جات میں دسمبر 2020 کے اثاثہ جات کے مقابلے میں 7.8 فیصد تک اضافہ ہوا۔ گروپ کے مالی استحکام میں اضافے کی بنیادی وجہ اسلامی بینکاری کے شعبہ کے ڈپازٹس اور آمدن والے اثاثہ جات میں اضافہ تھی۔ شرح منافع میں کمی اور اثاثہ جات اور واجبات کے نرخ کے دوبارہ تعین کے نتیجے میں، گروپ کی جانب سے حاصل کردہ صافی پھیلاؤ (اسپرڈز) 30 ستمبر، 2021 کے آخری نو ماہ کے دوران کم ہو گئے۔ اس کے باوجود گروپ نے سال 2020 کے نو مہینوں کے 1,599 ملین روپے کا بعد از محصول منافع (PAT) کے مقابلے میں سال 2021 کے نو مہینوں میں 1,801 ملین روپے کا بعد از محصول منافع (PAT) کا اعلان کیا جو کہ 12.6 فیصد زیادہ ہے۔ جو بنیادی طور پر (i) غیر فعال اثاثہ جات کے حوالے سے بک کی گئی نیٹ ریپورسلز (ii) منسلک اداروں سے حاصل ہونے والے نفع میں اضافہ (iii) معطل آپریشنز سے حاصل ہونے والے منافع (فروخت کے لیے رکھے گئے ذیلی ادارے) میں اضافے سے منسوب ہے۔

30 ستمبر، 2021 کو ختم ہونے والی مدت کے دوران، گروپ نے اُن دو ذیلی اداروں کی فروختگی کے عمل کو کامیابی کے ساتھ مکمل کیا، جن کی درجہ بندی غیر موجودہ اثاثے برائے فروختگی کے طور پر کی گئی تھی۔ ان اداروں کے نام BIPL سکیورٹیز لمیٹڈ اور بینک اسلامی مضاربہ انویسٹمنٹ لمیٹڈ ہے۔ اس کے نتیجے میں اب یہ ادارے گروپ کا حصہ نہیں رہے ہیں۔

بورڈ کی تشکیل

بورڈ کی موجودہ تشکیل درج ذیل کے مطابق ہے:

ڈائریکٹرز کی مجموعی تعداد 8*

تشکیل:

| | |
|---|-----------------------------|
| 4 | (i) انڈیپنڈنٹ ڈائریکٹر: |
| 3 | (ii) نان ایگزیکٹو ڈائریکٹر: |
| 1 | (iii) ایگزیکٹو ڈائریکٹر: |
| 1 | (a) خاتون ڈائریکٹر: |
| 7 | (b) مرد ڈائریکٹر: |

* بینک کے ڈائریکٹرز کے نام اس رپورٹ کے کارپوریٹ سیکشن میں شامل کر دیے گئے ہیں۔

بینک اسلامی نے ڈپازٹ کس میں بہتری لانے کی حکمت عملی کے تسلسل میں، کم لاگت والے کرنٹ اور سیونگ ڈپازٹس جمع کرنے پر توجہ مرکوز رکھی۔ جس کے نتیجے میں کرنٹ اور سیونگ ڈپازٹس میں سال دسمبر 2020 کے مقابلے میں بالترتیب 15.0 فیصد اور 17.5 فیصد تک کا اضافہ ہوا۔ اسی طرح، بینک نے اپنے زیادہ لاگت کے ٹرم ڈپازٹس کو بھی کم کیا جو اسی مدت کے دوران 3.6 فیصد تک کم ہو گئے۔ جس کے نتیجے میں بینک کے مجموعی ڈپازٹس ستمبر 2021 کو ختم ہونے والے نو (9) مہینوں کے دوران 9 فیصد تک بڑھ گئے۔ ستمبر، 2020 کے اختتام پر ڈپازٹ کی اسی صورتحال کے ساتھ موازنہ کرتے ہوئے مجموعی ڈپازٹ میں 20.7 فیصد کی نمو ظاہر ہوئی۔

بینک اسلامی نے مالی سال 2022 کے معاونت کرنے والے معاشی بجٹ، موزوں مالیاتی پالیسی اور مقامی طلب میں اضافے کے تسلسل میں اسلامک فنانسنگ اور سرمایہ کاری کے ذریعے اپنے بنیادی آمدن کے اثاثہ جات کے منبع و مرکز میں اضافہ کیا۔ کریڈٹ سائیز پر بینک نے اپنے مستحکم رسک انڈرائیٹنگ فریم ورک کی بنیاد پر کارپوریٹ اور کنزیومر کے شعبہ جات پر توجہ دیتے ہوئے انہیں وسعت دی، جس کی وجہ سے بینک کے انفیکشن کا تناسب بھی دسمبر 2020 کے 12.1 فیصد کے مقابلے میں بہتر ہو کر ستمبر 2021 میں 10.7 فیصد ہو گیا۔ اسی مدت کے دوران بینک کی انویسٹمنٹ بک میں بھی 12.3 فیصد نمو ہوئی، جبکہ اضافی زر ترسیل (سرپلس لیکویڈیٹی) کو حکومت پاکستان کے صلوک کی جانب رکھا گیا تاکہ بینک اسلامی کے Capital Adequacy Ratio کو مضبوط کیا جائے، جو کہ دسمبر 2020 کے اختتام پر 16.1 فیصد کے CAR کے مقابلے میں ستمبر 2021 کے اختتام پر 16.7 فیصد تھا۔

پیداواری آمدن کے اثاثہ جات اور کم لاگت والے CASA ڈپازٹس میں نمو ترقی کے باوجود، بینک کے نیٹ اسپریڈز 18.9 فیصد تک کی کٹھنکار ہوئے۔ یہ بنیادی طور پر سال 2020 کے دوران پالیسی ریٹ میں کمی کے نتیجے میں اثاثہ جات کے کم ریزیلیٹیمینٹس کے تینوں کے سبب تھا۔ بینک کی سروس پر مبنی غیر فنڈڈ آمدنی میں 13.6 فیصد اضافہ ہوا، جس کی وجہ (i) ڈیجیٹل ڈیلیوری چینلز (ii) ٹریڈ اور ایف آئی روابط (iii) ویلٹھ منجمنٹ سیگمنٹ اور (iv) کنزیومر فنانس سروسز سے حاصل ہونے والی فیس اور کمیشن میں مسلسل اضافہ ہے۔ بینک نے اپنے دو ذیلی اداروں BIPL سکیورٹیز لمیٹڈ اور بینک اسلامی مضاربہ انویسٹمنٹ لمیٹڈ میں اپنی ہولڈنگز کی فروخت پر 151.6 ملین روپے کا ون آف کیپٹل منافع بھی حاصل کیا۔ ان ذرائع کے ذریعے NFI میں اضافہ فلسفہ ڈائنامک سکیورٹیز کی فروخت پر منافع اور غیر ملکی زرمبادلہ کی آمدن پر ہونے والے منافع جات میں کمی کے باعث متوازن تھا۔

بینک کے آپریٹنگ اخراجات میں 9.1 فیصد تک اضافہ ہوا، جو بنیادی طور پر بالخصوص افراط زر سے مرتب ہونے والے اثرات سے منسلک ہے اور عملے اور غیر عملے کے اخراجات اور مختلف مصارف کی لاگت میں اضافے کی وجہ سے براہ راست کاروباری نمونے عبارت ہے۔

پالیسی کی شرح میں کمی کی وجہ سے صافی اسپریڈز کے کم ہونے کے نتیجے میں سال 2021 کی نو (9) ماہ کی مدت میں بینک کا آپریٹنگ منافع کم ہو کر 2,652 ملین روپے پر آ گیا۔ تاہم گزشتہ سال اسی مدت کے دوران متاثرہ اثاثہ جات کے حوالے سے پروویڈنگ کے برعکس اس سال اسی مدت میں وصولیوں کی کٹنگ جس کی وجہ سے قبل از وصول منافع میں اضافہ ہوا۔ ڈیولپر کے ساتھ تازہ عد کے حل اور متعلقہ مقدمہ کی واپسی کے نتیجے میں، سال 2021 کے نو (9) ماہ کے دوران بک کئے گئے، مبلغ 722 ملین روپے کی رقم کے نیٹ پر سولر میں جانیدار کے حصول کے لیے پیٹنگ کی وادہ فراہمی کی واپسی شامل ہے۔ غیر فعال اکاؤنٹس کے حوالے سے سال 2021 کی نو (9) ماہ کی مدت کے دوران بک کی گئی اضافی پروویڈن کے ذریعے اس واپسی (ریورسل) کو ایک خاص حد تک رکھا گیا۔ جس کے نتیجے میں بینک نے گزشتہ سال کے 1,762 ملین روپے کے PAT کے مقابلے میں 5.3 فیصد بہتری ریزروٹری کو ظاہر کرتے ہوئے، 30 ستمبر، 2021 کو ختم ہونے والی نو (9) ماہ کی مدت کے حوالے سے 1,855 ملین روپے کے بعد از وصول منافع کا اندراج کیا۔ الحمد للہ

مالیاتی کارکردگی

30 ستمبر، 2021 کو ختم ہونے والے نو (09) مہینوں کے حوالے سے اہم مالیاتی نکات درج ذیل ہیں:

| کوائف | ستمبر-2021 | دسمبر-2020 | ستمبر-2020 | نمو (بڑھوتری) % | (مالی حیثیت) |
|---------------------------|------------|------------|------------|-----------------|--------------|
| مجموعی ذی پائز | 309,270 | 283,641 | 256,149 | 9.0% | 20.7% |
| مجموعی اثاثہ جات | 363,958 | 336,297 | 307,125 | 8.2% | 18.5% |
| مجموعی فنانسنگ اور متعلقہ | | | | | |
| اثاثہ جات - صافی | 155,655 | 130,162 | 134,791 | 19.6% | 15.5% |
| سرمایہ کاری - صافی | 106,909 | 95,240 | 60,173 | 12.3% | 77.7% |
| ٹریڈری اور بینک پلیسمنٹس | 48,070 | 53,948 | 58,291 | -10.9% | -17.5% |
| صافی اثاثہ جات | 22,167 | 19,895 | 20,084 | 11.4% | 10.4% |
| برانچز کا نیٹ ورک (نمبر) | 340 | 343 | 340 | -0.9% | 0.0% |

مختتمہ نو (09) مہینے

| کوائف (نفع و نقصان) | ستمبر-2021 | ستمبر-2020 | نمو % |
|--|------------|------------|---------|
| حاصل کردہ صافی آمدن | 8,070 | 9,945 | -18.9% |
| فیس اور کمیشن آمدن | 872 | 657 | 32.7% |
| آپریٹنگ اخراجات | 6,825 | 6,257 | 9.1% |
| آپریٹنگ منافع | 2,652 | 4,794 | -44.7% |
| فرائمی (واپسی/تبدیلی) اور صافی دستبرداری | -272 | 1,891 | -114.4% |
| بعد از محصول منافع | 1,855 | 1,762 | 5.3% |
| فی حصص بنیادی آمدن (روپے) | 1.6734 | 1.5894 | 5.3% |

ڈائریکٹرز کی رپورٹ

معزز حصص یافتگان

ہم بورڈ کی جانب سے 30 ستمبر، 2021 کو ختم ہونے والے نو (9) ماہ کے حوالے سے بینک اسلامی پاکستان لمیٹڈ ("بینک" یا "بینک اسلامی") کے مالیاتی نتائج پیش کرنے پر خوشی محسوس کر رہے ہیں۔

معاشی جائزہ

مانیٹری پالیسی کمیٹی (ایم پی سی) نے ستمبر 2021 میں پالیسی شرح کو 25 bps بڑھانے کے لیے 7.25 فیصد کرنے کا فیصلہ کیا ہے۔ یہ فیصلہ معاشی نمو کے تسلسل کو یقینی بنانے اور کرنٹ اکاؤنٹ خسارے کی رفتار کو کم کرنے کی غرض سے موزوں پالیسی مکس کو برقرار رکھنے کے لیے کیا گیا۔ اگست 2021 میں کرنٹ اکاؤنٹ بیلنس (CA)، بین الاقوامی سطح پر اجناس کی قیمتوں میں اضافے اور درآمدات میں بڑھوتری کی وجہ سے اگست 2020 میں 838 ملین امریکی ڈالر کے سرپلس کے برعکس، 2.3 بلین امریکی ڈالر کے خسارے پر رہا۔

غیر ملکی زرمبادلہ (FX) کے ذخائر میں دسمبر 2020 کے 20.5 بلین امریکی ڈالر سے بڑھ کر ستمبر 2021 میں 26 بلین امریکی ڈالر ہونے کے باوجود، ستمبر 2021 میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر 6.8 فیصد کی ساتھ 170.7 پر آگئی جو کہ دسمبر 2020 میں 159.8 تھی، جو کہ بڑے پیمانے پر مارکیٹ میں نرم شرائط کی حامل زرمبادلہ کی پالیسی اور کرنٹ اکاؤنٹ بیلنس (CA) خسارہ کی بڑھوتری کے سبب ہے۔ مزید یہ کہ امریکہ کے فیڈرل ریزرو کی جانب سے سخت مالیاتی پالیسی کے زیر غور آنے کی وجہ سے دیگر کرنسی کی قدر میں بھی حالیہ دنوں میں کمی واقع ہوئی ہے۔

مقامی طلب میں بڑھوتری اور درآمدات پر آنے والی بلند لاگت کی وجہ سے اجناس اور مقامی پیداوار کے نرخوں میں اضافے کی وجہ سے اس شعبہ میں سال بہ سال افراط زر کی شرح دسمبر 2020 کے 8 فیصد سے بڑھ کر ستمبر 2021 میں 9 فیصد ہو گئی۔ اسی پیش قدمی کو دیکھتے ہوئے، افراط زر کا زوایہ مقامی طلب اور عالمی سطح پر اجناس کے نرخوں کے رجحان پر منحصر ہے، جو امریکہ، کینیڈا، روس، برازیل، برطانیہ، فرانس، انڈیا، بنگلہ دیش اور آسٹریلیا جیسے ممالک میں مہنگائی کے رجحان کی وجہ سے لاگت میں ہونے والے اضافے سے نبرد آزما ہیں۔

مالی سال 2022 میں پاکستان کی جی ڈی پی نمو کی شرح تقریباً 4 فیصد بڑھنے کی توقع کی جا رہی ہے۔ اس بات کو مد نظر رکھتے ہوئے کہ آئی ایم ایف نے پاکستان کو زرمبادلہ کی شرح کی ایڈجسٹمنٹ کے ذریعے قرض کے بغیر ذرائع سے امریکی ڈالر کے حصول میں اضافے اور اسٹیٹ بینک آف پاکستان کی رعایتی شرح میں مزید اضافے کے ذریعے کرنٹ اکاؤنٹ خسارے کو کم کرنے کی تجویز دی ہے۔ یہ توقع کی جاتی ہے کہ مانیٹری پالیسی کمیٹی (MPC)، دوران سال مالیاتی پالیسی کو سخت اور پالیسی کی شرح میں مزید اضافہ کر سکتی ہے۔

اختذ کردہ: اسٹیٹ بینک آف پاکستان اور بلوم برگ

Condensed Interim
Unconsolidated Financial Statements
of
BankIslami Pakistan Limited
For the Quarter and Nine Months Ended
September 30, 2021

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2021

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|------|---------------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 19,689,199 | 22,034,025 |
| Balances with other banks | 7 | 3,712,473 | 12,308,269 |
| Due from financial institutions | 8 | 44,358,422 | 41,640,012 |
| Investments | 9 | 106,908,951 | 95,239,635 |
| Islamic financing, related assets and advances | 10 | 155,654,571 | 130,161,889 |
| Fixed assets | 11 | 12,637,896 | 11,741,506 |
| Intangible assets | 12 | 3,152,918 | 3,108,498 |
| Deferred tax assets | 13 | 4,728,750 | 5,824,886 |
| Other assets | 14 | 13,114,976 | 13,636,969 |
| Non-current assets held for sale | 15 | - | 601,609 |
| | | 363,958,156 | 336,297,298 |
| LIABILITIES | | | |
| Bills payable | 16 | 4,058,810 | 3,324,085 |
| Due to financial institutions | 17 | 16,869,481 | 16,127,616 |
| Deposits and other accounts | 18 | 309,269,515 | 283,641,351 |
| Subordinated sukuk | 19 | 2,000,000 | 2,000,000 |
| Deferred tax liabilities | | - | - |
| Other liabilities | 20 | 9,593,715 | 11,309,073 |
| | | 341,791,521 | 316,402,125 |
| NET ASSETS | | 22,166,635 | 19,895,173 |
| REPRESENTED BY | | | |
| Share capital - net | | 11,007,991 | 11,007,991 |
| Reserves | | 1,526,894 | 1,526,894 |
| Surplus on revaluation of assets - net of tax | 21 | 3,435,616 | 3,030,509 |
| Unappropriated profit | | 6,196,134 | 4,329,779 |
| | | 22,166,635 | 19,895,173 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 22 | | |

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2021

| | | Quarter Ended | | Nine Months Ended | |
|---------------------------------|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Note | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| ----- (Rupees in '000) ----- | | | | | |
| Profit / return earned | 23 | 5,971,860 | 5,754,452 | 16,929,113 | 20,523,594 |
| Profit / return expensed | 24 | 2,968,668 | 2,598,158 | 8,859,146 | 10,578,704 |
| Net Profit / return | | 3,003,192 | 3,156,294 | 8,069,967 | 9,944,890 |
| OTHER INCOME | | | | | |
| Fee and commission income | 25 | 260,802 | 216,699 | 872,006 | 656,732 |
| Dividend income | | 8,556 | - | 17,604 | 7,050 |
| Foreign exchange income | | 118,892 | 90,166 | 288,471 | 303,940 |
| Gain on securities | 26 | 7,816 | 8,669 | 226,411 | 241,555 |
| Other income | 27 | 22,009 | 46,540 | 66,751 | 85,933 |
| Total other income | | 418,075 | 362,074 | 1,471,243 | 1,295,210 |
| Total Income | | 3,421,267 | 3,518,368 | 9,541,210 | 11,240,100 |
| OTHER EXPENSES | | | | | |
| Operating expenses | 28 | 2,340,446 | 2,115,381 | 6,824,919 | 6,257,329 |
| Workers' Welfare Fund | | 21,223 | 20,419 | 62,157 | 58,061 |
| Other charges | 29 | 20 | 622 | 2,075 | 130,354 |
| Total other expenses | | 2,361,689 | 2,136,422 | 6,889,151 | 6,445,744 |
| Profit before provisions | | 1,059,578 | 1,381,946 | 2,652,059 | 4,794,356 |
| Provisions and write offs - net | 30 | 15,364 | 353,340 | (271,914) | 1,891,286 |
| Extra ordinary / unusual items | | - | - | - | - |
| PROFIT BEFORE TAXATION | | 1,044,214 | 1,028,606 | 2,923,973 | 2,903,070 |
| Taxation | 31 | 350,944 | 340,035 | 1,068,675 | 1,140,891 |
| PROFIT AFTER TAXATION | | 693,270 | 688,571 | 1,855,298 | 1,762,179 |
| ----- Rupees ----- | | | | | |
| Basic earnings per share | 32 | 0.6253 | 0.6211 | 1.6734 | 1.5894 |
| Diluted earnings per share | 32 | 0.6253 | 0.6211 | 1.6734 | 1.5894 |

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2021

| | Quarter Ended | | Nine Months Ended | |
|---|------------------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| | ----- (Rupees in '000) ----- | | | |
| Profit after taxation for the period | 693,270 | 688,571 | 1,855,298 | 1,762,179 |
| Other Comprehensive Income | | | | |
| Items that may be reclassified to profit and loss account in subsequent periods: | | | | |
| Movement in surplus / (deficit) on revaluation of investments - net of tax | 140,315 | 375,319 | 415,014 | (1,374,228) |
| 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 | - | - | 1,150 | - |
| | - | - | 1,150 | - |
| Total comprehensive income | 833,585 | 1,063,890 | 2,271,462 | 387,951 |

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2021

| | Share capital | Discount on issue of shares | Statutory reserve | Revenue reserve for bad debts & contingencies | Surplus on revaluation of | | Unappropriated profit | Total |
|--|------------------|-----------------------------|-------------------|---|---------------------------|---------------------------|-----------------------|-------------|
| | | | | | Investments | Fixed/ Non Banking Assets | | |
| | (Rupees in '000) | | | | | | | |
| Balance as at December 31, 2019 | 11,087,033 | (79,042) | 936,267 | 250,000 | 2,988,734 | 1,637,630 | 2,875,710 | 19,696,332 |
| Profit after taxation for the nine months ended September 30, 2020 | - | - | - | - | - | - | 1,762,179 | 1,762,179 |
| Other comprehensive income for the nine months ended September 30, 2020 | - | - | - | - | (1,374,228) | - | - | (1,374,228) |
| Total comprehensive income for the nine months ended September 30, 2020 | - | - | - | - | (1,374,228) | - | 1,762,179 | 387,951 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | (3,199) | 3,199 | - |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | (1,045) | 1,045 | - |
| Balance as at September 30, 2020 | 11,087,033 | (79,042) | 936,267 | 250,000 | 1,614,506 | 1,633,386 | 4,642,133 | 20,084,283 |
| Loss after taxation for the period from October 01, 2020 to December 31, 2020 | - | - | - | - | - | - | (59,044) | (59,044) |
| Other comprehensive income/ (loss) for the period from October 01, 2020 to December 31, 2020 | - | - | - | - | (216,496) | 83,150 | 3,280 | (130,066) |
| Total comprehensive income/ (loss) for the period from October 01, 2020 to December 31, 2020 | - | - | - | - | (216,496) | 83,150 | (55,764) | (189,110) |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | 439 | (439) | - |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | (818) | 818 | - |
| Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax | - | - | - | - | - | (83,658) | 83,658 | - |
| Transfer to statutory reserve | - | - | 340,627 | - | - | - | (340,627) | - |
| Balance as at December 31, 2020 | 11,087,033 | (79,042) | 1,276,894 | 250,000 | 1,398,010 | 1,632,499 | 4,329,779 | 19,895,173 |
| Profit after taxation for the nine months ended September 30, 2021 | - | - | - | - | - | - | 1,855,298 | 1,855,298 |
| Other comprehensive income for the nine months ended September 30, 2021 | - | - | - | - | 415,014 | 1,150 | - | 416,164 |
| Total comprehensive income for the nine months ended September 30, 2021 | - | - | - | - | 415,014 | 1,150 | 1,855,298 | 2,271,462 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | (2,070) | 2,070 | - |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | (2,121) | 2,121 | - |
| Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax | - | - | - | - | - | (6,866) | 6,866 | - |
| Balance as at September 30, 2021 | 11,087,033 | (79,042) | 1,276,894 | 250,000 | 1,813,024 | 1,622,592 | 6,196,134 | 22,166,635 |

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

| | Note | September 30, 2021 | September 30, 2020 |
|---|------|--------------------------|--------------------------|
| ----- (Rupees in '000) ----- | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 2,923,973 | 2,903,070 |
| Less: Dividend Income | | (17,604) | (7,050) |
| | | <u>2,906,369</u> | <u>2,896,020</u> |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation on fixed assets | | 590,485 | 535,645 |
| Depreciation on non banking assets | | 8,977 | 3,382 |
| Depreciation on right-of-use assets | | 632,251 | 607,620 |
| Amortization | | 48,637 | 49,734 |
| Depreciation on operating Ijarah assets | | 509,270 | 852,470 |
| Finance cost on Ijarah (lease) liabilities | 24 | 285,541 | 327,410 |
| Provisions and write offs - net | 30 | (271,914) | 1,891,286 |
| Charge for defined benefit plan | | 94,919 | 87,095 |
| Gain on sale of non-current assets held for sale | | (151,601) | - |
| Gain on sale of property and equipment | 27 | (876) | (4,278) |
| | | <u>1,745,689</u> | <u>4,350,364</u> |
| | | <u>4,652,058</u> | <u>7,246,384</u> |
| (Increase) / decrease in operating assets | | | |
| Due from financial institutions | | (2,718,410) | 12,090,676 |
| Islamic financing, related assets and advances | | (26,470,827) | (5,357,912) |
| Others assets | | <u>1,014,691</u> | <u>781,103</u> |
| | | <u>(28,174,546)</u> | <u>7,513,867</u> |
| Increase in operating liabilities | | | |
| Bills payable | | 734,725 | 737,350 |
| Due to financial institutions | | 741,865 | (813,883) |
| Deposits and other accounts | | 25,628,164 | 25,627,517 |
| Other liabilities (excluding current taxation) | | <u>(1,447,943)</u> | <u>(2,177,867)</u> |
| | | <u>25,656,811</u> | <u>23,373,117</u> |
| | | <u>2,134,323</u> | <u>38,133,368</u> |
| Income tax paid | | <u>(481,261)</u> | <u>(357,320)</u> |
| Net cash generated from operating activities | | <u>1,653,062</u> | <u>37,776,048</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in available-for-sale securities | | (10,631,489) | (6,364,941) |
| Dividend received | | 17,604 | 7,050 |
| Payment of Ijarah (lease) liability against right-of-use assets | | (782,430) | (714,183) |
| Investments in fixed assets | | (1,891,382) | (295,697) |
| Investments in intangible assets | | (93,057) | (55,045) |
| Proceeds from disposal of non-current assets held for sale | | 753,210 | - |
| Proceeds from disposal of fixed assets | | 33,860 | 22,974 |
| Net cash used in from investing activities | | <u>(12,593,684)</u> | <u>(7,399,842)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| IPO proceeds of subordinated sukuk | | - | 300,000 |
| Net cash generated from financing activities | | <u>-</u> | <u>300,000</u> |
| (Decrease) / increase in cash and cash equivalents | | <u>(10,940,622)</u> | <u>30,676,206</u> |
| Cash and cash equivalents at the beginning of the period | | 34,342,294 | 16,517,671 |
| Cash and cash equivalents at the end of the period | | <u><u>23,401,672</u></u> | <u><u>47,193,877</u></u> |

The annexed notes 1 to 39 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Notes to and Forming Part of the Condensed Interim Unconsolidated Financial Statements (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

1 STATUS AND NATURE OF BUSINESS

BankIslami Pakistan Limited (the Bank) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Bank commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Bank is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Bank is operating through 340 branches including 80 sub branches as at September 30, 2021 (2020: 343 branches including 81 sub branches). The registered office of the Bank is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Bank are quoted on the Pakistan Stock Exchange Limited.

Based on financial statements of the Bank for the year ended December 31, 2020, the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at 'A+' and the short-term rating at 'A1' with a positive outlook.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and notified under Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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) from time to time.

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

- 2.2 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2020.
- 2.3 The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services.
- 2.4 Further, 'SBP, vide its BPRD Circular Letter No. 24 of 2021 dated 05 July 2021, has deferred the applicability of IFRS 9 on banks in Pakistan to accounting period beginning on or after January 01, 2022. The impact of application of IFRS 9 on Bank's financial statements is presently being assessed and the same will conclude subsequent to issuance of final application guidelines by SBP.
- 2.5 These condensed interim financial statements are separate condensed interim unconsolidated financial statements of the Bank in which investments in subsidiaries and associates are carried at cost less accumulated impairment losses, if any, and are not consolidated. The condensed interim consolidated financial statements of the Bank are being issued separately.
- 2.6 The Bank provides financing mainly through Murabahah, Ijarah, Istisna, Musharakah, Diminishing Musharakah, Muswammah and other Islamic modes.

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 utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable as directed by the Shariah Board of the Bank.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2020.

3.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period

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

3.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

| Standard, Interpretation or Amendment | Effective date (annual periods beginning on or after) |
|--|--|
| Classification of Liabilities as Current or Non-current - Amendments to IAS 1 | January 01, 2023 |
| Reference to the Conceptual Framework –Amendments to IFRS 3 | January 01, 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 | January 01, 2022 |
| Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 | January 01, 2022 |
| Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | January 01, 2022 |
| Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition of financial liabilities | January 01, 2022 |
| Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements | January 01, 2022 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | Not yet finalized |

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|
| IFRS 1 – First time adoption of International Financial Reporting Standards | January 01, 2014 |
| IFRS 17 – Insurance Contracts | January 01, 2023 |

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5 FINANCIAL RISK MANAGEMENT

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

6 CASH AND BALANCES WITH TREASURY BANKS

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|---------------------------------------|-----------------------------------|
| | ------(Rupees in '000)----- | |
| In hand: | | |
| - Local currency | 8,218,256 | 6,153,879 |
| - Foreign currency | 467,220 | 601,823 |
| | <u>8,685,476</u> | <u>6,755,702</u> |
| With the State Bank of Pakistan in: | | |
| - Local currency current account | 7,959,310 | 11,281,084 |
| - Foreign currency deposit accounts: | | |
| - Cash Reserve Account | 569,484 | 431,873 |
| - Special Cash Reserve Account | 687,921 | 522,019 |
| - US Dollar Clearing Account | 43,141 | 21,184 |
| | <u>1,300,546</u> | <u>975,076</u> |
| With National Bank of Pakistan in: | | |
| - Local currency current account | 1,723,429 | 2,955,558 |
| National Prize Bonds | <u>20,438</u> | <u>66,605</u> |
| | <u><u>19,689,199</u></u> | <u><u>22,034,025</u></u> |

7 BALANCES WITH OTHER BANKS

| | | |
|--------------------------|-------------------------|--------------------------|
| In Pakistan: | | |
| - In current accounts | 967 | 2,361 |
| - In deposit accounts | 124 | 369 |
| | <u>1,091</u> | <u>2,730</u> |
| Outside Pakistan: | | |
| - In current accounts | 3,437,277 | 8,992,757 |
| - In deposit accounts | 274,105 | 3,312,782 |
| | <u><u>3,712,473</u></u> | <u><u>12,308,269</u></u> |

8 DUE FROM FINANCIAL INSTITUTIONS

| | | (Un-audited) | | | (Audited) | | |
|-------------------------------------|-----|----------------------|--------------------------|------------|----------------------|--------------------------|------------|
| | | September 30, 2021 | | | December 31, 2020 | | |
| Note | | In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |
| ----- (Rupees in '000) ----- | | | | | | | |
| Secured | | | | | | | |
| Bai Muajjal Receivable | | | | | | | |
| - from Banks | 8.1 | 6,932,701 | - | 6,932,701 | - | - | - |
| - from Other Financial Institutions | 8.1 | 15,217,073 | - | 15,217,073 | 16,888,683 | - | 16,888,683 |
| Unsecured | | | | | | | |
| Wakalah Placement | 8.2 | 3,300,000 | 2,217,457 | 5,517,457 | - | 3,073,290 | 3,073,290 |
| Musharaka Placements | 8.3 | 1,000,000 | - | 1,000,000 | 12,000,000 | - | 12,000,000 |
| Bai Muajjal Receivable | | | | | | | |
| - from Banks | 8.1 | - | - | - | 4,818,345 | - | 4,818,345 |
| - from Other Financial Institutions | 8.1 | 15,691,191 | - | 15,691,191 | 4,859,694 | - | 4,859,694 |
| Other placements | | 25,110 | - | 25,110 | 27,540 | - | 27,540 |
| | | 42,166,075 | 2,217,457 | 44,383,532 | 38,594,262 | 3,073,290 | 41,667,552 |
| Provision against placements | | | | | | | |
| | 8.4 | (25,110) | - | (25,110) | (27,540) | - | (27,540) |
| | | 42,140,965 | 2,217,457 | 44,358,422 | 38,566,722 | 3,073,290 | 41,640,012 |

- 8.1 The return on these balances range between 6.40% to 7.32% (2020: 6.42% to 10.80%) per annum. The balances have maturities ranging between 01 day to 120 days (2020: 5 days to 46 days). These include Bai Muajjal secured against Federal Government securities received as collateral and having market value of Rs. 24,000 million (2020: Rs. 17,309 million).
- 8.2 These represents foreign and local placements and the profit rates on these agreements range between 0.04% to 8.10% (2020: 0.10% to 1.25%) per annum. These agreements have maturities ranging from 01 day to 98 days (2020: 6 to 180 days).
- 8.3 The profit rate on this agreement is 7.25% (2020: 7.00% to 7.20%) per annum and the agreement has maturity in 01 day (2020: 14 to 60 days).

8.4 Category of classification

| (Un-audited) | | (Audited) | |
|-----------------------|----------------|-----------------------|----------------|
| September 30, 2021 | | December 31, 2020 | |
| Classified Placements | Provision held | Classified Placements | Provision held |
| (Rupees in '000) | | | |
| Loss | 25,110 | 25,110 | 27,540 |
| | | | 27,540 |

- 8.4.1 The Bank does not hold overseas classified placements.

| Note | (Un-audited) | (Audited) |
|------|--------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| | (Rupees in '000) | |

9 INVESTMENTS

| | | | |
|--|-----------|-------------|------------|
| Investments - Islamic | 9.1 & 9.3 | 106,331,276 | 94,661,960 |
| Investments - Conventional (relating to amalgamated entity) | 9.2 & 9.4 | 577,675 | 577,675 |
| | | 106,908,951 | 95,239,635 |

| (Un-audited) | | | | (Audited) | | | |
|-----------------------|--------------------------|---------------------|----------------|-----------------------|--------------------------|---------------------|----------------|
| September 30, 2021 | | | | December 31, 2020 | | | |
| Cost / Amortized cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortized cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| (Rupees in '000) | | | | | | | |

9.1 Islamic Investments by type

Available for sale securities

Federal Government Securities

Non Government Shariah

Compliant Securities

Shares / Modaraba certificates

| | | | | | | | |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|
| 65,427,173 | - | 550,132 | 65,977,305 | 54,812,890 | - | (9,222) | 54,803,668 |
| 37,281,348 | (35,880) | 2,015,579 | 39,261,047 | 36,852,598 | (35,880) | 2,078,535 | 38,895,253 |
| 304,998 | (63,573) | 223,557 | 464,982 | 332,869 | (79,244) | 81,472 | 335,097 |
| 103,013,519 | (99,453) | 2,789,268 | 105,703,334 | 91,998,357 | (115,124) | 2,150,785 | 94,034,018 |

Associates

| | | | | | | | |
|---------|---|---|---------|---------|---|---|---------|
| 627,942 | - | - | 627,942 | 627,942 | - | - | 627,942 |
|---------|---|---|---------|---------|---|---|---------|

Total Islamic investments

| | | | | | | | |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|
| 103,641,461 | (99,453) | 2,789,268 | 106,331,276 | 92,626,299 | (115,124) | 2,150,785 | 94,661,960 |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|

9.2 Conventional Investments by type*

Available for sale securities

Non Government Debt Securities

Shares

| | | | | | | | |
|-----------|-----------|---|---------|-----------|-----------|---|---------|
| 232,645 | (232,645) | - | - | 263,710 | (263,710) | - | - |
| 1,189,030 | (611,355) | - | 577,675 | 1,189,030 | (611,355) | - | 577,675 |
| 1,421,675 | (844,000) | - | 577,675 | 1,452,740 | (875,065) | - | 577,675 |

Held to maturity securities

Non Government Debt Securities

| | | | | | | | |
|--------|----------|---|---|---------|-----------|---|---|
| 92,145 | (92,145) | - | - | 321,601 | (321,601) | - | - |
|--------|----------|---|---|---------|-----------|---|---|

Associates

| | | | | | | | |
|-----------|-------------|---|---|-----------|-------------|---|---|
| 1,032,169 | (1,032,169) | - | - | 1,032,169 | (1,032,169) | - | - |
|-----------|-------------|---|---|-----------|-------------|---|---|

Subsidiaries

| | | | | | | | |
|---------|-----------|---|---|---------|-----------|---|---|
| 104,771 | (104,771) | - | - | 104,771 | (104,771) | - | - |
|---------|-----------|---|---|---------|-----------|---|---|

Total conventional investments

| | | | | | | | |
|-----------|-------------|---|---------|-----------|-------------|---|---------|
| 2,650,760 | (2,073,085) | - | 577,675 | 2,911,281 | (2,333,606) | - | 577,675 |
|-----------|-------------|---|---------|-----------|-------------|---|---------|

| Note | (Un-audited) | | | | (Audited) | | | |
|--|-----------------------------|--------------------------------|------------------------|-------------------|-----------------------------|-----------------------------|------------------------|----------------|
| | September 30, 2021 | | | | December 31, 2020 | | | |
| | Cost / Amortized cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortized cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| (Rupees in '000) | | | | | | | | |
| 9.3 Islamic Investments by segments | | | | | | | | |
| Federal Government Securities | | | | | | | | |
| GOP Ijarah Sukuks | 55,121,337 | - | 550,132 | 55,671,469 | 44,507,054 | - | (9,222) | 44,497,832 |
| Bai Muajjal | 10,305,836 | - | - | 10,305,836 | 10,305,836 | - | - | 10,305,836 |
| | 65,427,173 | - | 550,132 | 65,977,305 | 54,812,890 | - | (9,222) | 54,803,668 |
| Non Government Shariah | | | | | | | | |
| Compliant Securities | | | | | | | | |
| Pakistan Energy Sukuk-I | 27,146,945 | - | 1,832,419 | 28,979,364 | 27,503,500 | - | 1,925,245 | 29,428,745 |
| Pakistan Energy Sukuk-II | 3,393,034 | - | 41,936 | 3,434,970 | 2,000,000 | - | 12,000 | 2,012,000 |
| Sukuk certificates - unlisted | 6,741,369 | (35,880) | 141,224 | 6,846,713 | 7,349,098 | (35,880) | 141,290 | 7,454,508 |
| | 37,281,348 | (35,880) | 2,015,579 | 39,261,047 | 36,852,598 | (35,880) | 2,078,535 | 38,895,253 |
| Shares | | | | | | | | |
| Ordinary shares of listed companies | 304,998 | (63,573) | 223,557 | 464,982 | 332,869 | (79,244) | 81,472 | 335,097 |
| Associates - Unlisted | | | | | | | | |
| Shakarganj Food Products Limited | 627,942 | - | - | 627,942 | 627,942 | - | - | 627,942 |
| | 103,641,461 | (99,453) | 2,789,268 | 106,331,276 | 92,626,299 | (115,124) | 2,150,785 | 94,661,960 |

9.3.1 These represents Bank's investment in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR + 80bps.

9.3.2 These represents Bank's investment in Pakistan Energy Sukuk-II issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR - 10bps.

9.4 Conventional Investments by segments*

| | (Un-audited) | | | | (Audited) | | | |
|---|-----------------------------|--------------------------------|------------------------|-------------------|-----------------------------|-----------------------------|------------------------|----------------|
| | September 30, 2021 | | | | December 31, 2020 | | | |
| | Cost / Amortized cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortized cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| (Rupees in '000) | | | | | | | | |
| Non Government Debt Securities | | | | | | | | |
| Listed | 82,785 | (82,785) | - | - | 85,888 | (85,888) | - | - |
| Unlisted | 242,005 | (242,005) | - | - | 499,423 | (499,423) | - | - |
| | 324,790 | (324,790) | - | - | 585,311 | (585,311) | - | - |
| Shares | | | | | | | | |
| Unlisted Companies | 33,680 | (33,680) | - | - | 33,680 | (33,680) | - | - |
| Foreign securities | | | | | | | | |
| Equity securities | 1,155,350 | (577,675) | - | 577,675 | 1,155,350 | (577,675) | - | 577,675 |
| Associates - Unlisted | | | | | | | | |
| KASB Capital Limited | 41,867 | (41,867) | - | - | 41,867 | (41,867) | - | - |
| KASB Funds Limited | 432,302 | (432,302) | - | - | 432,302 | (432,302) | - | - |
| New Horizon Exploration & Production Limited | 558,000 | (558,000) | - | - | 558,000 | (558,000) | - | - |
| | 1,032,169 | (1,032,169) | - | - | 1,032,169 | (1,032,169) | - | - |
| Subsidiaries | | | | | | | | |
| My Solutions Corporation Limited | 104,771 | (104,771) | - | - | 104,771 | (104,771) | - | - |
| | 2,650,760 | (2,073,085) | - | 577,675 | 2,911,281 | (2,333,606) | - | 577,675 |

* These assets are related to amalgamated entity. These investments are under process of conversion / liquidation / disposal.

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|---------|---------------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| 9.5 Investments given as collateral | | | |
| Federal Government Securities | | 5,000,000 | 5,000,000 |
| 9.6 Provision for diminution in value of investments | | | |
| 9.6.1 Opening balance | | 2,448,730 | 2,461,080 |
| Charge / (reversal) | | | |
| Charge for the period / year | | - | - |
| Reversals for the period / year | | (18,774) | (12,350) |
| Provision for diminution in value of investments - net | | (18,774) | (12,350) |
| Amounts written off | | (257,418) | - |
| Closing Balance | 9.6.1.1 | 2,172,538 | 2,448,730 |

9.6.1.1 Break up of provision for diminution in the value of investments is as follows:

| | | |
|----------------------------|-----------|-----------|
| Investments - Islamic | 99,453 | 115,124 |
| Investments - Conventional | 2,073,085 | 2,333,606 |
| | 2,172,538 | 2,448,730 |

9.6.2 Particulars of provision against debt securities

| | (Un-audited) September 30, 2021 | | (Audited) December 31, 2020 | |
|----------------------------|------------------------------------|--------------------|--------------------------------|--------------------|
| Category of classification | Non-performing investments | Specific Provision | Non-performing investments | Specific Provision |
| | ----- (Rupees in '000) ----- | | | |
| Domestic | | | | |
| Loss | 636,921 | 360,670 | 897,442 | 621,191 |
| Total | 636,921 | 360,670 | 897,442 | 621,191 |

9.6.2.1 The Bank does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|------|---------------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| Islamic financing and related assets - net | 10.1 | 155,465,718 | 129,896,587 |
| Advances (relating to amalgamated entity) - net | 10.2 | 188,853 | 265,302 |
| | | 155,654,571 | 130,161,889 |

10.1 Islamic financing and related assets - net

Note

| Islamic financing and related assets - net | | Note | Performing | | Non Performing | | Total | |
|---|--|---------------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| | | | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
| (Rupees in '000) | | | | | | | | |
| In Pakistan | | | | | | | | |
| - | Running Musharakah | 10.11 | 46,647,671 | 39,189,963 | 1,487,510 | 1,668,510 | 48,135,181 | 40,858,473 |
| - | Diminishing Musharakah financing and related assets - Others | 10.3 | 33,218,463 | 28,935,891 | 2,255,166 | 1,491,171 | 35,473,629 | 30,427,062 |
| - | Diminishing Musharakah financing and related assets - Auto | | 21,641,342 | 14,336,290 | 235,971 | 223,763 | 21,877,313 | 14,560,053 |
| - | Diminishing Musharakah - Housing | | 16,527,001 | 13,446,210 | 1,950,558 | 1,631,646 | 18,477,559 | 15,077,856 |
| - | Murabahah financing and related assets | 10.6 & 10.9 | 12,259,997 | 3,496,899 | 309,659 | 440,795 | 12,569,656 | 3,937,694 |
| - | Istisna financing and related assets | 10.5 & 10.10 | 9,027,549 | 11,397,127 | 1,193,404 | 1,022,049 | 10,220,953 | 12,419,176 |
| - | Investment Agency Wakalah | | 5,208,333 | 6,250,000 | - | - | 5,208,333 | 6,250,000 |
| - | Muswammah financing and related assets / Karobar financing | 10.4 & 10.12 | 4,570,372 | 8,380,530 | 4,478,676 | 3,024,150 | 9,049,048 | 11,404,680 |
| - | Financing against Bills | | 1,184,999 | 23,236 | - | - | 1,184,999 | 23,236 |
| - | Murabahah against Bills | | 850,336 | 72,092 | 892 | 892 | 851,228 | 72,984 |
| - | Ijarah financing under IFAS 2 and related assets | 10.7 | 835,563 | 1,573,616 | 139,850 | 186,736 | 975,413 | 1,760,352 |
| - | Musharakah financing | | 280,000 | 280,000 | - | - | 280,000 | 280,000 |
| - | Net investment in Ijarah financing in Pakistan | | 136,096 | 143,162 | - | - | 136,096 | 143,162 |
| - | Salam | 10.8 | 100,000 | 109,900 | - | - | 100,000 | 109,900 |
| - | Housing finance portfolio - others | | 31,240 | 33,897 | - | - | 31,240 | 33,897 |
| - | Past Due Acceptance | | 29,153 | 29,153 | - | - | 29,153 | 29,153 |
| - | Qardh e Hasana | | - | 946 | 121,860 | 541,060 | 121,860 | 542,006 |
| Gross financing and related assets | | | 152,548,115 | 127,698,912 | 12,173,546 | 10,230,772 | 164,721,661 | 137,929,684 |
| Less: Provision against non-performing Islamic financing and related assets | | | | | | | | |
| - | Specific | 10.14 & 10.15 | - | - | (8,013,181) | (7,231,104) | (8,013,181) | (7,231,104) |
| - | General | 10.15 | (1,242,762) | (801,993) | - | - | (1,242,762) | (801,993) |
| | | | (1,242,762) | (801,993) | (8,013,181) | (7,231,104) | (9,255,943) | (8,033,097) |
| Islamic financing and related assets-net of provisions | | | 151,305,353 | 126,896,919 | 4,160,365 | 2,999,668 | 155,465,718 | 129,896,587 |

10.2 Advances (relating to amalgamated entity) - net

| | | | | | | | |
|---|---------------|---------------|----------------|------------------|------------------|------------------|------------------|
| Loans, cash credits, running finances, etc. - In Pakistan* | | 95,089 | 110,380 | 4,906,438 | 6,009,473 | 5,001,527 | 6,119,853 |
| Net investment in finance lease - In Pakistan | | - | - | 582,185 | 582,185 | 582,185 | 582,185 |
| Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan | | - | - | 684,295 | 706,325 | 684,295 | 706,325 |
| Advances - gross | | 95,089 | 110,380 | 6,172,918 | 7,297,983 | 6,268,007 | 7,408,363 |
| Provision against advances | | | | | | | |
| - Specific | 10.14 & 10.15 | - | - | (6,172,918) | (7,260,504) | (6,172,918) | (7,260,504) |
| - General | 10.15 | (55) | (55) | - | - | (55) | (55) |
| | | (55) | (55) | (6,172,918) | (7,260,504) | (6,172,973) | (7,260,559) |
| Advances - net of provision | | 95,034 | 110,325 | - | 37,479 | 95,034 | 147,804 |
| Fair value adjustment | 10.16 | - | - | 93,819 | 117,498 | 93,819 | 117,498 |
| Advances - net of provision and fair value adjustment | | 95,034 | 110,325 | 93,819 | 154,977 | 188,853 | 265,302 |

* This includes non-interest bearing performing financing facilities amounting to Rs. 95.089 million (2020: Rs. 106.507 million).

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|---------------------------------------|-----------------------------------|
| | ------(Rupees in '000)----- | |
| 10.3 Diminishing Musharakah financing and related assets - Others | | |
| Diminishing Musharakah financing | 32,177,388 | 30,180,621 |
| Advance against Diminishing Musharakah financing | 3,296,241 | 246,441 |
| | <u>35,473,629</u> | <u>30,427,062</u> |
| 10.4 Muswammah financing and related assets / Karobar financing | | |
| Muswammah financing | 6,137,014 | 8,036,816 |
| Advance against Muswammah financing | 124,590 | 205,000 |
| Muswammah inventories | 2,787,444 | 3,162,864 |
| | <u>9,049,048</u> | <u>11,404,680</u> |
| 10.5 Istisna financing and related assets | | |
| Istisna financing | 4,595,088 | 4,131,021 |
| Advance against Istisna financing | 5,625,865 | 8,254,755 |
| Istisna inventories | - | 33,400 |
| | <u>10,220,953</u> | <u>12,419,176</u> |
| 10.6 Murabahah financing and related assets | | |
| Murabahah financing | 7,292,618 | 2,292,974 |
| Deferred murabahah income | 230,863 | 71,613 |
| Advances against Murabaha financing | 1,485,516 | 252,008 |
| Murabaha Inventories | 3,560,659 | 1,321,099 |
| | <u>12,569,656</u> | <u>3,937,694</u> |
| 10.7 Ijarah financing under IFAS 2 and related assets | | |
| Net book value of assets under IFAS 2 | 974,802 | 1,759,670 |
| Advance against Ijarah financing | 611 | 682 |
| | <u>975,413</u> | <u>1,760,352</u> |
| 10.8 Salam | | |
| Salam financing | 30,001 | - |
| Advance against Salam | 69,999 | 109,900 |
| | <u>100,000</u> | <u>109,900</u> |
| 10.9 Murabahah financing and related assets includes financing amounting to Nil (2020: Rs. 139.750 million) and advance amounting to Rs. Nil million (2020: Rs. 80 million) under Islamic Export Refinance Scheme. | | |
| 10.10 Istisna financing and related assets includes financing amounting to Rs. 0.012 million (2020: Rs. 154.188 million) and advance amounting to Rs. 1,926 million (2020: Rs. 1,580 million) under Islamic Export Refinance Scheme. | | |
| 10.11 Running musharakah financing includes financing amounting to Rs. 2,349 million (2020: 1,492 million) under Islamic Export Refinance Scheme. | | |
| 10.12 Musawamah financing includes financing amounting to Rs. Nil (2020: Nil) and advance amounting to Rs. 100 million (2020: Nil) under Islamic Export Refinance Scheme. | | |
| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
| 10.13 Particulars of Islamic financing, related assets and advances - gross | ------(Rupees in '000)----- | |
| In local currency | 169,439,760 | 144,618,552 |
| In foreign currency | 1,549,908 | 719,495 |
| | <u>170,989,668</u> | <u>145,338,047</u> |

- 10.14 Islamic financing, related assets and advances include Rs. 18,346.464 million (2020: Rs. 17,528.755 million) which have been placed under non-performing status as detailed below:

Category of classification

| | (Un-audited) | | (Audited) | |
|-----------------------------------|---|--------------------|---|--------------------|
| | September 30, 2021 | | December 31, 2020 | |
| | Non-performing Islamic financing, related assets and advances | Specific Provision | Non-performing Islamic financing, related assets and advances | Specific Provision |
| ----- (Rupees in '000) ----- | | | | |
| Domestic | | | | |
| Other assets especially mentioned | 491,820 | - | 149,428 | - |
| Substandard | 684,534 | 63,925 | 485,371 | 34,915 |
| Doubtful | 3,019,663 | 1,332,111 | 1,947,553 | 536,216 |
| Loss | 14,150,447 | 12,790,063 | 14,946,403 | 13,920,477 |
| Total | 18,346,464 | 14,186,099 | 17,528,755 | 14,491,608 |

- 10.14.1 The Bank does not hold overseas classified non performing Islamic financing, related assets and advances.

- 10.15 Particulars of provision against non-performing Islamic financing, related assets and advances:

| | (Un-audited) | | | (Audited) | | |
|---------------------------------|--------------------|-----------|-------------|-------------------|---------|------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | Specific | General | Total | Specific | General | Total |
| ----- (Rupees in '000) ----- | | | | | | |
| Opening balance | 14,491,608 | 802,048 | 15,293,656 | 12,726,980 | 337,812 | 13,064,792 |
| Charge for the period / year | 1,416,144 | 440,769 | 1,856,913 | 2,181,260 | 464,236 | 2,645,496 |
| Reversals for the period / year | (1,411,717) | - | (1,411,717) | (416,632) | - | (416,632) |
| | 4,427 | 440,769 | 445,196 | 1,764,628 | 464,236 | 2,228,864 |
| Amount written off | (309,936) | - | (309,936) | - | - | - |
| Closing balance | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |

- 10.15.1

| | | | | | | |
|--------------|------------|-----------|------------|------------|---------|------------|
| Islamic | 8,013,181 | 1,242,762 | 9,255,943 | 7,231,104 | 801,993 | 8,033,097 |
| Conventional | 6,172,918 | 55 | 6,172,973 | 7,260,504 | 55 | 7,260,559 |
| | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |

- 10.15.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account

| | (Un-audited) | (Audited) |
|---|--------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| ----- (Rupees in '000) ----- | | |
| Gross reversals for the period / year | 1,411,717 | 416,632 |
| Charge for the period / year | (1,856,913) | (2,645,496) |
| | (445,196) | (2,228,864) |
| Fair value adjusted - net | (23,679) | (1,361) |
| Net charge taken to the profit and loss account | (468,875) | (2,230,225) |

- 10.15.3 Particulars of provision against non-performing Islamic financing, related assets and advances:

| | (Un-audited) | | | (Audited) | | |
|------------------------------|--------------------|-----------|------------|-------------------|---------|------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | Specific | General | Total | Specific | General | Total |
| ----- (Rupees in '000) ----- | | | | | | |
| In local currency | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |
| | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |

- 10.15.4 The Bank maintains general reserve (provision) amounting to Rs. 467.817 million (2020: 352.048 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. In addition the Bank carries general provision of Rs. 775 million (December 31, 2020: 450 million) as a matter of prudence based on management estimate.

- 10.15.5 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at September 30, 2021 amounts to Rs.1,079.194 million (2020: Rs. 890.288 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 658.308 million (2020: Rs. 543.076 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

- 10.16 Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

- 10.17 Total gross financing and related assets includes financing amounting to Rs. 2,162.617 million, Rs. 330.123 million, Rs. 2,249.233 million, Rs. 18.289 million and Rs. 84.408 million, under "Islamic refinance scheme for payment of wages and salaries", "Islamic refinance scheme for combating COVID (IRFCC)", "Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)", "Refinance for Islamic Financing Facility of Storage of Agricultural Produce (IFFSAP) and Islamic refinance facility for Modernization of SMEs", respectively.

11 FIXED ASSETS

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|---|---------------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| Capital work-in-progress | 11.1 & 11.2 | 1,276,000 | 179,270 |
| Property and equipment | 11.2 & 11.3 | 8,746,780 | 8,575,597 |
| Right of use assets | 11.2 | 2,615,116 | 2,986,639 |
| | | <u>12,637,896</u> | <u>11,741,506</u> |
| 11.1 Capital work-in-progress | | | |
| Advances to suppliers and contractors | | 91,518 | 138,670 |
| Advance for acquiring properties: - Office premises | 11.1.1 | 1,184,482 | 762,503 |
| | | 1,276,000 | 901,173 |
| Provision for impairment against advance for acquiring floors / office premises | 11.1.1 | - | (721,903) |
| | | <u>1,276,000</u> | <u>179,270</u> |
| 11.1.1 | This includes advance against purchase of property amounting to Rs. 1,143.632 million (2020: Rs. 721.903 million). In view of settlement of dispute with a developer and withdrawal of related litigations, the provision against subject advance amounting to Rs. 721.903 million has been reversed during the period. | | |

11.2

Additions to fixed assets

(Un-audited)

September 30,

2021

(Un-audited)

September 30,

2020

----- (Rupees in '000) -----

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

Capital work-in-progress - net

472,993

148,978

Property and equipment

Leasehold Building

187,021

164,716

Furniture and fixture

232,818

27,114

Electrical office and computer equipment

384,974

198,290

Vehicles

7,754

4,014

812,567

394,134

Right of use assets

Leasehold Building

260,727

77,774

Total

1,546,287

620,886

11.3

Disposal of fixed assets

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

Building on freehold land

31,004

17,958

Furniture and fixture

23,270

35

Electrical office and computer equipment

135

703

Total

54,409

18,696

12 INTANGIBLE ASSETS

| 12 | INTANGIBLE ASSETS | | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|------|--|------|---------------------------------------|---------------------------------------|
| | | Note | | |
| | | | ----- (Rupees in '000) ----- | |
| | Computer software | 12.1 | 155,699 | 136,869 |
| | Goodwill | | 2,944,297 | 2,944,297 |
| | Core deposits | | 29,422 | 27,332 |
| | Other intangibles | | 23,500 | |
| | | | <u>3,152,918</u> | <u>3,108,498</u> |
| 12.1 | Additions to intangible assets | | (Un-audited) September 30, 2021 | (Un-audited) September 30, 2020 |
| | | | ----- (Rupees in '000) ----- | |
| | The following additions have been made to intangible assets during the period: | | | |
| | - Directly purchased | | 112,558 | 55,044 |
| 12.2 | Disposals of intangible assets | | | |
| | There were no disposals of intangible assets during the period. | | | |

13 DEFERRED TAX ASSETS

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|---------------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Deductible Temporary Differences on: | | |
| Accumulated tax losses | 2,590,850 | 2,748,819 |
| Provision for diminution in the value of investments | 205,601 | 326,246 |
| Provision against non-performing Islamic financing and related assets and advances | 3,510,690 | 3,797,882 |
| Ijarah financing and related assets | 253,789 | 207,080 |
| Accelerated tax depreciation | 152,997 | 61,891 |
| Others | (20,753) | 263,243 |
| | 6,693,174 | 7,405,161 |
| Taxable Temporary Differences on: | | |
| Fair value adjustments relating to net assets acquired upon amalgamation | (356,511) | (191,218) |
| Surplus on revaluation of fixed assets | (618,428) | (621,899) |
| Surplus on revaluation of non-banking assets | (13,241) | (14,383) |
| Surplus on revaluation of available for sale securities | (976,244) | (752,775) |
| | (1,964,424) | (1,580,275) |
| | <u>4,728,750</u> | <u>5,824,886</u> |

- 13.1 The Bank has aggregate tax losses of Rs. 7,402.428 million as at September 30, 2021 (2020: Rs. 7,853.768 million) which includes tax losses of the amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Bank would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 2,590.850 million (2020: Rs. 2,748.819 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans / financings and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

14 OTHER ASSETS

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|--------|---------------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| Profit / return accrued in local currency | | 8,581,705 | 8,121,504 |
| Profit / return accrued in foreign currency | | 8,225 | 7,772 |
| Advances, deposits, advance rent and other prepayments | | 1,111,459 | 951,923 |
| Non-banking assets acquired in satisfaction of claims | | 2,144,045 | 2,149,758 |
| Takaful / insurance claim receivable | | 45,099 | 30,985 |
| Receivable against First WAPDA Sukuk | | 50,000 | 50,000 |
| Acceptances | | 1,126,818 | 2,392,561 |
| Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts | | 75,619 | 60,489 |
| Amount held with financial institution | | - | 814,546 |
| Others | | 616,084 | 419,274 |
| | | 13,759,054 | 14,998,812 |
| Less: Provision held against other assets | 14.1 | (867,123) | (1,588,151) |
| Other Assets (Net of Provision) | | 12,891,931 | 13,410,661 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 21 | 223,045 | 226,308 |
| Other assets - total | | <u>13,114,976</u> | <u>13,636,969</u> |
| Market value of non-banking assets acquired in satisfaction of claims | | <u>1,662,411</u> | <u>1,671,387</u> |
| 14.1 Provision held against other assets | | | |
| Advances, deposits, advance rent & other prepayments | | 26,692 | 26,692 |
| Non banking assets acquired in satisfaction of claims | | 704,679 | 704,679 |
| Amount held with financial institution | | - | 719,218 |
| Others | | 135,752 | 137,562 |
| | 14.1.1 | <u>867,123</u> | <u>1,588,151</u> |
| 14.1.1 Movement in provision held against other assets | | | |
| Opening balance | | 1,588,151 | 1,253,182 |
| Charge for the period / year | | 4,374 | 369,238 |
| Reversals for the period / year | | (23,952) | (34,269) |
| Adjustment during the period / year | | (701,450) | - |
| Closing balance | | <u>867,123</u> | <u>1,588,151</u> |

15 NON-CURRENT ASSETS HELD FOR SALE

On April 25, 2019, the Board of Directors announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Bank in one or more associated and subsidiary companies. Subsequently, after following a detail process, the Bank signed Share Purchase Agreement with respect to sale of its investment in BankIslami Modaraba Investment Limited and BIPL Securities Limited (subsidiary companies) with respective buyers. These sale transactions have been concluded and investment in these subsidiary companies has been disposed off.

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|---------------------------------------|-----------------------------------|
| ------(Rupees in '000)----- | | |
| Islamic Investment | | |
| BankIslami Modaraba Investments Limited | - | 78,808 |
| Conventional Investment | | |
| BIPL Securities Limited | - | 522,801 |
| | <u>-</u> | <u>601,609</u> |

16 BILLS PAYABLE

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|-----------------------------|---------------------------------------|-----------------------------------|
| ------(Rupees in '000)----- | | |
| In Pakistan | 4,058,810 | 3,324,085 |
| Outside Pakistan | - | - |
| | <u>4,058,810</u> | <u>3,324,085</u> |

17 DUE TO FINANCIAL INSTITUTIONS

Secured

| | | |
|---|-------------------|-------------------|
| Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme | 3,961,600 | 3,622,550 |
| Acceptances from State Bank of Pakistan for financial assistance | 3,611,462 | 3,375,410 |
| Refinance facility for Islamic Mortgage | 3,136,363 | 1,989,031 |
| Islamic refinance scheme for payment of wages and salaries | 2,179,604 | 2,805,692 |
| Islamic refinance scheme for combating COVID (IRFCC) | 27,908 | 31,895 |
| Islamic refinance for Facility of Storage of Agricultural Produce (IFFSAP) | 18,289 | - |
| Refinance facility for Islamic Temporary Economic Refinance Facility (TERF) | 1,634,255 | 3,038 |
| Total secured | 14,569,481 | 11,827,616 |

Unsecured

| | | |
|------------------------|-------------------|-------------------|
| Wakalah Acceptance | - | 4,300,000 |
| Musharakah Acceptance | 2,300,000 | - |
| Total unsecured | 2,300,000 | 4,300,000 |
| | <u>16,869,481</u> | <u>16,127,616</u> |

18 DEPOSITS AND OTHER ACCOUNTS

| | (Un-audited) September 30, 2021 | | | (Audited) December 31, 2020 | | |
|-------------------------------|------------------------------------|--------------------------|--------------------|--------------------------------|--------------------------|--------------------|
| | In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |
| ------(Rupees in '000)----- | | | | | | |
| Customers | | | | | | |
| Current deposits | 103,564,427 | 3,583,273 | 107,147,700 | 89,268,714 | 3,068,383 | 92,337,097 |
| Savings deposits | 82,750,709 | 3,622,580 | 86,373,289 | 74,101,851 | 3,615,238 | 77,717,089 |
| Term deposits | 93,824,336 | 3,223,686 | 97,048,022 | 91,499,914 | 1,630,147 | 93,130,061 |
| Others | 2,275,618 | 65,968 | 2,341,586 | 2,701,340 | 56,786 | 2,758,126 |
| | <u>282,415,090</u> | <u>10,495,507</u> | <u>292,910,597</u> | <u>257,571,819</u> | <u>8,370,554</u> | <u>265,942,373</u> |
| Financial Institutions | | | | | | |
| Current deposits | 221,176 | 5,863 | 227,039 | 286,076 | 3,880 | 289,956 |
| Savings deposits | 13,966,779 | 600 | 13,967,379 | 7,665,522 | - | 7,665,522 |
| Term deposits | 2,164,500 | - | 2,164,500 | 9,743,500 | - | 9,743,500 |
| | <u>16,352,455</u> | <u>6,463</u> | <u>16,358,918</u> | <u>17,695,098</u> | <u>3,880</u> | <u>17,698,978</u> |
| | <u>298,767,545</u> | <u>10,501,970</u> | <u>309,269,515</u> | <u>275,266,917</u> | <u>8,374,434</u> | <u>283,641,351</u> |

19 SUBORDINATED SUKUK

- 19.1 The Bank has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukuk under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-I) Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

- 19.2 Salient features of the ADT-I sukuk are as follows:

| | |
|--------------------------|--|
| Amount | Rs. 2,000 million. |
| Issue Date | April 21, 2020 |
| Tenor | Perpetual (i.e. no fixed or final redemption date) |
| Instrument Rating | PACRA has rated this sukuk at 'A-' (A minus). |
| Security | Unsecured |
| Expected Profit Rate | The Sukuk carries a profit at the rate of 3 Months KIBOR + 2.75%. The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Bank inline with SBP's guidelines of pool management. |
| Profit payment frequency | Profit shall be payable monthly in arrears, on a non-cumulative basis |
| Call option | The Bank may, at its sole discretion, call the sukuk, at any time after five years from the Issue Date subject to the prior approval of the SBP. |
| Lock-in clause | Profit on the sukuk shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements. |
| Loss absorbency clause | The sukuk shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written-off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel-III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013. |

- 19.3 The funds raised through this instrument are being utilized towards Bank's General Pool, that is, financing and investment activities as permitted by Bank's Memorandum and Articles of Association. With permission of Sukuk holders, the proceeds of this issue have been commingled with other funds of the depositors (which may include Bank's own equity) i.e. invested in General Pool of the Bank.

20 OTHER LIABILITIES

| Note | (Un-audited) | (Audited) |
|---|-----------------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| | ------(Rupees in '000)----- | |
| Profit / return payable in local currency | 1,904,218 | 1,733,220 |
| Profit / return payable in foreign currencies | 16,843 | 14,583 |
| Accrued expenses | 832,830 | 877,787 |
| Deferred Murabahah Income - Financing and IERS | 189,956 | 104,322 |
| Payable to defined contribution plan | 25,040 | 2,876 |
| Defined Benefit Plan liabilities | 231,333 | 136,415 |
| Security deposits against Ijarah | 868,423 | 1,122,450 |
| Ijarah (lease) Liability | 3,207,712 | 3,443,873 |
| Provision against off-balance sheet obligations | 85,975 | 85,975 |
| Acceptances | 1,126,818 | 2,392,561 |
| Receipt appropriation account | - | 6,638 |
| Current taxation (provisions less payments) | 74,258 | 199,281 |
| Provision against other tax liabilities | 140,214 | 146,409 |
| Sundry creditors | 248,075 | 190,839 |
| Payable to brokers against purchase of shares - net | 119 | - |
| Charity payable | 6,724 | 14,712 |
| Retention money payable | 14,254 | 10,167 |
| Provision for Workers' Welfare Fund | 185,321 | 123,164 |
| Branch adjustment account | 31,675 | 30,867 |
| Rental received in advance | 162,555 | 348,243 |
| Advance against disposal of Non current asset held for sale | - | 188,303 |
| Others | 241,372 | 136,388 |
| | <u>9,593,715</u> | <u>11,309,073</u> |

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

| SURPLUS ON REVALUATION OF ASSETS - NET OF TAX | | (Un-audited) | (Audited) |
|---|-----|-----------------------------|----------------------|
| | | September 30, 2021 | December 31, 2020 |
| | | ------(Rupees in '000)----- | |
| Surplus on revaluation of: | | | |
| Available for sale securities | 9.1 | 2,789,268 | 2,150,785 |
| Fixed Assets | | 2,031,216 | 2,042,473 |
| Non-banking assets acquired in satisfaction of claims | 14 | 223,045 | 226,308 |
| | | 5,043,529 | 4,419,566 |
| Deferred tax liability on surplus on revaluation of: | | | |
| Available for sale securities | 13 | (976,244) | (752,775) |
| Fixed Assets | | (618,428) | (621,899) |
| Non-banking assets acquired in satisfaction of claims | | (13,241) | (14,383) |
| | | (1,607,913) | (1,389,057) |
| | | 3,435,616 | 3,030,509 |

22 CONTINGENCIES AND COMMITMENTS

| | | |
|--------------------------------|------------|------------|
| - Guarantees | 9,323,047 | 10,342,243 |
| - Commitments | 38,187,173 | 10,298,481 |
| - Other contingent liabilities | 229,652 | 1,360,580 |
| | 47,739,872 | 22,001,304 |

22.1 Guarantees

| | | |
|------------------------|-----------|------------|
| Financial guarantees | - | 84,182 |
| Performance guarantees | 4,063,645 | 5,888,773 |
| Other guarantees | 5,259,402 | 4,369,288 |
| | 9,323,047 | 10,342,243 |

22.2 Commitments

| | | |
|---|------------|-------------|
| Documentary credits and short-term trade-related transactions | | |
| - letters of credit | 25,835,866 | 12,003,211 |
| Commitments in respect of: | | |
| - Shariah compliant alternative of forward foreign exchange contracts | 1,301,219 | (9,435,135) |
| Commitments for acquisition of: | | |
| - fixed assets | 192,575 | 232,703 |
| - intangible assets | 70,278 | 15,559 |
| Other commitments | 10,787,235 | 7,482,143 |
| | 38,187,173 | 10,298,481 |

22.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts

| | | |
|----------|--------------|--------------|
| Purchase | 13,223,818 | 11,389,226 |
| Sale | (11,922,599) | (20,824,361) |
| | 1,301,219 | (9,435,135) |

22.2.2 Other commitments

| | | |
|----------------------|------------|-----------|
| Bills for collection | 10,787,235 | 7,482,143 |
|----------------------|------------|-----------|

22.3 Other contingent liabilities

| | | |
|---|---------|-----------|
| Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Bank has not acknowledged as debt | 4,200 | 11,200 |
| Tax Contingencies | 225,452 | 1,349,380 |
| | 229,652 | 1,360,580 |

22.3.1 There is no change in the status of contingencies related to pending legal cases, as set out in note 26.3.1 to 26.3.1.4 to the financials statements of the Bank for the year ended December 31, 2020 except for note 26.3.1.4 where the legal formalities have been completed and settlement with international payment scheme has been concluded. The financial effects of the settlement has been recorded in these unconsolidated condensed interim financial statements (refer note 14).

22.3.2 There is no change in the status of tax and other contingencies, as set out in note 26.3.2 to the annual financial statements of the Bank for the year ended December 31, 2020 except for note 26.3.2.7 where during the year 2021 the learned Commissioner Appeal has passed an order in favor of the Bank with regards to Assessment Order passed by the Learned DCIR relating to Tax Year 2014 and 2015, thereby nullifying the tax demand of Rs. 53.770 million and Rs.61.780 million, respectively. Furthermore, during the year, the allowed time period to pass an order by the Learned Commissioner under section 124(1) to give effect to findings in respect of the order passed by the Learned Commissioner (Appeals) with regards to tax year 2016 and tax year 2017 has been lapsed. Therefore, the tax related contingencies of Rs. 994.553 million and Rs. 13.825 million in relation to tax year 2016 and tax year 2017 has been deleted.

23 PROFIT / RETURN EARNED

Profit earned on:

| | (Un-audited) | |
|-------------|------------------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | ----- (Rupees in '000) ----- | |
| Financing | 8,781,476 | 11,506,849 |
| Investments | 5,286,999 | 3,797,923 |
| Placements | 2,764,805 | 5,132,021 |
| Others | 95,833 | 86,801 |
| | <u>16,929,113</u> | <u>20,523,594</u> |

24 PROFIT / RETURN EXPENSED

| | | |
|---|------------------|-------------------|
| Deposits and other accounts | 7,841,040 | 9,417,450 |
| Due to financial institutions | 572,724 | 620,815 |
| Cost of foreign currency swaps against foreign currency deposits | 6,499 | 23,577 |
| Finance cost on Ijarah (lease) liabilities | 285,541 | 327,410 |
| Additional Tier-1 sukuk | 153,342 | 189,452 |
| | <u>8,859,146</u> | <u>10,578,704</u> |

25 FEE AND COMMISSION INCOME

| | | |
|---|----------------|----------------|
| Branch banking customer fees | 39,397 | 42,067 |
| Commission on bancatakaful | 110,253 | 80,617 |
| Card related fees | 249,411 | 173,933 |
| Commission on arrangement with financial institutions | 74,363 | 45,176 |
| Consumer finance related fees | 51,586 | 22,687 |
| Commission on guarantees | 70,487 | 33,468 |
| Investment banking fees | 87,896 | 125,006 |
| Commission on cash management | 5,201 | 2,728 |
| Commission on remittances including home remittances | 21,206 | 23,993 |
| Commission on trade | 157,634 | 97,627 |
| Others | 4,572 | 9,430 |
| | <u>872,006</u> | <u>656,732</u> |

26 GAIN ON SECURITIES

| Note | (Un-audited) | |
|---------------|-----------------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | ------(Rupees in '000)----- | |
| Realized gain | 226,411 | 241,555 |

26.1 Realized gain on:

| | | |
|---|----------------|----------------|
| Federal Government Securities | 24,829 | - |
| Non-Government Shariah compliant Securities | 25,118 | 241,555 |
| Shares | 24,863 | - |
| Non-Current Assets held for sale | 151,601 | - |
| | <u>226,411</u> | <u>241,555</u> |

27 OTHER INCOME

| | | |
|--|---------------|---------------|
| Rent on property | 938 | 7,763 |
| Gain on termination of financing | 57,503 | 65,298 |
| Gain on sale of property and equipment | 876 | 4,278 |
| Recoveries against previously expensed items | 7,434 | 8,594 |
| | <u>66,751</u> | <u>85,933</u> |

28 OPERATING EXPENSES

| | | |
|----------------------------|-----------|-----------|
| Total compensation expense | 3,004,287 | 2,604,758 |
|----------------------------|-----------|-----------|

Property expense

| | | |
|---|------------------|------------------|
| Rent & taxes | 44,602 | 52,367 |
| Takaful charges | 967 | 2,931 |
| Utilities cost | 336,160 | 248,343 |
| Security (including guards) | 267,964 | 273,444 |
| Repair & maintenance (including janitorial charges) | 154,941 | 127,231 |
| Depreciation | 270,083 | 255,095 |
| Depreciation on right-of-use assets | 632,251 | 607,620 |
| Others | - | 30 |
| | <u>1,706,968</u> | <u>1,567,061</u> |

Information technology expenses

| | | |
|----------------------|----------------|----------------|
| Software maintenance | 218,648 | 177,686 |
| Hardware maintenance | 69,842 | 94,051 |
| Depreciation | 176,039 | 145,487 |
| Amortization | 46,727 | 48,025 |
| Network charges | 137,270 | 113,493 |
| | <u>648,526</u> | <u>578,742</u> |

Other operating expenses

| | | |
|--|------------------|------------------|
| Directors' fees and allowances | 8,760 | 7,070 |
| Fees and allowances to Shariah Board | 13,796 | 11,701 |
| Legal & professional charges | 140,052 | 82,979 |
| Travelling & conveyance | 29,846 | 22,818 |
| NIFT clearing charges | 20,004 | 21,464 |
| Depreciation | 144,363 | 135,063 |
| Depreciation on non-banking assets | 8,977 | 3,382 |
| Entertainment expense | 43,878 | 43,663 |
| Training & development | 3,139 | 6,298 |
| Postage & courier charges | 31,068 | 49,588 |
| Communication | 34,249 | 50,913 |
| Stationery & printing | 105,702 | 140,988 |
| Marketing, advertisement & publicity | 87,088 | 111,219 |
| Repairs and maintenance | 88,742 | 75,617 |
| Takaful, tracker and other charges on car ljarah | 144,411 | 135,241 |
| Takaful charges | 209,974 | 262,694 |
| Fee and subscription | 104,561 | 135,782 |
| Vehicle running and maintenance | 118,893 | 95,361 |
| Donation | 1,500 | 5,541 |
| Auditors' remuneration | 10,788 | 12,696 |
| Amortization | 1,910 | 1,709 |
| CDC and share registrar services | 6,786 | 7,510 |
| Brokerage and commission | 17,225 | 19,404 |
| Stamp duty, registration & verification charges | 57,033 | 12,204 |
| Others | 32,393 | 55,863 |
| | <u>1,465,138</u> | <u>1,506,768</u> |
| | <u>6,824,919</u> | <u>6,257,329</u> |

| | | (Un-audited) | |
|------|---|------------------------------|-----------------------|
| | Note | September 30, 2021 | September 30, 2020 |
| | | ----- (Rupees in '000) ----- | |
| 29 | OTHER CHARGES | | |
| | Penalties imposed by the State Bank of Pakistan | 2,075 | 130,354 |
| 30 | PROVISIONS AND WRITE OFFS - NET | | |
| | Provision / (reversal) for diminution in value of investments and due from financial institutions | (21,204) | 11,719 |
| | Provision against Islamic financing and related assets and advances - net | 468,875 | 1,488,462 |
| | Other provisions / (reversal) / write offs - net | (719,585) | 391,105 |
| | | (271,914) | 1,891,286 |
| 31 | TAXATION | | |
| | Current year | 350,577 | 455,445 |
| | Prior years | (156,696) | - |
| | Deferred | 874,794 | 685,446 |
| | | 1,068,675 | 1,140,891 |
| 32 | BASIC AND DILUTED EARNINGS PER SHARE | | |
| | | (Un-audited) | |
| | Note | September 30, 2021 | September 30, 2020 |
| | | ----- (Rupees in '000) ----- | |
| | Profit after taxation for the period | 1,855,298 | 1,762,179 |
| | | ----- Number of shares ----- | |
| | Weighted average number of ordinary shares in issue | 1,108,703,299 | 1,108,703,299 |
| | | ----- (Rupees) ----- | |
| | Earnings per share - basic / diluted | 1.6734 | 1.5894 |
| 32.1 | There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2021 and September 30, 2020. | | |

33 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity or investments in subsidiaries & associates, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost less impairment losses. 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 Shariah compliant 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.

33.1 Fair value of financial assets

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets 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 assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

| (Un-audited) | | | |
|------------------------------|---------|---------|-------|
| September 30, 2021 | | | |
| Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) ----- | | | |

On balance sheet financial instruments

Financial assets - measured at fair value

| | | | | |
|---|------------|------------|---|------------|
| Investments | | | | |
| Shares | 464,982 | - | - | 464,982 |
| GOP Ijara Sukuk | - | 55,671,469 | - | 55,671,469 |
| Non-Government Shariah compliant Securities | 32,414,334 | 6,846,713 | - | 39,261,047 |
| Non-current assets held for sale | - | - | - | - |

Non-Financial Assets - measured at fair value

| | | | | |
|----------------------------------|---|---|-----------|-----------|
| Fixed assets - Land and building | - | - | 6,541,187 | 6,541,187 |
| Non-banking assets | - | - | 1,662,411 | 1,662,411 |

Off-balance sheet financial instruments - measured at fair value

| | | | | |
|---|---|--------------|---|--------------|
| Shariah compliant alternative of forward purchase of foreign exchange | - | 13,710,011 | - | 13,710,011 |
| Shariah compliant alternative of forward sale of foreign exchange | - | (12,344,753) | - | (12,344,753) |

| (Audited) | | | |
|------------------------------|---------|---------|-------|
| December 31, 2020 | | | |
| Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) ----- | | | |

On balance sheet financial instruments

Financial assets - measured at fair value

| | | | | |
|---|------------|------------|---------|------------|
| Investments | | | | |
| Shares | 335,097 | - | - | 335,097 |
| GOP Ijara Sukuk | - | 44,497,832 | - | 44,497,832 |
| Non-Government Shariah compliant Securities | 31,440,745 | 7,454,508 | - | 38,895,253 |
| Non-current assets held for sale | - | - | 601,609 | 601,609 |

Non-Financial Assets - measured at fair value

| | | | | |
|----------------------------------|---|---|-----------|-----------|
| Fixed assets - Land and building | - | - | 6,491,725 | 6,491,725 |
| Non-banking assets | - | - | 1,671,387 | 1,671,387 |

Off-balance sheet financial instruments - measured at fair value

| | | | | |
|---|---|------------|---|------------|
| Shariah compliant alternative of forward purchase of foreign exchange | - | 11,246,372 | - | 11,246,372 |
| Shariah compliant alternative of forward sale of foreign exchange | - | 20,631,765 | - | 20,631,765 |

Valuation techniques used in determination of fair values within level 2

| Item | Valuation approach and input used |
|---|---|
| GOP Sukuks | The fair value of GOP Ijarah Sukuk are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from six different pre-defined / approved dealers / brokers. |
| WAPDA Sukuks | Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. |
| Shariah compliant alternative of forward foreign exchange contracts | The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan. |

Valuation techniques used in determination of fair values within level 3

| | |
|--|---|
| Operating fixed assets - Land and building | Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties. |
| Non-banking assets | Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties. |

- 33.2 The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 from last year.

34 SEGMENT INFORMATION

34.1 Segment Details with respect to Business Activities

| (Un-audited) September 30, 2021 | | | | | |
|------------------------------------|------------------|----------------|--------------------|----------------|-----------|
| | Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
| | (Rupees in '000) | | | | |
| Profit & Loss | | | | | |
| Net profit / return | 6,729,812 | (5,005,039) | 6,402,599 | (57,405) | 8,069,967 |
| Inter segment revenue - net | (6,258,529) | 11,926,049 | (5,512,373) | (155,147) | - |
| Total other income | 433,608 | 518,929 | 336,172 | 182,534 | 1,471,243 |
| Total Income | 904,891 | 7,439,939 | 1,226,398 | (30,018) | 9,541,210 |
| Segment direct expenses | 52,692 | 5,563,966 | 259,361 | 1,013,132 | 6,889,151 |
| Inter segment expense allocation | 57,049 | 472,396 | 434,662 | (964,107) | - |
| Total expenses | 109,741 | 6,036,362 | 694,023 | 49,025 | 6,889,151 |
| Provisions / (reversals) | (21,204) | 330,444 | 137,950 | (719,104) | (271,914) |
| Profit before tax | 816,354 | 1,073,133 | 394,425 | 640,061 | 2,923,973 |

| (Un-audited) September 30, 2021 | | | | | |
|---|--------------------|--------------------|--------------------|-------------------|--------------------|
| Balance Sheet | Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
| | (Rupees in '000) | | | | |
| Assets | | | | | |
| Cash & Bank balances | 12,962,686 | 10,438,369 | - | 617 | 23,401,672 |
| Investments | 106,908,951 | - | - | - | 106,908,951 |
| Net inter segment placements | - | 253,667,646 | - | 4,128,409 | 257,796,055 |
| Due from financial institutions | 44,358,422 | - | - | - | 44,358,422 |
| Islamic financing and related assets - performing | - | 34,324,593 | 113,844,905 | 3,230,889 | 151,400,387 |
| - non-performing | - | 1,534,992 | 2,581,486 | 137,706 | 4,254,184 |
| Others | 4,209,592 | 7,070,712 | 1,744,329 | 20,609,907 | 33,634,540 |
| Total Assets | 168,439,651 | 307,036,312 | 118,170,720 | 28,107,528 | 621,754,211 |
| Liabilities | | | | | |
| Due to financial institutions | 5,911,462 | 3,136,363 | 7,821,656 | - | 16,869,481 |
| Subordinated sukuk | - | - | - | 2,000,000 | 2,000,000 |
| Deposits & other accounts | 14,026,018 | 295,243,497 | - | - | 309,269,515 |
| Net inter segment acceptances | 148,450,202 | - | 109,345,853 | - | 257,796,055 |
| Others | 51,971 | 8,656,451 | 1,003,211 | 3,940,892 | 13,652,525 |
| Total liabilities | 168,439,653 | 307,036,311 | 118,170,720 | 5,940,892 | 599,587,576 |
| Equity | | | | 22,166,635 | 22,166,635 |
| Total Equity & liabilities | 168,439,653 | 307,036,311 | 118,170,720 | 28,107,527 | 621,754,211 |
| Contingencies & Commitments | 1,301,219 | - | 45,946,148 | 492,505 | 47,739,872 |

| (un-audited) September 30, 2020 | | | | | |
|------------------------------------|------------------|------------------|--------------------|------------------|-------------------|
| | Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
| | (Rupees in '000) | | | | |
| Profit & Loss | | | | | |
| Net profit / return | 6,937,513 | (5,827,625) | 8,937,866 | (102,864) | 9,944,890 |
| Inter segment revenue - net | (5,253,610) | 14,119,416 | (8,765,806) | - | - |
| Total other income | 597,721 | 411,596 | 265,259 | 20,634 | 1,295,210 |
| Total Income | 2,181,624 | 8,703,387 | 437,319 | (82,230) | 11,240,100 |
| Segment direct expenses | 47,057 | 3,839,731 | 175,201 | 2,383,755 | 6,445,744 |
| Inter segment expense allocation | 143,428 | 1,535,324 | 650,582 | (2,329,334) | - |
| Total expenses | 190,485 | 5,375,055 | 825,783 | 54,421 | 6,445,744 |
| Provisions | 11,719 | 147,293 | 1,350,788 | 381,486 | 1,891,286 |
| Profit / (loss) before tax | 1,979,420 | 3,181,039 | (1,739,252) | (518,137) | 2,903,070 |

| (Audited) December 31, 2020 | | | | | |
|---|--------------------|--------------------|--------------------|-------------------|--------------------|
| | Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
| | (Rupees in '000) | | | | |
| Assets | | | | | |
| Cash & Bank balances | 23,781,391 | 10,560,903 | - | - | 34,342,294 |
| Investments | 95,239,635 | - | - | - | 95,239,635 |
| Net inter segment placements | (137,226,369) | 232,280,589 | (97,855,923) | 2,801,703 | - |
| Due from financial institutions | 41,640,012 | - | - | - | 41,640,012 |
| Islamic financing and related assets - performing | - | 24,718,161 | 99,668,978 | 2,887,371 | 127,274,510 |
| - non-performing | - | 1,265,885 | 1,505,851 | 115,643 | 2,887,379 |
| Others | 1,144,752 | 5,271,853 | 5,430,218 | 23,066,645 | 34,913,468 |
| Total Assets | 24,579,421 | 274,097,391 | 8,749,124 | 28,871,362 | 336,297,298 |
| Liabilities | | | | | |
| Due to financial institutions | 7,675,410 | 1,989,031 | 6,463,175 | - | 16,127,616 |
| Subordinated sukuk | - | - | - | 2,000,000 | 2,000,000 |
| Deposits & other accounts | 16,691,764 | 266,949,587 | - | - | 283,641,351 |
| Net inter segment acceptances | - | - | - | - | - |
| Others | 133,484 | 5,158,771 | 2,437,698 | 6,903,205 | 14,633,158 |
| Total liabilities | 24,500,658 | 274,097,389 | 8,900,873 | 8,903,205 | 316,402,125 |
| Equity | - | - | - | 19,895,173 | 19,895,173 |
| Total Equity & liabilities | 24,500,658 | 274,097,389 | 8,900,873 | 28,798,378 | 336,297,298 |
| Contingencies & Commitments | (9,435,135) | - | 22,345,454 | 9,090,985 | 22,001,304 |

35 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans, its directors and Key Management Personnel.

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

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

| | (Un-audited) September 30, 2021 | | | | | (Audited) December 31, 2020 | | | | |
|---|------------------------------------|--------------------------|--------------|-------------|-----------------------|--------------------------------|--------------------------|--------------|-------------|-----------------------|
| | Directors | Key management personnel | Subsidiaries | Associates | Other related parties | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| (Rupees in '000) ----- | | | | | | | | | | |
| Investments / Non-current assets held for sale | | | | | | | | | | |
| Opening balance | - | - | 706,380 | 1,660,111 | - | - | - | 2,690,723 | 1,660,111 | - |
| Investment made during the period / year | - | - | - | - | - | - | - | - | - | - |
| Investment redeemed / disposed off during the period / year | - | - | (601,609) | - | - | - | - | - | - | - |
| Adjustment | - | - | - | - | - | - | - | (1,984,343) | - | - |
| Closing balance | - | - | 104,771 | 1,660,111 | - | - | - | 706,380 | 1,660,111 | - |
| Provision for diminution in value of investments | - | - | (104,771) | (1,032,169) | - | - | - | (104,771) | (1,032,169) | - |
| Islamic financing and related assets | | | | | | | | | | |
| Opening balance | 19,239 | 305,603 | 192,779 | 489,677 | 496,392 | 22,538 | 194,707 | 154,779 | 525,179 | 1,193,862 |
| Addition during the period / year | - | 85,087 | 679,000 | 286,691 | 3,310,141 | - | 180,438 | 780,000 | 92,048 | 3,216,340 |
| Repaid during the period / year | (2,881) | (26,602) | (619,956) | (295,496) | (3,186,139) | (3,299) | (66,942) | (742,000) | (127,550) | (3,404,528) |
| Transfer in / (out) - net | - | (104,971) | (251,823) | - | 79,531 | - | (2,600) | - | - | (509,282) |
| Closing balance | 16,358 | 259,117 | - | 480,872 | 699,905 | 19,239 | 305,603 | 192,779 | 489,677 | 496,392 |
| Other Assets | | | | | | | | | | |
| Profit receivable on financings | 103 | 17 | - | 4,217 | 4,743 | 812 | 167 | - | 1,626 | 3,153 |
| Subordinated sukuk | | | | | | | | | | |
| Opening balance | - | 1,015 | - | - | - | - | 10,000 | - | - | - |
| Issued / subscribed during the period / year | - | - | - | - | - | - | 15 | - | - | - |
| Redemption / Sold during the period / year | - | - | - | - | - | - | (9,000) | - | - | - |
| Closing balance | - | 1,015 | - | - | - | - | 1,015 | - | - | - |
| Deposits and other accounts | | | | | | | | | | |
| Opening balance | 18,887 | 25,210 | 704,601 | 85,142 | 1,171,529 | 3,534 | 6,260 | 269,777 | 82,086 | 1,062,262 |
| Received during the period / year | 38,291 | 326,698 | 19,340,729 | 1,887,246 | 6,617,589 | 96,690 | 694,472 | 23,549,788 | 1,641,620 | 8,820,606 |
| Withdrawn during the period / year | (42,972) | (324,601) | (19,334,211) | (1,924,558) | (6,496,493) | (81,169) | (675,522) | (23,114,034) | (1,638,684) | (8,711,343) |
| Transfer in / (out) - net | (2) | (845) | (711,114) | (13,902) | (82,916) | (168) | - | (930) | 120 | 4 |
| Closing balance | 14,204 | 26,462 | 5 | 33,928 | 1,209,709 | 18,887 | 25,210 | 704,601 | 85,142 | 1,171,529 |
| Other Liabilities | | | | | | | | | | |
| Profit / return payable | 10 | 185 | - | 2 | 6,856 | 2 | 160 | 3,972 | 689 | 7,141 |
| Meeting Fee / Remuneration Payable | - | - | - | - | - | 2,260 | - | - | - | - |
| Contingencies and Commitments | | | | | | | | | | |
| Other contingencies | - | - | - | - | 415,651 | - | - | - | - | 279,802 |
| (Un-audited) September 30, 2021 | | | | | | | | | | |
| (Un-audited) September 30, 2020 | | | | | | | | | | |
| | Directors | Key management personnel | Subsidiaries | Associates | Other related parties | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| (Rupees in '000) ----- | | | | | | | | | | |
| Income | | | | | | | | | | |
| Profit / return earned | 1,238 | 6,329 | - | 25,972 | 43,629 | 2,413 | 6,397 | 19,178 | 21,467 | 55,236 |
| Other income | - | 6,071 | 579 | - | - | - | 2,425 | 755 | - | - |
| Expense | | | | | | | | | | |
| Profit / return expended | 55 | 459 | 28,047 | 621 | 69,943 | 15 | 226 | 23,752 | 701 | 83,434 |
| Other administrative expenses | - | 2,824 | 251 | - | 7,938 | 86 | 1,636 | 355 | - | 5,005 |
| Meeting Fee / Remuneration | 8,760 | 192,683 | - | - | - | 7,070 | 139,871 | - | - | - |
| Contribution to employees provident fund | - | - | - | - | 100,272 | - | - | - | - | 88,774 |
| Charge for defined benefit plan | - | - | - | - | 94,919 | - | - | - | - | 87,095 |

36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The State Bank of Pakistan vide its letter no BPRD/BA&CP/649/3634/2019 dated February 15, 2019 has advised the Bank to apply regulatory deductions with respect to the balance sheet amount of "Goodwill" and "Deferred Tax Assets" pertaining to Defunct KASB Bank in the year ending 31 December 2019, 31 December 2020, 31 December 2021 at the cumulative rate of 25%, 60% and 100% respectively. Accordingly, the amounts of goodwill and deferred tax asset pertaining to defunct KASB Bank Limited have been deducted at the rate of 60% from CET 1 capital as at 31 December 2020 and September 30, 2021.

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|---------------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Minimum Capital Requirement (MCR): | 11,007,991 | 11,007,991 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 15,409,321 | 13,347,239 |
| Eligible Additional Tier 1 (ADT 1) Capital | 2,000,000 | 2,000,000 |
| Total Eligible Tier 1 Capital | 17,409,321 | 15,347,239 |
| Eligible Tier 2 Capital | 5,560,565 | 4,779,847 |
| Total Eligible Capital (Tier 1 + Tier 2) | 22,969,886 | 20,127,086 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 115,339,566 | 103,520,752 |
| Market Risk | 1,694,850 | 956,425 |
| Operational Risk | 20,563,275 | 20,563,275 |
| Total | 137,597,691 | 125,040,452 |
| Common Equity Tier 1 Capital Adequacy ratio | 11.20% | 10.67% |
| Tier 1 Capital Adequacy Ratio | 12.65% | 12.27% |
| Total Capital Adequacy Ratio | 16.69% | 16.10% |
| National minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | 6.00% | 6.00% |
| Tier 1 minimum ratio | 7.50% | 7.50% |
| Total capital minimum ratio | 10.00% | 10.00% |
| CCB (Consisting of CET 1 only) | 1.50% | 1.50% |
| Total Capital plus CCB | 11.50% | 11.50% |

The capital to risk weighted assets ratio is calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardized Approach for credit and market risk and Basic Indicator Approach for operational Risk.

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|---------------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 17,409,321 | 15,347,239 |
| Total Exposures | 413,659,378 | 367,824,737 |
| | 4.21% | 4.17% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 112,171,806 | 66,806,359 |
| Total Net Cash Outflow | 46,372,948 | 33,817,378 |
| Liquidity Coverage Ratio | 246.27% | 210.41% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 311,385,451 | 282,534,177 |
| Total Required Stable Funding | 131,428,667 | 112,435,298 |
| Net Stable Funding Ratio | 236.92% | 251.29% |

37 NON - ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 27, 2021 have transferred an amount of Rs. 250 million out of 'Reserve for Bad Debts and Contingencies' to 'Unappropriated Profit'. The financial statements for the nine months ended September 30, 2021 does not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2021.

38 GENERAL

38.1 Captions, as prescribed by BPRD Circular Letter No. 5 dated March 22, 2019 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

38.2 These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

38.3 The figures in the financial statements have been rounded off to the nearest thousand rupee.

38.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

| Transfer from | Transfer to | As at December 31, 2020 (Rupees in '000) |
|---------------------------------|-------------|--|
| Statement of Financial Position | | |
| Bills Payable | Deposits | <u>1,625,401</u> |

39 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorized for issue on October 27, 2021 by the Board of Directors of the Bank.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

Condensed Interim
Consolidated Financial Statements
of
BankIslami Pakistan Limited
For the Quarter and Nine Months Ended
September 30, 2021

BankIslami Pakistan Limited

Condensed Interim Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2021

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|------|---------------------------------------|-----------------------------------|
| ----- Rupees in '000 ----- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 19,689,199 | 22,034,025 |
| Balances with other banks | 7 | 3,715,434 | 12,310,472 |
| Due from financial institutions | 8 | 44,358,422 | 41,640,012 |
| Investments | 9 | 107,335,456 | 95,622,282 |
| Islamic financing, related assets and advances | 10 | 155,654,571 | 129,971,889 |
| Fixed assets | 11 | 12,618,263 | 11,721,873 |
| Intangible assets | 12 | 3,199,929 | 3,155,509 |
| Deferred tax assets | 13 | 4,603,664 | 5,699,800 |
| Other assets | 14 | 13,115,733 | 13,637,939 |
| Assets classified as held for sale | 15 | - | 2,146,789 |
| Total Assets | | 364,290,671 | 337,940,590 |
| LIABILITIES | | | |
| Bills payable | 16 | 4,058,810 | 3,324,085 |
| Due to financial institutions | 17 | 16,869,481 | 16,127,616 |
| Deposits and other accounts | 18 | 309,269,510 | 282,936,750 |
| Subordinated Sukuk | 19 | 2,000,000 | 2,000,000 |
| Other liabilities | 20 | 9,614,038 | 11,343,041 |
| Liabilities directly associated with assets held for sale | 15 | - | 1,696,016 |
| | | 341,811,839 | 317,427,508 |
| NET ASSETS | | 22,478,832 | 20,513,082 |
| REPRESENTED BY | | | |
| Share capital - net | | 11,007,991 | 11,007,991 |
| Reserves | | 1,526,894 | 1,526,894 |
| Surplus on revaluation of assets - net of tax | 21 | 3,426,551 | 3,026,358 |
| Unappropriated profit | | 6,517,396 | 4,734,999 |
| | | 22,478,832 | 20,296,242 |
| Non-controlling interest | | - | 216,840 |
| | | 22,478,832 | 20,513,082 |
| CONTINGENCIES AND COMMITMENTS | 22 | | |

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2021

| Note | Quarter Ended | | Nine Months Ended | | |
|--|--------------------|--------------------|--------------------|--------------------|------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 | |
| Rupees in '000 | | | | | |
| Profit / return earned | 23 | 5,971,860 | 5,754,457 | 16,920,581 | 20,510,569 |
| Profit / return expensed | 24 | 2,968,668 | 2,598,158 | 8,831,114 | 10,562,930 |
| Net Profit / return | | 3,003,192 | 3,156,299 | 8,089,467 | 9,947,639 |
| OTHER INCOME | | | | | |
| Fee and commission income | 25 | 260,802 | 216,699 | 872,006 | 656,732 |
| Dividend income | | 8,556 | - | 17,604 | 7,050 |
| Foreign exchange income | | 118,892 | 90,166 | 288,471 | 303,940 |
| Gain on securities | 26 | 7,816 | 8,669 | 36,757 | 241,555 |
| Other income | 27 | 22,009 | 46,540 | 66,172 | 85,840 |
| Total other income | | 418,075 | 362,074 | 1,281,010 | 1,295,117 |
| Total Income | | 3,421,267 | 3,518,373 | 9,370,477 | 11,242,756 |
| OTHER EXPENSES | | | | | |
| Operating expenses | 28 | 2,340,446 | 2,115,082 | 6,824,919 | 6,250,900 |
| Workers welfare fund | | 21,223 | 20,419 | 62,157 | 58,061 |
| Other charges | 29 | 20 | 622 | 2,075 | 130,354 |
| Total other expenses | | 2,361,689 | 2,136,123 | 6,889,151 | 6,439,315 |
| Profit before provisions | | 1,059,578 | 1,382,250 | 2,481,326 | 4,803,441 |
| Provisions and write offs - net | 30 | 15,364 | 353,340 | (251,914) | 1,891,286 |
| Extra ordinary / unusual items | | - | - | - | - |
| Share of profit / (loss) from associate - net of tax | | - | (80,876) | 43,858 | (221,451) |
| PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS | | 1,044,214 | 948,034 | 2,777,098 | 2,690,704 |
| Taxation | 31 | 350,944 | 340,035 | 1,068,675 | 1,140,891 |
| PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS | | 693,270 | 607,999 | 1,708,423 | 1,549,813 |
| DISCONTINUED OPERATIONS | | | | | |
| Profit after taxation from Discontinued Operations | | - | 40,478 | 92,609 | 49,122 |
| PROFIT AFTER TAXATION | | 693,270 | 648,477 | 1,801,032 | 1,598,935 |
| ATTRIBUTABLE TO: | | | | | |
| Equity shareholders of the Bank | | 693,270 | 638,972 | 1,771,340 | 1,585,871 |
| Non-controlling interest | | - | 9,505 | 29,692 | 13,064 |
| | | 693,270 | 648,477 | 1,801,032 | 1,598,935 |
| Rupees | | | | | |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank | | | | | |
| Basic and diluted | 32 | 0.6253 | 0.5484 | 1.5409 | 1.3979 |
| Earnings per share for profit attributable to the ordinary equity holders of the Bank | | | | | |
| Basic and diluted | 32 | 0.6253 | 0.5849 | 1.5977 | 1.4304 |

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

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

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2021

| | Quarter Ended | | Nine Months Ended | |
|--|----------------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| | ----- Rupees in '000 ----- | | | |
| Profit after taxation for the year attributable to: | | | | |
| Equity shareholders of the Bank | 693,270 | 638,972 | 1,771,340 | 1,585,871 |
| Non-controlling interest | - | 9,505 | 29,692 | 13,064 |
| | <u>693,270</u> | <u>648,477</u> | <u>1,801,032</u> | <u>1,598,935</u> |
| Other Comprehensive Income | | | | |
| Items that may be reclassified to profit and loss account in subsequent periods: | | | | |
| Movement in surplus on revaluation of investments - net of tax attributable to: | | | | |
| Equity shareholders of the Bank | 291,584 | (721,919) | 410,100 | (1,756,594) |
| Non-controlling interest | 284 | 2,479 | 4,048 | 2,479 |
| | <u>291,868</u> | <u>(719,440)</u> | <u>414,148</u> | <u>(1,754,115)</u> |
| Items that may not be reclassified to profit and loss account in subsequent periods | | | | |
| Movement in surplus on revaluation of operating fixed assets - net of tax | - | - | 1,150 | - |
| | <u>-</u> | <u>-</u> | <u>1,150</u> | <u>-</u> |
| Total comprehensive income | <u>985,138</u> | <u>(70,963)</u> | <u>2,216,330</u> | <u>(155,180)</u> |
| Total comprehensive income attributable to: | | | | |
| Equity shareholders of the Bank | 984,854 | (82,947) | 2,182,590 | (170,723) |
| Non-controlling interest | 284 | 11,984 | 33,740 | 15,543 |
| | <u>985,138</u> | <u>(70,963)</u> | <u>2,216,330</u> | <u>(155,180)</u> |
| Total comprehensive income attributable to equity shareholders of the Bank: | | | | |
| Continuing operations | 950,240 | (122,568) | 2,147,017 | (185,176) |
| Discontinued operations | 34,614 | 39,621 | 35,573 | 14,453 |
| | <u>984,854</u> | <u>(82,947)</u> | <u>2,182,590</u> | <u>(170,723)</u> |

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

| | Share capital | Discount on Issue of shares | Statutory reserve | Revenue reserve for bad debts & contingencies | Surplus on revaluation of | | Unappropriated profit | Sub total | Non-controlling interest | Total |
|--|---------------|-----------------------------|-------------------|---|---------------------------|----------------------------|-----------------------|-------------|--------------------------|-------------|
| | | | | | Investments | Fixed / Non Banking Assets | | | | |
| Rupees in '000 | | | | | | | | | | |
| Balance as at December 31, 2019 | 11,087,033 | (79,042) | 937,624 | 250,000 | 2,989,143 | 1,637,630 | 3,436,341 | 20,258,729 | 194,787 | 20,453,516 |
| Profit after taxation for the Nine months ended September 30, 2020 | - | - | - | - | - | - | 1,585,871 | 1,585,871 | 13,064 | 1,598,935 |
| Other comprehensive income for the Nine months ended September 30, 2020 | - | - | - | - | (1,386,265) | - | - | (1,386,265) | 7,469 | (1,378,796) |
| Total comprehensive income for the Nine months ended September 30, 2020 | - | - | - | - | (1,386,265) | - | 1,585,871 | 199,606 | 20,533 | 220,139 |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | (3,199) | 3,199 | - | - | - |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | (1,045) | 1,045 | - | - | - |
| Balance as at September 30, 2020 | 11,087,033 | (79,042) | 937,624 | 250,000 | 1,602,878 | 1,633,386 | 5,026,456 | 20,458,335 | 215,320 | 20,673,655 |
| Loss after taxation for the period from October 01, 2020 to December 31, 2020 | - | - | - | - | - | - | (39,504) | (39,504) | 8,131 | (31,373) |
| Other comprehensive income/ (loss) for the period from October 01, 2020 to December 31, 2020 | - | - | - | - | (209,019) | 83,150 | 3,280 | (122,589) | (6,611) | (129,200) |
| Total comprehensive income/ (loss) for the period from October 01, 2020 to December 31, 2020 | - | - | - | - | (209,019) | 83,150 | (36,224) | (162,093) | 1,520 | (160,573) |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | 439 | (439) | - | - | - |
| Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax | - | - | - | - | - | (818) | 818 | - | - | - |
| Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax | - | - | - | - | - | (83,658) | 83,658 | - | - | - |
| Transfer to statutory reserve | - | - | 339,270 | - | - | - | (339,270) | - | - | - |
| Balance as at December 31, 2020 | 11,087,033 | (79,042) | 1,276,894 | 250,000 | 1,393,859 | 1,632,499 | 4,734,999 | 20,296,242 | 216,840 | 20,513,082 |
| Profit after taxation for the nine months ended September 30, 2021 | - | - | - | - | - | - | 1,771,340 | 1,771,340 | 29,692 | 1,801,032 |
| Other comprehensive income for the nine months ended September 30, 2021 | - | - | - | - | 410,100 | 1,150 | - | 411,250 | 4,048 | 415,298 |
| Total comprehensive income for the nine months ended September 30, 2021 | - | - | - | - | 410,100 | 1,150 | 1,771,340 | 2,182,590 | 33,740 | 2,216,330 |
| Elimination of non-controlling interest at disposal of subsidiaries | - | - | - | - | - | - | - | - | (250,580) | (250,580) |
| Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | (2,070) | 2,070 | - | - | - |
| Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax | - | - | - | - | - | (2,121) | 2,121 | - | - | - |
| Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax | - | - | - | - | - | (6,866) | 6,866 | - | - | - |
| Balance as at September 30, 2021 | 11,087,033 | (79,042) | 1,276,894 | 250,000 | 1,803,959 | 1,622,592 | 6,517,396 | 22,478,832 | - | 22,478,832 |

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

| | September 30, 2021 | September 30, 2020 |
|---|-----------------------|-----------------------|
| Note | Rupees in '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit Before Taxation from Continuing Operations | 2,777,098 | 2,690,704 |
| Profit before taxation from Discontinued Operations | 141,722 | 79,852 |
| Less: Dividend Income | (17,604) | (7,050) |
| Less: Share of loss from associate | (43,858) | 221,451 |
| | <u>2,857,358</u> | <u>2,984,957</u> |
| Adjustments for non-cash charges and other items: | | |
| Depreciation on fixed assets | 590,485 | 534,970 |
| Depreciation on non banking assets | 8,977 | 3,382 |
| Depreciation on right-of-use assets | 632,251 | 607,620 |
| Amortization | 48,637 | 49,734 |
| Depreciation on operating Ijarah assets | 1,112,358 | 852,470 |
| Finance cost on Ijarah (lease) liabilities | 285,541 | 327,410 |
| Provisions and write offs - net | 30 (285,914) | 1,891,286 |
| Charge for defined benefit plan | 94,919 | 87,095 |
| Loss on sale of non-current assets held for sale | 38,053 | - |
| Gain on sale of property and equipment | 27 (876) | (4,278) |
| | <u>2,558,431</u> | <u>4,349,689</u> |
| | <u>5,415,789</u> | <u>7,334,646</u> |
| (Increase) / decrease in operating assets | | |
| Due from financial institutions | (2,718,410) | 12,090,676 |
| Islamic financing and related assets and advances | (27,263,915) | (5,358,911) |
| Others assets | 1,567,402 | (3,330,649) |
| | <u>(28,414,923)</u> | <u>3,401,116</u> |
| Increase in operating liabilities | | |
| Bills payable | 734,725 | 737,350 |
| Due to financial institutions | 741,865 | (813,883) |
| Deposits and other accounts | 26,332,760 | 25,460,143 |
| Other liabilities (excluding current taxation) | (1,450,737) | 2,444,675 |
| | <u>26,358,613</u> | <u>27,828,285</u> |
| | <u>3,359,479</u> | <u>38,564,047</u> |
| | <u>(481,261)</u> | <u>(357,320)</u> |
| Income tax paid | | |
| Net cash generated from Continuing Operations | <u>2,878,218</u> | <u>38,206,727</u> |
| Net cash used in Discontinued Operations | <u>(591,071)</u> | <u>(447,863)</u> |
| Net cash generated from operating activities | <u>2,287,147</u> | <u>37,758,864</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investments in available-for-sale securities | (11,253,965) | (6,369,507) |
| Dividend received | 17,604 | 7,050 |
| Payment of Ijarah (lease) liability against right-of-use assets | (794,431) | (714,183) |
| Investments in fixed assets | (1,889,625) | (274,895) |
| Investments in intangible assets | (93,057) | (55,045) |
| Proceeds from disposal of non-current assets held for sale | 753,210 | - |
| Proceeds from disposal of fixed assets | 33,253 | 22,974 |
| Net cash used in from investing activities | <u>(13,227,011)</u> | <u>(7,383,607)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of subordinated sukuk | - | 300,000 |
| Net cash generated from financing activities | <u>-</u> | <u>300,000</u> |
| (Decrease) / increase in cash and cash equivalents | <u>(10,939,864)</u> | <u>30,675,257</u> |
| Cash and cash equivalents at the beginning of the period | 34,344,497 | 16,520,755 |
| Cash and cash equivalents at the end of the period | <u>23,404,633</u> | <u>47,196,012</u> |

The annexed notes 1 to 39 form an integral part of these condensed interim consolidated financial statements.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Notes to and Forming Part of the Condensed Interim Consolidated Financial Statements (Un-audited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

1 STATUS AND NATURE OF BUSINESS

The Group comprises of:

1.1 BankIslami Pakistan Limited (Holding Company or the Bank)

BankIslami Pakistan Limited (the Holding Company) was incorporated in Pakistan on October 18, 2004 as a public limited company to carry out the business of an Islamic Commercial Bank in accordance with the principles of Islamic Shariah.

The State Bank of Pakistan (SBP) granted a 'Scheduled Islamic Commercial Bank' license to the Bank on March 18, 2005. The Holding Company commenced its operations as a Scheduled Islamic Commercial Bank with effect from April 07, 2006, on receiving Certificate of Commencement of Business from the State Bank of Pakistan (SBP) under section 37 of the State Bank of Pakistan Act, 1956. The Holding Company is principally engaged in corporate, commercial, consumer, retail banking and investment activities.

The Holding Company is operating through 340 branches including 80 sub branches as at September 30, 2021 (2020: 343 branches including 81 sub branches). The registered office of the Holding Company is situated at 11th Floor, Dolmen City Executive Tower, Marine Drive, Block-4, Clifton, Karachi. The shares of the Holding Company are quoted on the Pakistan Stock Exchange Limited (PSX).

Based on financial statements of the Holding Company for the year ended December 31, 2020, the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Holding Company's long-term rating at 'A+' and the short-term rating at 'A1' with a positive outlook.

1.2 Subsidiary Companies

1.2.1 Subsidiary Companies Disposed During the Current Period

1.2.1.1 BankIslami Modaraba Investments Limited - 100 percent holding

The subsidiary company was incorporated in Pakistan on January 22, 1986 as a public limited company. Later on it was registered as a Modaraba Company with the Registrar of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The principal activity of the subsidiary company is to float and operate Modaraba. The subsidiary company is managing its Modaraba with the name of Modaraba-Al-Mali. The principal place of business of the subsidiary company is situated at 10th Floor, Progressive Square, Shahrah-e-Faisal, Karachi.

In the year 2019, the Holding Company decided to sell its investment in BankIslami Modaraba Investments Limited (refer note 15). During the current period, the members of the Holding Company, in an Extraordinary General Meeting (EOGM), passed a resolution to approve the sale of BankIslami Modaraba Investments Limited. Subsequently, the sale transaction of the subsidiary was concluded on May 18, 2021 after which the subject subsidiary company ceased to be the subsidiary of the Holding Company. Accordingly, the financial results of the subsidiary company have been consolidated based on the condensed interim financial information for the period ended May 18, 2021.

1.2.1.2 BIPL Securities Limited - 77.12 percent holding

BIPL Securities Limited was incorporated in Pakistan on October 24, 2000 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the PSX. The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a TREC holder of the PSX and Corporate member of Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in listed and unlisted equity and debt securities, economic research and advisory services.

During the year 2019, the Holding Company had decided to sell its investment in BIPL Securities Limited (refer note 15). During the current period, the members of the Holding Company, in an Extraordinary General Meeting (EOGM), passed a resolution to approve the sale of BIPL Securities Limited. Subsequently, the sale transaction of the subsidiary was concluded on June 28, 2021 after which the subject subsidiary company ceased to be the subsidiary of the Holding Company. Accordingly, the financial results of the subsidiary company have been consolidated based on the condensed interim financial information for the period ended June 28, 2021.

1.2.2 Other Subsidiary Companies

1.2.2.1 My Solutions Corporation Limited - 100 percent holding

My Solutions Corporation Limited (the Company) was incorporated as a private limited company on November 05, 1995 and was converted into a public limited company on March 24, 2003. The Company is currently dormant. Its registered office is situated at the 9th floor, Trade Centre, I.I Chundrigar Road, Karachi.

1.2.2.2 Structured Ventures (Private) Limited - 77.12 percent holding - (Indirect subsidiary)

Structured Venture (Private) Limited was incorporated in Pakistan on June 25, 2010. The registered office of the company is situated at 5th floor, Trade Centre, I.I. Chundrigar Road, Karachi. The company is a wholly owned subsidiary of BIPL Securities Limited. On account of disposal of investment in BIPL Securities Limited, effective from June 28, 2021, the subject sub-subsidiary has ceased to be the sub-subsidiary of the Holding Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and notified under Companies Act 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) 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, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 2.2 The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.
- 2.3 The SBP, vide its BSD Circular Letter no. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated 25 February 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, the SECP, through S.R.O 411 (1) / 2008 dated 28 April 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Further, the SBP has deferred the applicability of International Accounting Standard (IAS) 39, Financial Instruments, Recognition and Measurement, and has directed all Banks to implement IFRS 9, Financial Instruments, with effect from 01 January 2021 vide BPRD Circular No. 04 of 2019 dated 23 October 2019. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.
- 2.4 Further, 'SBP, vide its BPRD Circular Letter No. 24 of 2021 dated 05 July 2021, has deferred the applicability of IFRS 9 on banks in Pakistan to accounting period beginning on or after January 01, 2022. The impact of application of IFRS 9 on Bank's financial statements is presently being assessed and the same will conclude subsequent to issuance of final application guidelines by SBP.
- 2.5 The Holding Company provides financing mainly through Murabahah, Ijarah, Istisna, Diminishing Musharakah, Muswammah and other Islamic modes.

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 utilized and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However, income, if any, received which does not comply with the principles of Islamic Shariah is recognized as charity payable as directed by the Shariah Board of the Holding Company.

2.6 Basis of Consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Holding Company and the financial statements of subsidiary companies from the date that control of the subsidiary by the Holding Company commences until the date that control ceases. The financial statements of the subsidiary companies, other than those classified as 'Held for Sale' (refer note 15), are incorporated on a line-by-line basis and the investment held by the Holding Company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

The financial statements of all material subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are generally consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of IFRS 9: Financial Instruments, IAS 40: Investment Property and IFRS - 7: Financial Instruments: Disclosures, which are required to comply with local regulations enforced within the respective jurisdictions.

Material intra-group balances and transactions are eliminated.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements of the Holding Company for the year ended December 31, 2020.

3.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period

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

3.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

| Standard, Interpretation or Amendment | Effective date (annual periods beginning on or after) |
|--|---|
| Classification of Liabilities as Current or Non-current - Amendments to IAS 1 | January 01, 2023 |
| Reference to the Conceptual Framework –Amendments to IFRS 3 | January 01, 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 | January 01, 2022 |
| Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 | January 01, 2022 |
| Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | January 01, 2022 |
| Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition of financial liabilities | January 01, 2022 |
| Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements | January 01, 2022 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | Not yet finalized |

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|--|
| IFRS 1 – First time adoption of International Financial Reporting Standards | January 01, 2014 |
| IFRS 17 – Insurance Contracts | January 01, 2023 |

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Holding Company for the year ended December 31, 2020.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Holding Company are consistent with those disclosed in the annual consolidated financial statements for the year ended December 31, 2020.

6 CASH AND BALANCES WITH TREASURY BANKS

In hand:

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--------------------|---------------------------------------|-----------------------------------|
| - local currency | 8,218,256 | 6,153,879 |
| - foreign currency | 467,220 | 601,823 |
| | <u>8,685,476</u> | <u>6,755,702</u> |

With the State Bank of Pakistan in:

| | | |
|--------------------------------------|------------------|----------------|
| - local currency current account | 7,959,310 | 11,281,084 |
| - foreign currency deposit accounts: | | |
| - Cash Reserve Account | 569,484 | 431,873 |
| - Special Cash Reserve Account | 687,921 | 522,019 |
| - US Dollar Clearing Account | 43,141 | 21,184 |
| | <u>1,300,546</u> | <u>975,076</u> |

With National Bank of Pakistan in:

| | | |
|----------------------------------|-----------|-----------|
| - local currency current account | 1,723,429 | 2,955,558 |
|----------------------------------|-----------|-----------|

National Prize Bonds

| | |
|-------------------|-------------------|
| 20,438 | 66,605 |
| <u>19,689,199</u> | <u>22,034,025</u> |

7 BALANCES WITH OTHER BANKS

In Pakistan:

| | | |
|-----------------------|--------------|--------------|
| - in current accounts | 967 | 2,356 |
| - in deposit accounts | 3,085 | 2,577 |
| | <u>4,052</u> | <u>4,933</u> |

Outside Pakistan:

| | | |
|-----------------------|------------------|-------------------|
| - in current accounts | 3,437,277 | 8,992,757 |
| - in deposit accounts | 274,105 | 3,312,782 |
| | <u>3,715,434</u> | <u>12,310,472</u> |

8 DUE FROM FINANCIAL INSTITUTIONS

| Note | (Un-audited) | | | (Audited) | | |
|------------------------------------|--------------------|-----------------------|-----------|-------------------|-----------------------|------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | In local currency | In foreign currencies | Total | In local currency | In foreign currencies | Total |
| Rupees in '000 | | | | | | |
| Secured | | | | | | |
| Bai Muajjal Receivable | | | | | | |
| -from Banks | 8.1 | 6,932,701 | - | 6,932,701 | - | - |
| -from Other Financial Institutions | 8.1 | 15,217,073 | - | 15,217,073 | 16,888,683 | - |
| | | | | | | 16,888,683 |
| Unsecured | | | | | | |
| Wakalah Placement | 8.2 | 3,300,000 | 2,217,457 | 5,517,457 | - | 3,073,290 |
| Musharaka Placements | 8.3 | 1,000,000 | - | 1,000,000 | 12,000,000 | - |
| | | | | | | 12,000,000 |
| Bai Muajjal Receivable | | | | | | |
| -from Banks | 8.1 | - | - | - | 4,818,345 | - |
| | | | | | | 4,818,345 |
| -from other financial Institutions | 8.1 | 15,691,191 | - | 15,691,191 | 4,859,694 | - |
| | | | | | | 4,859,694 |
| Other placements | | 25,110 | - | 25,110 | 27,540 | - |
| | | | | | | 27,540 |
| | | 42,166,075 | 2,217,457 | 44,383,532 | 38,594,262 | 3,073,290 |
| | | | | | | 41,667,552 |
| Provision against placements | 8.4 | (25,110) | - | (25,110) | (27,540) | - |
| | | | | | | (27,540) |
| | | 42,140,965 | 2,217,457 | 44,358,422 | 38,566,722 | 3,073,290 |
| | | | | | | 41,640,012 |

- 8.1 The return on these balances range between 6.40% to 7.32% (2020: 6.42% to 10.80%) per annum. The balances have maturities ranging between 01 day to 120 days (2020: 5 days to 46 days). These include Bai Muajjal secured against Federal Government securities received as collateral and having market value of Rs. 24,000 million (2020: Rs. 17,309 million).
- 8.2 These represents foreign and local placements and the profit rates on these agreements range between 0.04% to 8.10% (2020: 0.10% to 1.25%) per annum. These agreements have maturities ranging from 01 day to 98 days (2020: 6 to 180 days).
- 8.3 The profit rate on this agreement is 7.25% (2020: 7.00% to 7.20%) per annum and the agreement has maturity in 01 day (2020: 14 to 60 days).

8.4 Category of classification

| | (Un-audited) | | (Audited) | |
|----------------|-----------------------|----------------|-----------------------|----------------|
| | September 30, 2021 | | December 31, 2020 | |
| | Classified Placements | Provision held | Classified Placements | Provision held |
| Rupees in '000 | | | | |
| Loss | 25,110 | 25,110 | 30,780 | 30,780 |

- 8.4.1 The Holding Company does not hold overseas classified placements.

9 INVESTMENTS

| | | (Un-audited) | (Audited) |
|---|-----------|-----------------------|----------------------|
| | Note | September 30, 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| INVESTMENTS | | | |
| Investments - Islamic | 9.1 & 9.3 | 106,757,781 | 95,044,607 |
| Investments - Conventional (relating to amalgamated entity) | 9.2 & 9.4 | 577,675 | 577,675 |
| | | 107,335,456 | 95,622,282 |

| Note | (Un-audited) | | | | (Audited) | | | |
|------|-----------------------------|--------------------------------|------------------------|-------------------|-----------------------------|--------------------------------|------------------------|-------------------|
| | September 30, 2021 | | | | December 31, 2020 | | | |
| | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |

Rupees in '000

9.1 Islamic Investments by type

Available for sale securities
Federal Government Securities
Non Government Shariah
compliant Securities
Shares / Modaraba certificates

| | | | | | | | |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|
| 65,427,173 | - | 550,132 | 65,977,305 | 54,812,890 | - | (9,222) | 54,803,668 |
| 37,281,348 | (35,880) | 2,015,579 | 39,261,047 | 36,852,598 | (35,880) | 2,078,535 | 38,895,253 |
| 304,998 | (63,573) | 223,557 | 464,982 | 332,869 | (79,244) | 81,472 | 335,097 |
| 103,013,519 | (99,453) | 2,789,268 | 105,703,334 | 91,998,357 | (115,124) | 2,150,785 | 94,034,018 |

Associates

| | | | | | | | |
|-----------|---|---|-----------|-----------|---|---|-----------|
| 1,054,447 | - | - | 1,054,447 | 1,010,589 | - | - | 1,010,589 |
|-----------|---|---|-----------|-----------|---|---|-----------|

Total Islamic investments

| | | | | | | | |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|
| 104,067,966 | (99,453) | 2,789,268 | 106,757,781 | 93,008,946 | (115,124) | 2,150,785 | 95,044,607 |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|

9.2 Conventional Investments by type*

Available for sale securities
Non Government Debt Securities
Shares

| | | | | | | | |
|-----------|-----------|---|---------|-----------|-----------|---|---------|
| 232,645 | (232,645) | - | - | 263,710 | (263,710) | - | - |
| 1,189,030 | (611,355) | - | 577,675 | 1,189,030 | (611,355) | - | 577,675 |
| 1,421,675 | (844,000) | - | 577,675 | 1,452,740 | (875,065) | - | 577,675 |

Held to maturity securities
Non Government Debt Securities

| | | | | | | | |
|--------|----------|---|---|---------|-----------|---|---|
| 92,145 | (92,145) | - | - | 321,601 | (321,601) | - | - |
|--------|----------|---|---|---------|-----------|---|---|

Associates

| | | | | | | | |
|-----------|-------------|---|---|-----------|-------------|---|---|
| 1,032,746 | (1,032,746) | - | - | 1,032,746 | (1,032,746) | - | - |
|-----------|-------------|---|---|-----------|-------------|---|---|

Total conventional investments

| | | | | | | | |
|-----------|-------------|---|---------|-----------|-------------|---|---------|
| 2,546,566 | (1,968,891) | - | 577,675 | 2,807,087 | (2,229,412) | - | 577,675 |
|-----------|-------------|---|---------|-----------|-------------|---|---------|

9.3 Islamic Investments by segments

Federal Government Securities

GOP Ijarah Sukuks
Bai Muajjal

| | | | | | | | |
|------------|---|---------|------------|------------|---|---------|------------|
| 55,121,337 | - | 550,132 | 55,671,469 | 44,507,054 | - | (9,222) | 44,497,832 |
| 10,305,836 | - | - | 10,305,836 | 10,305,836 | - | - | 10,305,836 |
| 65,427,173 | - | 550,132 | 65,977,305 | 54,812,890 | - | (9,222) | 54,803,668 |

Non Government Shariah
compliant Securities

Pakistan Energy Sukuk-I
Pakistan Energy Sukuk-II
Other sukuk certificates-unlisted

| | | | | | | | | |
|-------|------------|----------|-----------|------------|------------|----------|-----------|------------|
| 9.3.1 | 27,146,945 | - | 1,832,419 | 28,979,364 | 27,503,500 | - | 1,925,245 | 29,428,745 |
| 9.3.2 | 3,393,034 | - | 41,936 | 3,434,970 | 2,000,000 | - | 12,000 | 2,012,000 |
| | 6,741,369 | (35,880) | 141,224 | 6,846,713 | 7,349,098 | (35,880) | 141,290 | 7,454,508 |
| | 37,281,348 | (35,880) | 2,015,579 | 39,261,047 | 36,852,598 | (35,880) | 2,078,535 | 38,895,253 |

Shares

Ordinary shares of listed companies

| | | | | | | | |
|---------|----------|---------|---------|---------|----------|--------|---------|
| 304,998 | (63,573) | 223,557 | 464,982 | 332,869 | (79,244) | 81,472 | 335,097 |
|---------|----------|---------|---------|---------|----------|--------|---------|

Associates - Unlisted

Shakarganj Food Products Limited

| | | | | | | | |
|-----------|---|---|-----------|-----------|---|---|-----------|
| 1,054,447 | - | - | 1,054,447 | 1,010,589 | - | - | 1,010,589 |
|-----------|---|---|-----------|-----------|---|---|-----------|

| | | | | | | | |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|
| 104,067,966 | (99,453) | 2,789,268 | 106,757,781 | 93,008,946 | (115,124) | 2,150,785 | 95,044,607 |
|-------------|----------|-----------|-------------|------------|-----------|-----------|------------|

* These assets are related to amalgamated entity. These investments are either fully provided or in the process of conversion / liquidation / disposal.

9.3.1 These represents Holding Company's investment in Pakistan Energy Sukuk-I issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR + 80bps.

9.3.2 These represents Holding Company's investment in Pakistan Energy Sukuk-II issued by Power Holding (Private) Limited, wholly owned by the Government of Pakistan. These Energy Sukuk are guaranteed by the Government of Pakistan and are eligible for Statutory Liquidity Requirements. These Energy Sukuk are based on Islamic mode of Ijarah and has a 10 year maturity with semi-annual rental payments carrying profit rate at 6 months KIBOR -10bps.

9.4 Conventional Investments by segments*

| | (Un-audited) | | | | (Audited) | | | |
|---|-----------------------------|--------------------------------|------------------------|-------------------|-----------------------------|--------------------------------|------------------------|-------------------|
| | September 30, 2021 | | | | December 31, 2020 | | | |
| | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| Rupees in '000 | | | | | | | | |
| Non Government Debt Securities | | | | | | | | |
| Listed | 82,785 | (82,785) | - | - | 85,888 | (85,888) | - | - |
| Unlisted | 242,005 | (242,005) | - | - | 499,423 | (499,423) | - | - |
| | 324,790 | (324,790) | - | - | 585,311 | (585,311) | - | - |
| Shares | | | | | | | | |
| Unlisted Companies | 33,680 | (33,680) | - | - | 33,680 | (33,680) | - | - |
| Foreign Securities | | | | | | | | |
| Equity Securities | 1,155,350 | (577,675) | - | 577,675 | 1,155,350 | (577,675) | - | 577,675 |
| Associates - Unlisted | | | | | | | | |
| KASB Capital Limited | 41,867 | (41,867) | - | - | 41,867 | (41,867) | - | - |
| KASB Funds Limited | 432,302 | (432,302) | - | - | 432,302 | (432,302) | - | - |
| New Horizon Exploration & Production Limited | 558,577 | (558,577) | - | - | 558,577 | (558,577) | - | - |
| | 1,032,746 | (1,032,746) | - | - | 1,032,746 | (1,032,746) | - | - |
| | 2,546,566 | (1,968,891) | - | 577,675 | 2,807,087 | (2,229,412) | - | 577,675 |

* These assets are related to amalgamated entity. These investments are either fully provided or in the process of conversion / liquidation / disposal.

| | | (Un-audited) | (Audited) |
|----------------------------|---|-----------------------|----------------------|
| | Note | September 30, 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | | | |
| 9.5 | Investments given as collateral | | |
| | Federal Government Securities | 5,000,000 | 5,000,000 |
| 9.6 | Provision for diminution in value of investments | | |
| 9.6.1 | Opening balance | 2,344,536 | 2,356,886 |
| | Charge / (reversals) | | |
| | Charge for the period / year | - | - |
| | Reversals for the period / year | (18,774) | (12,350) |
| | Provision for diminution in value of investments - net | (18,774) | (12,350) |
| | Amounts written off | (257,418) | - |
| | Closing Balance | 2,068,344 | 2,344,536 |
| 9.6.1.1 | Break up of provision for diminution in the value of investments is as follows: | | |
| | Investments - Islamic | 99,453 | 115,124 |
| | Investments - Conventional | 1,968,891 | 2,229,412 |
| | | 2,068,344 | 2,344,536 |

9.6.2 Particulars of provision against debt securities

| Category of classification | (Un-audited) | | (Audited) | |
|----------------------------|----------------------------|--------------------|----------------------------|--------------------|
| | September 30, 2021 | | December 31, 2020 | |
| | Non-performing investments | Specific Provision | Non-performing investments | Specific Provision |
| Rupees in '000 | | | | |
| Domestic | | | | |
| Loss | 636,921 | 360,670 | 897,442 | 621,191 |
| Total | 636,921 | 360,670 | 897,442 | 621,191 |

9.6.2.1 The Holding Company does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|------|---------------------------------------|-----------------------------------|
| Islamic financing and related assets - net | 10.1 | 155,465,718 | 129,706,587 |
| Advances (relating to amalgamated entity) - net | 10.2 | 188,853 | 265,302 |
| | | <u>155,654,571</u> | <u>129,971,889</u> |

| Note | Performing | | Non Performing | | Total | |
|---|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 |
| Rupees in '000 | | | | | | |
| 10.1 ISLAMIC FINANCING AND RELATED ASSETS | | | | | | |
| In Pakistan | | | | | | |
| - Running Musharakah | 10.11 | 46,547,671 | 39,189,963 | 1,487,510 | 1,668,510 | 48,035,181 |
| - Diminishing Musharakah financing and related assets - Others | 10.3 | 33,318,463 | 28,745,891 | 2,255,166 | 1,491,171 | 35,573,629 |
| - Diminishing Musharakah financing and related assets - Auto | | 21,641,342 | 14,336,290 | 235,971 | 223,763 | 21,877,313 |
| - Diminishing Musharakah - Housing | | 16,527,001 | 13,446,210 | 1,950,558 | 1,631,646 | 18,477,559 |
| - Murabahah financing and related assets | 10.6 & 10.9 | 12,259,997 | 3,496,899 | 309,659 | 440,795 | 12,569,656 |
| - Istisna financing and related assets | 10.5 & 10.10 | 9,027,549 | 11,397,127 | 1,193,404 | 1,022,049 | 10,220,953 |
| - Investment Agency Wakalah | | 5,208,333 | 6,250,000 | - | - | 5,208,333 |
| - Muswammah financing and related assets / Karobar financing | 10.4 | 4,570,372 | 8,380,530 | 4,478,676 | 3,024,150 | 9,049,048 |
| - Financing against Bills | | 1,184,999 | 23,236 | - | - | 1,184,999 |
| - Murabahah against Bills | | 850,336 | 72,092 | 892 | 892 | 851,228 |
| - Ijarah financing under IFAS 2 and related assets | 10.7 | 835,563 | 1,573,616 | 139,850 | 186,736 | 975,413 |
| - Musharakah financing | | 280,000 | 280,000 | - | - | 280,000 |
| - Net investment in Ijarah financing in Pakistan | | 136,096 | 143,162 | - | - | 136,096 |
| - Salam | 10.8 | 100,000 | 109,900 | - | - | 100,000 |
| - Housing finance portfolio - others | | 31,240 | 33,897 | - | - | 31,240 |
| - Past Due Acceptance | | 29,153 | 29,153 | - | - | 29,153 |
| - Qardh e Hasana | | - | 946 | 121,860 | 541,060 | 121,860 |
| Gross financing and related assets | | <u>152,548,115</u> | <u>127,508,912</u> | <u>12,173,546</u> | <u>10,230,772</u> | <u>164,721,661</u> |
| Less: Provision against non-performing Islamic financing and related assets | | | | | | |
| - Specific | 10.14 & 10.15 | - | - | (8,013,181) | (7,231,104) | (8,013,181) |
| - General | 10.15 | (1,242,762) | (801,993) | - | - | (1,242,762) |
| | | <u>(1,242,762)</u> | <u>(801,993)</u> | <u>(8,013,181)</u> | <u>(7,231,104)</u> | <u>(9,255,943)</u> |
| Islamic financing and related assets - net of provisions | | <u>151,305,353</u> | <u>126,706,919</u> | <u>4,160,365</u> | <u>2,999,668</u> | <u>155,465,718</u> |
| 10.2 ADVANCES | | | | | | |
| Loans, cash credits, running finances, etc. - In Pakistan* | | 95,089 | 110,380 | 4,906,438 | 6,009,473 | 5,001,527 |
| Net investment in finance lease - In Pakistan | 10.12 | - | - | 582,185 | 582,185 | 582,185 |
| Bills discounted and purchased (excluding treasury bills) - Payable in Pakistan | | - | - | 684,295 | 706,325 | 684,295 |
| Advances - gross | | <u>95,089</u> | <u>110,380</u> | <u>6,172,918</u> | <u>7,297,983</u> | <u>6,268,007</u> |
| Provision against advances | | | | | | |
| - Specific | 10.14 & 10.15 | - | - | (6,172,918) | (7,260,504) | (6,172,918) |
| - General | 10.15 | (55) | (55) | - | - | (55) |
| | | <u>(55)</u> | <u>(55)</u> | <u>(6,172,918)</u> | <u>(7,260,504)</u> | <u>(6,172,973)</u> |
| Advances - net of provision | | <u>95,034</u> | <u>110,325</u> | <u>-</u> | <u>37,479</u> | <u>95,034</u> |
| Fair Value adjustment | 10.16 | - | - | 93,819 | 117,498 | 93,819 |
| Advances - net of provision and fair value adjustment | | <u>95,034</u> | <u>110,325</u> | <u>93,819</u> | <u>154,977</u> | <u>188,853</u> |

* This includes non-interest bearing performing financing facilities amounting to Rs. 95.089 million (2020: Rs. 106.507 million).

| | | (Un-audited) | (Audited) |
|--------------|--|----------------------------|--------------------|
| | | September 30, | December 31, |
| | | 2021 | 2020 |
| | | ----- Rupees in '000 ----- | |
| 10.3 | Diminishing Musharakah financing and related assets - Others | | |
| | Diminishing Musharakah financing | 32,277,388 | 29,990,621 |
| | Advance against Diminishing Musharakah financing | 3,296,241 | 246,441 |
| | | <u>35,573,629</u> | <u>30,237,062</u> |
| 10.4 | Musawamah financing and related assets / Karobar financing | | |
| | Musawamah financing | 6,137,014 | 8,036,816 |
| | Advance against Musawamah financing | 124,590 | 205,000 |
| | Musawamah inventories | 2,787,444 | 3,162,864 |
| | | <u>9,049,048</u> | <u>11,404,680</u> |
| 10.5 | Istisna financing and related assets | | |
| | Istisna financing | 4,595,088 | 4,131,021 |
| | Advance against Istisna financing | 5,625,865 | 8,254,755 |
| | Istisna inventories | - | 33,400 |
| | | <u>10,220,953</u> | <u>12,419,176</u> |
| 10.6 | Murabahah financing and related assets | | |
| | Murabahah financing | 7,292,618 | 2,292,974 |
| | Deferred murabahah income | 230,863 | 71,613 |
| | Advances against Murabaha financing | 1,485,516 | 252,008 |
| | Murabaha Inventories | 3,560,659 | 1,321,099 |
| | | <u>12,569,656</u> | <u>3,937,694</u> |
| 10.7 | Ijarah financing under IFAS 2 and related assets | | |
| | Net book value of assets under IFAS 2 | 974,802 | 1,759,670 |
| | Advance against Ijarah financing | 611 | 682 |
| | | <u>975,413</u> | <u>1,760,352</u> |
| 10.8 | Salam | | |
| | Salam financing | 30,001 | - |
| | Advance against Salam | 69,999 | 109,900 |
| | | <u>100,000</u> | <u>109,900</u> |
| 10.9 | Murabahah financing and related assets includes financing amounting to Nil (2020: Rs. 139,750 million) and advance amounting to Rs. Nil million (2020: Rs. 80 million) under Islamic Export Refinance Scheme. | | |
| 10.10 | Istisna financing and related assets includes financing amounting to Rs. 0.012 million (2020: Rs. 154.188 million) and advance amounting to Rs. 1,926 million (2020: Rs. 1,580 million) under Islamic Export Refinance Scheme. | | |
| 10.11 | Running musharakah financing includes financing amounting to Rs. 2,349 million (2020: 1,492 million) under Islamic Export Refinance Scheme. | | |
| 10.12 | Musawamah financing includes financing amounting to Rs. Nil (2020: Nil) and advance amounting to Rs. 100 million (2020: Nil) under Islamic Export Refinance Scheme. | | |
| | | (Un-audited) | (Audited) |
| | | September 30, | December 31, |
| | | 2021 | 2020 |
| | | ----- Rupees in '000 ----- | |
| 10.13 | Particulars of Islamic financing and related assets and advances - gross | | |
| | In local currency | 169,439,760 | 143,965,752 |
| | In foreign currency | 1,549,908 | 1,182,295 |
| | | <u>170,989,668</u> | <u>145,148,047</u> |

- 10.14** Islamic financing, related assets and advances include Rs. 18,346.464 million (2020: Rs. 17,528.755 million) which have been placed under non-performing status as detailed below:

Category of classification

| (Un-audited) | | (Audited) | |
|---|--------------------|---|--------------------|
| September 30, 2021 | | December 31, 2020 | |
| Non-performing Islamic financing, related assets and advances | Specific Provision | Non-performing Islamic financing, related assets and advances | Specific Provision |

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

| | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Domestic | | | | |
| Other assets especially mentioned | 491,820 | - | 149,428 | - |
| Substandard | 684,534 | 63,925 | 485,371 | 34,915 |
| Doubtful | 3,019,663 | 1,332,111 | 1,947,553 | 536,216 |
| Loss | 14,150,447 | 12,790,063 | 14,946,403 | 13,920,477 |
| Total | 18,346,464 | 14,186,099 | 17,528,755 | 14,491,608 |

- 10.14.1** The Holding Company does not hold overseas classified non performing Islamic financing, related assets and advances.

10.15 Particulars of provision against non-performing Islamic financing and related assets and advances:

| | (Un-audited) | | | (Audited) | | |
|---------------------------------|--------------------|------------------|-------------------|-------------------|----------------|-------------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | Specific | General | Total | Specific | General | Total |
| ----- (Rupees in '000) ----- | | | | | | |
| Opening balance | 14,491,608 | 802,048 | 15,293,656 | 12,726,980 | 337,812 | 13,064,792 |
| Charge for the period / year | 1,416,144 | 440,769 | 1,856,913 | 2,181,260 | 464,236 | 2,645,496 |
| Reversals for the period / year | (1,411,717) | - | (1,411,717) | (416,632) | - | (416,632) |
| | 4,427 | 440,769 | 445,196 | 1,764,628 | 464,236 | 2,228,864 |
| Amount written off | (309,936) | - | (309,936) | - | - | - |
| Closing balance | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |

| | | | | | | |
|------------------------|-------------------|------------------|-------------------|-------------------|----------------|-------------------|
| 10.15.1 Islamic | 8,013,181 | 1,242,762 | 9,255,943 | 7,231,104 | 801,993 | 8,033,097 |
| Conventional | 6,172,918 | 55 | 6,172,973 | 7,260,504 | 55 | 7,260,559 |
| | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |

| (Un-audited) | (Audited) |
|----------------------------|-------------------|
| September 30, 2021 | December 31, 2020 |
| ----- Rupees in '000 ----- | |

10.15.2 Provision/ reversal of provision net of fair value adjustment taken to the profit and loss account

| | | |
|--|------------------|--------------------|
| Gross reversals for the period / year | 1,411,717 | 416,632 |
| Charge for the period / year | (1,856,913) | (2,645,496) |
| | (445,196) | (2,228,864) |
| Fair value adjusted - net | (23,679) | (1,361) |
| Net charge taken to the profit and loss account | (468,875) | (2,230,225) |

10.15.3 Particulars of provision against non-performing Islamic financing and related assets and advances:

| | (Un-audited) | | | (Audited) | | |
|----------------------------|--------------------|------------------|-------------------|-------------------|----------------|-------------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | Specific | General | Total | Specific | General | Total |
| ----- Rupees in '000 ----- | | | | | | |
| In local currency | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |
| | 14,186,099 | 1,242,817 | 15,428,916 | 14,491,608 | 802,048 | 15,293,656 |

- 10.15.4** The Holding Company maintains general reserve (provision) amounting to Rs. 467.817 million (2020: 352.048 million) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. In addition the Holding Company carries general provision of Rs. 775 million (December 31, 2020: 450 million) as a matter of prudence based on management estimate.

- 10.15.5** In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Holding Company has availed the benefit of Forced Sale Value (FSV) of collaterals against the non-performing financings. The benefit availed as at September 30, 2021 amounts to Rs. 1,079.194 million (2020: Rs. 890.288 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 658.308 million (2020: Rs. 543.076 million). The increase in profit, due to availing of the benefit, is not available for distribution of cash and stock dividend to share holders.

- 10.16** Provision in respect of acquired loans related to amalgamated entity have been determined after taking into considerations of the fair values of such loans on the basis of valuation exercise performed by the Independent consultant.

- 10.17** Total gross financing and related assets includes financing amounting to Rs. 2,162.617 million, Rs. 330.123 million, Rs. 2,249.233 million, Rs. 18.289 million and Rs. 84.408 million, under "Islamic refinance scheme for payment of wages and salaries", "Islamic refinance scheme for combating COVID (IRFCC)", "Refinance facility for Islamic Temporary Economic Refinance Facility (ITERF)", "Refinance for Islamic Financing Facility of Storage of Agricultural Produce (IFFSAP) and Islamic refinance facility for Modernization of SMEs", respectively.

11 FIXED ASSETS

| | Note | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|------------------------------|-------------|---------------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| Capital work-in-progress | 11.1 & 11.2 | 1,276,000 | 179,270 |
| Property and equipment | 11.2 & 11.3 | 8,727,147 | 8,555,964 |
| Right of use assets | 11.2 | 2,615,116 | 2,986,639 |
| | | <u>12,618,263</u> | <u>11,721,873</u> |

11.1 Capital work-in-progress

| | | | |
|--|--------|------------------|----------------|
| Advances to suppliers and contractors | | 91,518 | 138,670 |
| Advance for acquiring properties: | | | |
| - Office premises | 11.1.1 | 1,184,482 | 762,503 |
| | | 1,276,000 | 901,173 |
| Provision for impairment against advance for acquiring floor / office premises | 11.1.1 | - | (721,903) |
| | | <u>1,276,000</u> | <u>179,270</u> |

11.1.1 This includes advance against purchase of property amounting to Rs. 1,143.632 million (2020: Rs. 721.903 million). In view of settlement of dispute with a developer and withdrawal of related litigations, the provision against subject advance amounting to Rs. 721.903 million has been reversed during the period.

| | (Un-audited) September 30, 2021 | (Un-audited) September 30, 2020 |
|------------------------------|---------------------------------------|---------------------------------------|
| ----- (Rupees in '000) ----- | | |

11.2 Additions to fixed assets

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

| | | |
|--|------------------|----------------|
| Capital work-in-progress | 472,993 | 148,978 |
| Property and equipment | | |
| Leasehold building | 187,021 | 164,716 |
| Furniture and fixture | 232,818 | 27,114 |
| Electrical office and computer equipment | 384,974 | 198,290 |
| Vehicles | 7,754 | 4,014 |
| | <u>812,567</u> | <u>394,134</u> |
| Right of use assets | | |
| Leasehold building | 260,727 | 77,774 |
| Total | <u>1,546,287</u> | <u>620,886</u> |

11.3 Disposal of fixed assets

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

| | | |
|--|---------------|---------------|
| Building on freehold land | 31,004 | 17,958 |
| Furniture and fixture | 23,270 | 35 |
| Electrical office and computer equipment | 135 | 703 |
| | <u>54,409</u> | <u>18,696</u> |

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|------------------------------|---------------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | |

12 INTANGIBLE ASSETS

| | | | |
|-------------------|------|------------------|------------------|
| Computer software | 12.1 | 155,699 | 137,722 |
| Core deposits | | 29,422 | 26,479 |
| Other intangibles | | 23,500 | - |
| Goodwill | | 2,991,308 | 2,991,308 |
| | | <u>3,199,929</u> | <u>3,155,509</u> |

| | (Un-audited) September 30, 2021 | (Un-audited) September 30, 2020 |
|------------------------------|---------------------------------------|---------------------------------------|
| ----- (Rupees in '000) ----- | | |

12.1 Additions to intangible assets

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

| | | |
|----------------------|---------|--------|
| - Directly purchased | 112,558 | 55,044 |
|----------------------|---------|--------|

12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period

13 DEFERRED TAX ASSETS

Deductible temporary differences on:

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|---------------------------------------|-----------------------------------|
| Accumulated tax losses | 2,590,850 | 2,748,819 |
| Provision for diminution in the value of investments | 80,515 | 201,160 |
| Provision against non-performing islamic financing and related assets and advances | 3,510,690 | 3,797,882 |
| Ijarah financing and related assets | 253,789 | 207,080 |
| Accelerated tax depreciation | 152,997 | 61,891 |
| Others | (20,753) | 263,243 |
| | 6,568,088 | 7,280,075 |

Taxable temporary difference on:

| | | |
|--|-------------|-------------|
| Fair value adjustments relating to assets acquired upon amalgamation | (356,511) | (191,218) |
| Surplus on revaluation of fixed assets | (618,428) | (621,899) |
| Surplus on revaluation of non-banking assets | (13,241) | (14,383) |
| Surplus on revaluation of available for sale securities | (976,244) | (752,775) |
| | (1,964,424) | (1,580,275) |
| | 4,603,664 | 5,699,800 |

- 13.1 The Holding Company has aggregate tax losses of Rs. 7,402.428 million as at September 30, 2021 (2020: Rs. 7,853.768 million) which includes tax losses of the amalgamated entity. The management has carried out an assessment for estimating the benefit of these losses. The Holding Company would be able to set off the profit earned in future years against these carry forward losses. Based on this assessment the management has recognized deferred tax debit balance amounting to Rs. 2,590.850 million (2020: Rs. 2,748.819 million). The amount of this benefit has been determined based on the projected financial statements for the future periods as approved by the Board of Directors. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Holding Company, deposit's composition, kibar rates, growth of deposits and financing, investment returns, product mix of financing, potential provision against assets / financings, recoveries from non-performing loans and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

14 OTHER ASSETS

| | Note | September 30, 2021 | December 31, 2020 |
|--|------|------------------------------|----------------------|
| | | ----- (Rupees in '000) ----- | |
| Profit / return accrued in local currency | | 8,581,707 | 8,121,506 |
| Profit / return accrued in foreign currency | | 8,225 | 7,772 |
| Advances, deposits, advance rent and other prepayments | | 1,111,672 | 952,136 |
| Non-banking assets acquired in satisfaction of claims | | 2,144,045 | 2,149,758 |
| Takaful / insurance claim receivable | | 45,099 | 30,985 |
| Receivable against First WAPDA Sukuk | | 50,000 | 50,000 |
| Trade debts | | 532 | 532 |
| Acceptances | | 1,126,818 | 2,392,561 |
| Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts | | 75,619 | 60,489 |
| Amount held with financial institution | | - | 814,546 |
| Other receivables | | 616,094 | 419,497 |
| | | 13,759,811 | 14,999,782 |
| Less: Provision held against other assets | 14.1 | (867,123) | (1,588,151) |
| Other Assets (net of provision) | | 12,892,688 | 13,411,631 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 21 | 223,045 | 226,308 |
| Total other assets | | 13,115,733 | 13,637,939 |
| Market value of non-banking assets acquired in satisfaction of claims | | 1,661,648 | 1,671,387 |

| Note | (Un-audited) | (Audited) |
|---|------------------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| | ----- (Rupees in '000) ----- | |
| 14.1 Provision held against other assets | | |
| Advances, deposits, advance rent & other prepayments | 26,692 | 26,692 |
| Non banking assets acquired in satisfaction of claims | 704,679 | 704,679 |
| Amount held with financial institution | - | 719,218 |
| Others | 135,752 | 137,562 |
| 14.1.1 | 867,123 | 1,588,151 |
| 14.1.1 Movement in provision held against other assets | | |
| Opening balance | 1,588,151 | 1,253,182 |
| Charge for the period / year | 4,374 | 369,238 |
| Reversals for the period / year | (23,952) | (34,269) |
| Adjustment during the period / year | (701,450) | - |
| Closing balance | 867,123 | 1,588,151 |

15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On April 25, 2019, the Board of Directors announced their decision on Pakistan Stock Exchange to explore and evaluate the strategic options including divestment of shares held by the Holding Company in one or more associated and subsidiary companies. Subsequently, after following a detail process, the Holding Company signed Share Purchase Agreement with respect to sale of its investment in BankIslami Modaraba Investment Limited and BIPL Securities Limited (subsidiary companies) with respective buyers. These sale transactions have been concluded and investment in these subsidiary companies has been disposed off.

| | (Un-audited) | (Audited) |
|-------------------------|------------------------------|-------------------|
| | September 30, 2021 | December 31, 2020 |
| | ----- (Rupees in '000) ----- | |
| 16 BILLS PAYABLE | | |
| In Pakistan | 4,058,810 | 3,324,085 |
| Outside Pakistan | - | - |
| | 4,058,810 | 3,324,085 |

17 DUE TO FINANCIAL INSTITUTIONS

Secured

| | | |
|---|------------|------------|
| Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme | 3,961,600 | 3,622,550 |
| Acceptances from State Bank of Pakistan for financial assistance | 3,611,462 | 3,375,410 |
| Refinance facility for Islamic Mortgage | 3,136,363 | 1,989,031 |
| Islamic refinance scheme for payment of wages and salaries | 2,179,604 | 2,805,692 |
| Islamic refinance scheme for combating COVID (IRFCC) | 27,908 | 31,895 |
| Islamic refinance for Facility of Storage of Agricultural Produce (IFFSAP) | 18,289 | - |
| Refinance facility for Islamic Temporary Economic Refinance Facility (TERF) | 1,634,255 | 3,038 |
| Total secured | 14,569,481 | 11,827,616 |

Unsecured

| | | |
|------------------------|------------|------------|
| Wakalah Acceptance | - | 4,300,000 |
| Musharakah Acceptance | 2,300,000 | - |
| Total unsecured | 2,300,000 | 4,300,000 |
| | 16,869,481 | 16,127,616 |

18 DEPOSITS AND OTHER ACCOUNTS

| | (Un-audited) | | | (Audited) | | |
|-------------------------------|----------------------|--------------------------|-------------|----------------------|--------------------------|-------------|
| | September 30, 2021 | | | December 31, 2020 | | |
| | In Local Currency | In Foreign currencies | Total | In Local Currency | In Foreign currencies | Total |
| -----Rupees in '000----- | | | | | | |
| Customers | | | | | | |
| Current deposits | 103,564,427 | 3,583,273 | 107,147,700 | 89,268,714 | 3,068,383 | 92,337,097 |
| Savings deposits | 82,750,709 | 3,622,580 | 86,373,289 | 74,101,851 | 3,615,238 | 77,717,089 |
| Term deposits | 93,824,336 | 3,223,686 | 97,048,022 | 91,499,914 | 1,630,147 | 93,130,061 |
| Others | 2,275,618 | 65,968 | 2,341,586 | 2,701,340 | 56,786 | 2,758,126 |
| | 282,415,090 | 10,495,507 | 292,910,597 | 257,571,819 | 8,370,554 | 265,942,373 |
| Financial Institutions | | | | | | |
| Current deposits | 221,176 | 5,863 | 227,039 | 285,829 | 3,880 | 289,709 |
| Savings deposits | 13,966,774 | 600 | 13,967,374 | 6,961,168 | - | 6,961,168 |
| Term deposits | 2,164,500 | - | 2,164,500 | 9,743,500 | - | 9,743,500 |
| | 16,352,450 | 6,463 | 16,358,913 | 16,990,497 | 3,880 | 16,994,377 |
| | 298,767,540 | 10,501,970 | 309,269,510 | 274,562,316 | 8,374,434 | 282,936,750 |

19 SUBORDINATED SUKUK

19.1 The Holding Company has issued fully paid up, rated, listed, perpetual, unsecured, subordinated, non-cumulative and contingent convertible debt instruments in the nature of sukuk under Section 66 of the Companies Act, 2017 which qualify as Additional Tier I (ADT-1) Capital as outlined by State Bank of Pakistan (SBP) under BPRD Circular No. 6 dated August 15, 2013.

19.2 Salient features of the ADT-1 sukuk are as follows:

| | |
|--------------------------|--|
| Amount | Rs. 2,000 million. |
| Issue Date | April 21, 2020 |
| Tenor | Perpetual (i.e. no fixed or final redemption date) |
| Security | Unsecured |
| Expected Profit Rate | The Sukuk carries profit at the rate of 3 Months KIBOR + 2.75%. The Mudaraba Profit is computed under General Pool on the basis of profit sharing ratio and monthly weightages announced by the Holding Company inline with SBP's guidelines of pool management. |
| Instrument Rating | PACRA has rated this sukuk at 'A-' (A minus). |
| Profit payment frequency | Profit shall be payable monthly in arrears, on a non-cumulative basis |
| Call option | The Holding Company may, at its sole discretion, call the sukuk, at any time after five years from the Issue Date subject to the prior approval of the SBP. |
| Lock-in clause | Profit on the sukuk shall only be paid from the current year's earnings and if the Holding Company is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements. |
| Loss absorbency clause | The sukuk shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written-off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel-III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013. |

19.3 The funds raised through this instrument are being utilized towards the Holding Company's General Pool, that is, financing and investment activities as permitted by Holding Company's Memorandum and Articles of Association. With permission of Sukuk holders, the proceeds of this issue have been commingled with other funds of the depositors (which may include Holding Company's own equity) i.e. invested in General Pool of the Holding Company.

20 OTHER LIABILITIES

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|---|---------------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Profit / return payable in local currency | 1,904,786 | 1,733,615 |
| Profit / return payable in foreign currencies | 16,843 | 14,583 |
| Accrued expenses | 849,586 | 894,463 |
| Deferred Murabahah Income - Financing and IERS | 189,956 | 104,322 |
| Payable to defined contribution plan | 25,040 | 2,877 |
| Defined Benefit Plan liabilities | 231,333 | 136,415 |
| Security deposits against Ijarah | 868,658 | 1,122,685 |
| Ijarah (lease) Liability | 3,207,712 | 3,455,874 |
| Provision against off-balance sheet obligations | 85,975 | 85,975 |
| Acceptances | 1,126,818 | 2,392,561 |
| Receipt appropriation account | - | 6,638 |
| Current taxation (provisions less payments) | 63,774 | 188,797 |
| Provision against other tax liabilities | 140,214 | 148,305 |
| Sundry creditors | 248,075 | 190,839 |
| Payable to brokers against purchase of shares - net | 119 | - |
| Charity payable | 6,724 | 14,712 |
| Retention money payable | 14,254 | 10,167 |
| Provision for Workers' Welfare Fund | 185,321 | 123,164 |
| Branch adjustment account | 31,675 | 30,867 |
| Rental received in advance | 162,555 | 348,243 |
| Advance against disposal of Non current asset held for sale | - | 188,303 |
| Others | 254,620 | 149,636 |
| | <u>9,614,038</u> | <u>11,343,041</u> |

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of:

| | | | |
|---|-----|-----------|-----------|
| Available for sale securities | 9.1 | 2,789,268 | 2,150,785 |
| Fixed Assets | | 2,031,216 | 2,042,473 |
| Non-banking assets acquired in satisfaction of claims | 14 | 223,045 | 226,308 |
| | | 5,043,529 | 4,419,566 |

Deferred tax liability on surplus on revaluation of:

| | | | |
|---|----|-------------|-------------|
| Available for sale securities | 13 | (976,244) | (751,909) |
| Fixed Assets | | (618,428) | (621,899) |
| Non-banking assets acquired in satisfaction of claims | | (13,241) | (14,383) |
| | | (1,607,913) | (1,388,191) |

Total surplus on revaluation of assets- net of tax

Less: Share of non-controlling interest

Holding Company's share

| | | |
|--|------------------|------------------|
| | 3,435,616 | 3,031,375 |
| | (9,065) | (5,017) |
| | <u>3,426,551</u> | <u>3,026,358</u> |

22 CONTINGENCIES AND COMMITMENTS

| | | | |
|--------------------------------|------|-------------------|-------------------|
| - Guarantees | 22.1 | 9,323,047 | 10,342,243 |
| - Commitments | 22.2 | 38,187,173 | 10,298,481 |
| - Other contingent liabilities | 22.3 | 229,652 | 1,360,580 |
| | | <u>47,739,872</u> | <u>22,001,304</u> |

22.1 Guarantees:

| | | |
|------------------------|------------------|-------------------|
| Financial guarantees | - | 782,961 |
| Performance guarantees | 4,063,645 | 5,888,773 |
| Other guarantees | 5,259,402 | 3,670,509 |
| | <u>9,323,047</u> | <u>10,342,243</u> |

| | Note | September 30, 2021 | December 31, 2020 |
|--|--------|----------------------------|----------------------|
| | | ----- Rupees in '000 ----- | |
| 22.2 Commitments: | | | |
| Documentary credits and short-term trade-related transactions - letters of credit | | 25,835,866 | 12,003,211 |
| Commitments in respect of: | | | |
| - Shariah compliant alternative of forward foreign Exchange contracts | 22.2.1 | 1,301,219 | (9,435,135) |
| Commitments for acquisition of: | | | |
| - operating fixed assets | | 192,575 | 232,703 |
| - intangible assets | | 70,278 | 15,559 |
| Other commitments | 22.2.2 | 10,787,235 | 7,482,143 |
| | | <u>38,187,173</u> | <u>10,298,481</u> |
| 22.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts | | | |
| Purchase | | 13,223,818 | 11,389,226 |
| Sale | | (11,922,599) | (20,824,361) |
| | | 1,301,219 | (9,435,135) |
| 22.2.2 Other commitments | | | |
| Bills for collection | | <u>10,787,235</u> | <u>7,482,143</u> |
| 22.3 Other contingent liabilities | | | |
| Suit filed by customers for recovery of alleged losses suffered, pending in the High Court, which the Holding Company has not acknowledged as debt | 22.3.1 | 4,200 | 11,200 |
| Tax Contingencies | 22.3.2 | 225,452 | 1,349,380 |
| | | <u>229,652</u> | <u>1,360,580</u> |
| 22.3.1 There is no change in the status of contingencies related to pending legal cases, as set out in note 26.3.1 to 26.3.1.4 to the consolidated financials statements of the Holding Company for the year ended December 31, 2020 except for note 26.3.1.4 where the legal formalities have been completed and settlement with international payment scheme has been concluded. The financial effects of the settlement has been recorded in these consolidated condensed interim financial statements (refer note 14). | | | |
| 22.3.2 There is no change in the status of tax and other contingencies, as set out in note 26.3.2 to the annual financial statements of the Holding Company for the year ended December 31, 2020 except for note 26.3.2.7 where during the year 2021 the learned Commissioner Appeal has passed an order in favor of the Bank with regards to Assessment Order passed by the Learned DCIR relating to Tax Year 2014 and 2015, thereby nullifying the tax demand of Rs. 53.770 million and Rs.61.780 million, respectively. Furthermore, during the year, the allowed time period to pass an order by the Learned Commissioner under section 124(1) to give effect to findings in respect of the order passed by the Learned Commissioner (Appeals) with regards to tax year 2016 and tax year 2017 has been lapsed. Therefore, the tax related contingencies of Rs. 994.553 million and Rs. 13.825 million in relation to tax year 2016 and tax year 2017 has been deleted. | | | |

| ----- (Un-audited) ----- | |
|----------------------------|-----------------------|
| September 30, 2021 | September 30, 2020 |
| ----- Rupees in '000 ----- | |

23 PROFIT / RETURN EARNED

Profit earned on:

| | | |
|-------------|-------------------|-------------------|
| Financing | 8,772,944 | 11,493,807 |
| Investments | 5,286,999 | 3,797,923 |
| Placements | 2,764,805 | 5,132,038 |
| Others | 95,833 | 86,801 |
| | <u>16,920,581</u> | <u>20,510,569</u> |

24 PROFIT / RETURN EXPENSED

| | | |
|---|------------------|-------------------|
| Deposits and other accounts | 7,813,008 | 9,414,434 |
| Due to financial institutions | 572,724 | 608,057 |
| Cost of foreign currency swaps against foreign currency deposits | 6,499 | 23,577 |
| Finance cost on ijarah (lease) liabilities | 285,541 | 327,410 |
| Additional Tier-1 sukuk | 153,342 | 189,452 |
| | <u>8,831,114</u> | <u>10,562,930</u> |

25 FEE AND COMMISSION INCOME

| | | |
|---|----------------|----------------|
| Branch banking customer fees | 39,397 | 42,067 |
| Commission on bancatakaful | 110,253 | 80,617 |
| Card related fees | 249,411 | 173,933 |
| Commission on arrangement with financial institutions | 74,363 | 45,176 |
| Consumer finance related fees | 51,586 | 22,687 |
| Commission on guarantees | 70,487 | 33,468 |
| Investment banking fees | 87,896 | 125,006 |
| Commission on cash management | 5,201 | 2,728 |
| Commission on remittances including home remittances | 21,206 | 23,993 |
| Commission on trade | 157,634 | 97,627 |
| Others | 4,572 | 9,430 |
| | <u>872,006</u> | <u>656,732</u> |

| | | ----- (Un-audited) ----- | |
|---------------|---|----------------------------|-------------------------|
| | | September | September |
| | | 30, 2021 | 30, 2020 |
| | | ----- Rupees in '000 ----- | |
| 26 | GAIN ON SECURITIES | | |
| | Realized gain | 26.1 | 36,757 241,555 |
| 26.1 | Realized gain / (loss) on: | | |
| | Federal Government Securities | | 24,829 - |
| | Non-Government Shariah compliant Securities | | 25,118 241,555 |
| | Shares / Mutual Funds Units | | 24,863 - |
| | Non-Current Assets held for sale | 26.1.1 & 26.1.2 | (38,053) - |
| | | | 36,757 241,555 |
| 26.1.1 | Summary of gain on disposal of BankIslami Modaraba Investments Limited | | |
| | | | (Un-audited) |
| | | | September |
| | | | 30, 2021 |
| | Sale proceeds on disposal | | - Rs. In '000 - 90,000 |
| | Less: Net assets of a subsidiary at the date of derecognition | | (27,427) |
| | | | 62,573 |
| 26.1.2 | Summary of loss on disposal of BIPL Securities Limited | | |
| | | | (Un-audited) |
| | | | September |
| | | | 30, 2021 |
| | Sale proceeds on disposal | | - Rs. In '000 - 663,211 |
| | Less: Net assets of a subsidiary at the date of derecognition | | (1,014,417) |
| | Add: Non-controlling interest | | 250,580 |
| | | | (100,626) |
| | | ----- (Un-audited) ----- | |
| | | September | September |
| | | 30, 2021 | 30, 2020 |
| | | ----- Rupees in '000 ----- | |
| 27 | OTHER INCOME | | |
| | Rent on property | 359 | 7,763 |
| | Gain on termination of financing | 57,503 | 65,298 |
| | Gain on sale of property and equipment | 876 | 4,278 |
| | Recoveries against previously expensed items | 7,434 | 8,501 |
| | | 66,172 | 85,840 |

| | ----- (Un-audited) ----- | |
|---|----------------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | ----- Rupees in '000 ----- | |
| Total compensation expense | 3,004,287 | 2,604,758 |
| Property expense | | |
| Rent & taxes | 44,602 | 52,367 |
| Takaful / insurance | 967 | 2,931 |
| Utilities cost | 336,160 | 248,343 |
| Security (including guards) | 267,964 | 273,444 |
| Repair & maintenance (including janitorial charges) | 154,941 | 127,231 |
| Depreciation | 270,083 | 255,095 |
| Depreciation on right-of-use assets | 632,251 | 607,620 |
| Others | - | 30 |
| | 1,706,968 | 1,567,061 |
| Information technology expenses | | |
| Software maintenance | 218,648 | 174,043 |
| Hardware maintenance | 69,842 | 97,694 |
| Depreciation | 176,039 | 145,487 |
| Amortisation | 46,727 | 48,025 |
| Network charges | 137,270 | 113,493 |
| | 648,526 | 578,742 |
| Other operating expenses | | |
| Directors' fees and allowances | 8,760 | 7,070 |
| Fees and allowances to Shariah Board | 13,796 | 11,701 |
| Legal & professional charges | 140,052 | 83,075 |
| Travelling & conveyance | 29,846 | 22,818 |
| NIFT clearing charges | 20,004 | 21,464 |
| Depreciation | 144,363 | 134,388 |
| Depreciation on non banking assets | 8,977 | 3,382 |
| Entertainment expense | 43,878 | 43,663 |
| Training & development | 3,139 | 6,298 |
| Postage & courier charges | 31,068 | 49,588 |
| Communication | 34,249 | 50,913 |
| Marketing, advertisement & publicity | 87,088 | 140,988 |
| Repairs and maintenance | 88,742 | 111,219 |
| Takaful, tracker and other charges on car Ijarah | 144,411 | 75,617 |
| Stationery & printing | 105,702 | 135,241 |
| Takaful / Insurance | 209,974 | 262,694 |
| Fee and subscription | 104,561 | 135,784 |
| Vehicle running and maintenance | 118,893 | 95,361 |
| Donation | 1,500 | 12,740 |
| Auditors' remuneration | 10,788 | 1,709 |
| Amortization | 1,910 | 7,510 |
| CDC and share registrar services | 6,786 | 19,049 |
| Brokerage and commission | 17,225 | 12,204 |
| Stamp duty, registration & verification charges | 57,033 | - |
| Others | 32,393 | 55,863 |
| | 1,465,138 | 1,500,339 |
| | 6,824,919 | 6,250,900 |

29 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan

| Note | (Un-audited) | |
|------|----------------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | ----- Rupees in '000 ----- | |

| | | |
|--|-------|---------|
| | 2,075 | 130,354 |
|--|-------|---------|

30 PROVISIONS AND WRITE OFFS - NET

Provision / (reversal of provision) for diminution in value of investments and due from financial institutions

Provision against Islamic financing

and related assets and advances - net

Other provisions / (reversal) / write offs - net

10.15.2

| | | |
|--|-----------|-----------|
| | (1,204) | 11,719 |
| | 468,875 | 1,488,462 |
| | (719,585) | 391,105 |
| | (251,914) | 1,891,286 |

31 TAXATION

Current

Prior years

Deferred

| | | |
|--|-----------|-----------|
| | 350,577 | 455,445 |
| | (156,696) | - |
| | 874,794 | 685,446 |
| | 1,068,675 | 1,140,891 |

32 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation for the period from continuing operations (Attributable to equity shareholders of the Holding Company)

Profit after taxation for the period from discontinued operations (Attributable to equity shareholders of the Holding Company)

Profit after taxation for the period (Attributable to equity shareholders of the Holding Company)

| Note | (Un-audited) | |
|------|----------------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| | ----- Rupees in '000 ----- | |

| | | |
|--|-----------|-----------|
| | 1,708,423 | 1,549,813 |
| | 62,917 | 36,058 |

| | | |
|--|-----------|-----------|
| | 1,771,034 | 1,585,871 |
|--|-----------|-----------|

----- Number of shares -----

Weighted average number of ordinary shares in issue

| | | |
|--|---------------|---------------|
| | 1,108,703,299 | 1,108,703,299 |
|--|---------------|---------------|

----- Rupees -----

Earnings per share - basic / diluted from continuing operations

Earnings per share - basic / diluted from discontinued operations

Earnings per share - basic / diluted

32.1

| | | |
|--|--------|--------|
| | 1.5409 | 1.3979 |
| | 0.0567 | 0.0325 |
| | 1.5977 | 1.4304 |

32.1 There were no convertible / dilutive potential ordinary shares outstanding as at September 30, 2021 and September 30, 2020.

33 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 less impairment losses. 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 Shariah compliant 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.

33.1 Fair value of financial assets

The Holding Company 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 assets 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 assets measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

| September 30, 2021 | | | |
|--------------------|---------|---------|-------|
| Level 1 | Level 2 | Level 3 | Total |

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

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

| | | | | |
|---|------------|------------|---|------------|
| Shares | 464,982 | - | - | 464,982 |
| GOP Ijara Sukuk | - | 55,671,469 | - | 55,671,469 |
| Non-Government Shariah compliant Securities | 32,414,334 | 6,846,713 | - | 39,261,047 |

Non-Financial Assets - measured at fair value

| | | | | |
|----------------------------------|---|---|-----------|-----------|
| Fixed assets - Land and building | - | - | 6,541,187 | 6,541,187 |
| Non-banking assets | - | - | 1,661,648 | 1,661,648 |

Off-balance sheet financial instruments - measured at fair value

| | | | | |
|---|---|--------------|---|--------------|
| Shariah compliant alternative of forward purchase of foreign exchange | - | 13,710,011 | - | 13,710,011 |
| Shariah compliant alternative of forward sale of foreign exchange | - | (12,344,753) | - | (12,344,753) |

| December 31, 2020 | | | |
|-------------------|---------|---------|-------|
| Level 1 | Level 2 | Level 3 | Total |

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

On balance sheet financial instruments

Financial assets - measured at fair value

Investments

| | | | | |
|---|------------|------------|---|------------|
| Shares | 335,097 | - | - | 335,097 |
| GOP Ijara Sukuk | - | 44,497,832 | - | 44,497,832 |
| Non-Government Shariah compliant Securities | 31,440,745 | 7,454,508 | - | 38,895,253 |

Non-Financial Assets - measured at fair value

| | | | | |
|----------------------------------|---|---|-----------|-----------|
| Fixed assets - Land and building | - | - | 6,891,351 | 6,891,351 |
| Non-banking assets | - | - | 1,671,387 | 1,671,387 |

Off-balance sheet financial instruments - measured at fair value

| | | | | |
|---|---|------------|---|------------|
| Shariah compliant alternative of forward purchase of foreign exchange | - | 11,246,372 | - | 11,246,372 |
| Shariah compliant alternative of forward sale of foreign exchange | - | 20,631,765 | - | 20,631,765 |

Valuation techniques used in determination of fair values within level 2

| Item | Valuation approach and input used |
|---|---|
| GOP Sukuks | The fair value of GOP Ijarah Sukuk are derived using PKISRV rates. The PKISRV rates are announced by FMA (Financial Market Association) through Reuters. The rates announced are simple average of quotes received from six different pre-defined / approved dealers / brokers. |
| WAPDA Sukuks | Investment in WAPDA Sukuks are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. |
| Shariah compliant alternative of forward foreign exchange contracts | The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan. |

Valuation techniques used in determination of fair values within level 3

| | |
|--|---|
| Operating fixed assets - Land and building | Land and buildings are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties. |
| Non-banking assets | Non banking assets are revalued by professionally qualified valuers as per the accounting policy. The valuers are listed on the panel of the Pakistan Bank's Association. The valuation is based on their assessment of market value of the properties. |

- 33.2 The Holding Company's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

There were no transfers between levels 1 and 2 from last year.

34 SEGMENT INFORMATION

34.1 Segment Details with respect to Business Activities

(Un-audited)

September 30, 2021

| Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
|-----------------|----------------|--------------------|----------------|-------|
|-----------------|----------------|--------------------|----------------|-------|

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

Profit & Loss

| | | | | | |
|-----------------------------|-------------|-------------|-------------|-----------|-----------|
| Net profit / return | 6,729,812 | (5,005,039) | 6,402,599 | (37,905) | 8,089,467 |
| Inter segment revenue - net | (6,258,529) | 11,926,049 | (5,512,373) | (155,147) | - |
| Total other income | 433,608 | 518,929 | 336,172 | 128,768 | 1,417,477 |
| Total Income | 904,891 | 7,439,939 | 1,226,398 | (64,284) | 9,506,944 |

Segment direct expenses

| | | | | | |
|----------------------------------|----------|-----------|---------|-----------|-----------|
| Inter segment expense allocation | 52,692 | 5,563,966 | 259,361 | 1,013,132 | 6,889,151 |
| Total expenses | 57,049 | 472,396 | 434,662 | (964,107) | - |
| Provisions / (reversals) | 109,741 | 6,036,362 | 694,023 | 49,025 | 6,889,151 |
| Profit / loss before tax | (21,204) | 330,444 | 137,950 | (699,104) | (251,914) |
| | 816,354 | 1,073,133 | 394,425 | 585,795 | 2,869,707 |

(Un-audited)
September 30, 2021

Balance Sheet

| Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
|----------------------------|-------------------|-----------------------|-------------------|-------------|
| ----- Rupees in '000 ----- | | | | |
| 12,962,686 | 10,438,369 | - | 3,578 | 23,404,633 |
| 107,335,456 | - | - | - | 107,335,456 |
| - | 253,667,646 | - | 4,128,409 | 257,796,055 |
| 44,358,422 | - | - | - | 44,358,422 |
| - | 34,324,593 | 113,844,905 | 3,230,889 | 151,400,387 |
| - | 1,534,992 | 2,581,486 | 137,706 | 4,254,184 |
| 4,209,592 | 7,070,712 | 1,744,329 | 20,512,956 | 33,537,589 |
| 168,866,156 | 307,036,312 | 118,170,720 | 28,013,538 | 622,086,726 |
| | | | | |
| 5,911,462 | 3,136,363 | 7,821,656 | - | 16,869,481 |
| - | - | - | 2,000,000 | 2,000,000 |
| 14,026,013 | 295,243,497 | - | - | 309,269,510 |
| 148,450,202 | - | 109,345,853 | - | 257,796,055 |
| 51,971 | 8,656,451 | 1,003,211 | 3,961,215 | 13,672,848 |
| 168,439,648 | 307,036,311 | 118,170,720 | 5,961,215 | 599,607,894 |
| - | - | - | 22,478,832 | 22,478,832 |
| 168,439,648 | 307,036,311 | 118,170,720 | 28,440,047 | 622,086,726 |
| | | | | |
| 1,301,219 | - | 45,946,148 | 301,192 | 47,548,559 |

(Un-audited)
September 30, 2020

Profit & Loss

| Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
|----------------------------|----------------|--------------------|----------------|------------|
| ----- Rupees in '000 ----- | | | | |
| 6,937,513 | (5,824,876) | 8,937,866 | (102,864) | 9,947,639 |
| (5,353,610) | 14,119,416 | (8,765,806) | - | - |
| 597,721 | 239,174 | 265,259 | 20,635 | 1,122,788 |
| 2,181,624 | 8,533,713 | 437,319 | (82,229) | 11,070,427 |
| 47,057 | 3,833,302 | 175,201 | 2,383,755 | 6,439,315 |
| 143,428 | 1,535,324 | 650,582 | (2,329,334) | 0 |
| 190,485 | 5,368,626 | 825,783 | 54,421 | 6,439,315 |
| 11,719 | 147,293 | 1,350,788 | 381,485 | 1,891,286 |
| 1,979,419 | 3,017,794 | (1,739,253) | (518,135) | 2,739,825 |

(Audited)
December 31, 2020

Assets

| Trading & Sales | Retail Banking | Commercial Banking | Support Centre | Total |
|----------------------------|-------------------|-----------------------|-------------------|-------------|
| ----- Rupees in '000 ----- | | | | |
| 23,783,594 | 10,560,903 | - | - | 34,344,497 |
| 95,622,282 | - | - | - | 95,622,282 |
| (137,226,368) | 232,280,586 | (97,855,921) | 2,801,703 | - |
| 41,640,012 | - | - | - | 41,640,012 |
| - | 24,718,161 | 99,428,978 | 2,887,371 | 127,034,510 |
| - | 1,265,885 | 1,555,851 | 115,643 | 2,937,379 |
| 1,171,691 | 5,271,853 | 5,430,218 | 24,488,148 | 36,361,910 |
| 24,991,211 | 274,097,388 | 8,559,126 | 30,292,865 | 337,940,590 |
| | | | | |
| 7,675,409 | 1,989,031 | 6,463,176 | - | 16,127,616 |
| - | - | - | 2,000,000 | 2,000,000 |
| 15,987,163 | 266,949,587 | - | - | 282,936,750 |
| 133,484 | 5,158,771 | 2,437,698 | 8,633,189 | 16,363,142 |
| 23,796,056 | 274,097,389 | 8,900,874 | 10,633,189 | 317,427,508 |
| - | - | - | 20,513,082 | 20,513,082 |
| 23,796,056 | 274,097,389 | 8,900,874 | 31,146,271 | 337,940,590 |
| | | | | |
| (9,435,135) | - | 22,345,454 | 9,090,985 | 22,001,304 |

35 RELATED PARTY TRANSACTIONS

The Holding Company has related party transactions with its associates, employee benefit plans and its directors and Key Management Personnel.

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

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

| | (Un-audited) | | | | (Audited) | | | |
|---|--------------------|--------------------------|-------------|-----------------------|--------------------|--------------------------|-------------|-----------------------|
| | September 30, 2021 | | | | December 31, 2020 | | | |
| | Directors | Key management personnel | Associates | Other related parties | Directors | Key management personnel | Associates | Other related parties |
| Rupees in '000 | | | | | | | | |
| Investments | | | | | | | | |
| Opening balance | - | - | 1,660,111 | - | - | - | 1,660,111 | - |
| Investment made during the period / year | - | - | - | - | - | - | - | - |
| Investment redeemed / disposed off during the period / year | - | - | - | - | - | - | - | - |
| Closing balance | - | - | 1,660,111 | - | - | - | 1,660,111 | - |
| Provision for diminution in value of investments | - | - | (1,032,169) | - | - | - | (1,032,169) | - |
| Islamic financing and related assets | | | | | | | | |
| Opening balance | 19,239 | 305,603 | 489,677 | 496,392 | 22,538 | 194,707 | 525,179 | 1,193,862 |
| Addition during the period / year | - | 85,087 | 286,691 | 3,310,141 | - | 180,438 | 92,048 | 3,216,340 |
| Repaid during the period / year | (2,881) | (26,602) | (295,496) | (3,186,159) | (3,299) | (66,942) | (127,550) | (3,404,528) |
| Transfer in / (out) - net | - | (104,971) | - | 79,531 | - | (2,600) | - | (509,282) |
| Closing balance | 16,358 | 259,117 | 480,872 | 699,905 | 19,239 | 305,603 | 489,677 | 496,392 |
| Provision held against Islamic financing and related assets | - | - | - | - | - | - | - | - |
| Other Assets | | | | | | | | |
| Profit receivable on financings | 103 | 17 | 4,217 | 4,743 | 812 | 167 | 1,626 | 3,153 |
| Subordinated debt | | | | | | | | |
| Opening balance | - | 1,015 | - | - | - | 10,000 | - | - |
| Issued / Purchased during the period / year | - | - | - | - | - | 15 | - | - |
| Redemption / Sold during the period / year | - | - | - | - | - | (9,000) | - | - |
| Closing balance | - | 1,015 | - | - | - | 1,015 | - | - |
| Deposits and other accounts | | | | | | | | |
| Opening balance | 18,887 | 25,210 | 85,142 | 1,171,529 | 3,534 | 6,260 | 82,086 | 1,062,262 |
| Received during the period / year | 38,291 | 326,698 | 1,887,246 | 6,617,589 | 96,690 | 694,472 | 1,641,620 | 8,820,606 |
| Withdrawn during the period / year | (42,972) | (324,601) | (1,924,558) | (6,496,493) | (81,169) | (675,522) | (1,638,684) | (8,711,343) |
| Transfer in / (out) - net | (2) | (845) | (13,902) | (82,916) | (168) | - | 120 | 4 |
| Closing balance | 14,204 | 26,462 | 33,928 | 1,209,709 | 18,887 | 25,210 | 85,142 | 1,171,529 |
| Other Liabilities | | | | | | | | |
| Profit / return payable | 10 | 185 | 2 | 6,856 | 2 | 160 | 689 | 7,141 |
| Meeting Fee / Remuneration Payable | - | - | - | - | 2,260 | - | - | - |
| Contingencies and Commitments | | | | | | | | |
| Other contingencies | - | - | - | 415,651 | - | - | - | 279,802 |
| | (Un-audited) | | | | (Un-audited) | | | |
| | September 30, 2021 | | | | September 30, 2020 | | | |
| | Directors | Key management personnel | Associates | Other related parties | Directors | Key management personnel | Associates | Other related parties |
| Rupees in '000 | | | | | | | | |
| Income | | | | | | | | |
| Profit / return earned | 1,238 | 6,329 | 25,972 | 43,629 | 2,413 | 6,397 | 21,467 | 55,236 |
| Other income | - | 6,071 | - | - | - | 2,425 | - | - |
| Expense | | | | | | | | |
| Profit / return expensed | 55 | 459 | 621 | 69,943 | 15 | 226 | 701 | 83,434 |
| Other administrative expenses | - | 2,824 | - | 7,938 | 86 | 1,636 | - | 5,005 |
| Meeting Fee / Remuneration | 8,760 | 192,683 | - | - | 7,070 | 139,871 | - | - |
| Contribution to employees provident fund | - | - | - | 100,272 | - | - | - | 88,774 |
| Charge for employees gratuity fund | - | - | - | 94,919 | - | - | - | 87,095 |

36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The State Bank of Pakistan vide its letter no BPRD/BA&CP/649/3634/2019 dated February 15, 2019 has advised the Holding Company to apply regulatory deductions with respect to the balance sheet amount of "Goodwill" and "Deferred Tax Assets" pertaining to Defunct KASB Bank in the year ending 31 December 2019, 31 December 2020, 31 December 2021 at the cumulative rate of 25%, 60% and 100% respectively. Accordingly, the amounts of goodwill and deferred tax asset pertaining to defunct KASB Bank Limited have been deducted at the rate of 60% from CET 1 capital as at 31 December 2020 and September 30, 2021.

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|---------------------------------------|-----------------------------------|
| | ----- Rupees in '000 ----- | |
| Minimum Capital Requirement (MCR): | | |
| Paid-up capital (net of losses) | 11,007,991 | 11,007,991 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 15,730,573 | 13,877,167 |
| Eligible Additional Tier 1 (ADT 1) Capital | 2,000,000 | 2,007,989 |
| Total Eligible Tier 1 Capital | 17,730,573 | 15,885,156 |
| Eligible Tier 2 Capital | 5,669,134 | 4,972,587 |
| Total Eligible Capital (Tier 1 + Tier 2) | 23,399,707 | 20,857,743 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 119,395,671 | 107,957,298 |
| Market Risk | 1,694,850 | 1,020,400 |
| Operational Risk | 20,552,900 | 20,552,900 |
| Total | 141,643,421 | 129,530,598 |
| Common Equity Tier 1 Capital Adequacy ratio | 11.11% | 10.71% |
| Tier 1 Capital Adequacy Ratio | 12.52% | 12.26% |
| Total Capital Adequacy Ratio | 16.52% | 16.10% |
| National minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | 6.00% | 6.00% |
| Tier 1 minimum ratio | 7.50% | 7.50% |
| Total capital minimum ratio | 10.00% | 10.00% |
| CCB (Consisting of CET 1 only) | 1.50% | 1.50% |
| Total Capital plus CCB | 11.50% | 11.50% |

The capital to risk weighted assets ratio is calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardized Approach for credit and market risk and Basic Indicator Approach for operational Risk.

| | (Un-audited) September 30, 2021 | (Audited) December 31, 2020 |
|--|---------------------------------------|-----------------------------------|
| | ----- Rupees in '000 ----- | |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 17,730,573 | 15,885,156 |
| Total Exposures | 413,991,884 | 369,368,591 |
| Leverage Ratio | 4.28% | 4.30% |
| Liquidity Coverage Ratio (LCR)*: | | |
| Total High Quality Liquid Assets | 112,171,806 | 66,806,359 |
| Total Net Cash Outflow | 46,372,948 | 33,817,378 |
| Liquidity Coverage Ratio | 246.27% | 210.41% |
| Net Stable Funding Ratio (NSFR)*: | | |
| Total Available Stable Funding | 311,385,451 | 282,534,177 |
| Total Required Stable Funding | 131,428,667 | 112,435,298 |
| Net Stable Funding Ratio | 236.92% | 251.29% |

* Holding Company's LCR and NSFR ratios have been presented.

37 NON - ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on October 27, 2021 have transferred an amount of Rs. 250 million out of 'Reserve for Bad Debts and Contingencies' to 'Unappropriated Profit'. The consolidated financial statements for the nine months ended September 30, 2021 does not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2021.

38 GENERAL

38.1 Captions, as prescribed by BPRD Circular Letter No. 5 dated March 22, 2019 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for captions of the Statement of Financial Position and Profit and Loss Account.

38.2 These consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.

38.3 The figures in these financial statements have been rounded off to the nearest thousand rupee.

38.4 Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications during the year except as disclosed below:

| Transfer from | Transfer to | As at December 31,2020 (Rupees in '000) |
|--|-------------|--|
| Statement of Financial Position | | |
| Bills Payable | Deposits | 1,625,401 |

39 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on October 27, 2021 by the Board of Directors of the Holding Company.

-Sd-
PRESIDENT /
CHIEF EXECUTIVE
OFFICER

-Sd-
CHIEF FINANCIAL
OFFICER

-Sd-
CHAIRMAN

-Sd-
DIRECTOR

-Sd-
DIRECTOR

This page has been left blank intentionally



BankIslami Pakistan Limited
11th Floor, Executive Tower, Dolmen City,
Marine Clifton, Drive Block-4, Karachi, Pakistan
UAN: (021) - 111 - BIP - 111 (111 - 247 - 111)
Fax: (021) - 35378373
E-mail: info@bankislami.com.pk

