



faysabank



2018

THIRD QUARTER

ENDED SEPTEMBER 30, 2018
UNAUDITED FINANCIAL STATEMENTS

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Registered Office
Faysal House, St-02, Sharah-e-Faisal, Karachi
Tel: 021-32795200 Fax: 021-32795226

CORPORATE INFORMATION

Board of Directors

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

Board Audit & Corporate Governance Committee

Mian Muhammad Younis	Chairman
Mr. Juma Hasan Ali Abul	Member
Mr. Ali Munir	Member

Board Risk Management Committee

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

Recruitment Nomination and Remuneration Committee

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

Board Strategy Committee

Mr. Farooq Rahmatullah Khan	Chairman
Mr. Ahmed Abdulrahim Mohamed Abdulla Bucheery	Member
Mr. Juma Hasan Ali Abul	Member
Mr. Fuad Azim Hashimi	Member
Mr. Yousaf Hussain	Member

CORPORATE INFORMATION

Board IT Committee

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

Shariah Board

Mufti Muhammad Mohib ul Haq Siddiqui	Chairman Shariah Board
Dr. Mufti Khalil Ahmad Aazami	Shariah Board Member
Mufti Khawaja Noor ul Hassan	Resident Shariah Board Member

Syed Majid Ali

Chief Financial Officer

Mr. Aurangzeb Amin

Company Secretary & Head of Legal

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

Auditors

M/s. Mohsin Tayebaly & Co, Advocate

Legal Advisors

Registered Office

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

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

Share Registrar

M/s. Central Depository Company of
Pakistan Limited
(Share Registrar Department)
CDC House, 99-B, Block-B,
SMCHS, Main Shahra-e-Faisal,
Karachi-74400

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

DIRECTORS' REVIEW

On behalf of the Board of Directors, we are pleased to present the Directors' Report of Faysal Bank Limited (FBL) along with financial statements for nine months ended September 30, 2018.

Company Profile:

Faysal Bank Limited (FBL) was incorporated in Pakistan on 3rd October, 1994 as a public limited company. The Bank's shares are listed on the Pakistan Stock Exchange and its footprint now spreads over 124 cities with 410 branches (out of which 204 are Islamic and 01 sub branch). Bank has placed 413 ATMs all over the country for the convenience of its customers.

FBL is on the path of transforming the bank into an Islamic Financial Institution. The bank has always been looking for avenues and opportunities to increase the franchise value. It is increasing its reach by opening new branches so as to provide banking services to its customer at their door step. Alongside branch expansion, FBL is investing in technology to provide user friendly, reliable and trouble free services.

The Bank is aware of its responsibilities with regard to environment and has developed a comprehensive Green Banking Policy. Due care is given to environmental aspects before finalizing new projects. Also, efforts are made to benefit from natural light and thereby saving precious energy resources.

Economic Update:

Since the start of Fiscal Year (FY) '19, economic challenges faced by Pakistan have compounded. Rising inflation, widening twin deficits and depleting foreign reserves are all set to test the economic managers. According to International Monetary Fund (IMF) team that recently visited Islamabad, recent policy measures including 275 basis points hike in interest rate and devaluation of currency by 26.6% since December 2017 are steps in the right direction.

On the domestic front, inflation has continued to inch upwards as 3M FY19 average CPI stands at 5.60% compared to 3.39% in the corresponding period last year. Core inflation, an alternate measure of inflation that removes volatile food and energy prices, has witnessed a more profound rise, touching 8.0% in September 2018. Rise in domestic prices is primarily attributable to increase in international oil prices, upward revision in domestic gas prices, imposition of regulatory duties, and impact of currency depreciations. Recent inflation numbers have prompted SBP to revise headline inflation forecast range from 6.5 to 7.5 percent.

Fiscal challenges have continued to impact the growth momentum accomplished by real sector (the sector of economy that is concerned with actually producing goods and services, as opposed to the part of the economy that is concerned with buying and selling on the financial markets). With a large increase in gas tariffs closer to cost recovery levels and proposed increase in electricity tariffs, a thirteen-year high growth rate of 5.8 percent achieved in FY18, is expected to follow by an economic slowdown. A policy mix that focuses on stabilization may sacrifice economic growth in the short run, however, is a much needed comprehensive strategy

DIRECTORS' REVIEW

that warrants a more sustainable and inclusive growth.

On the external front, current account deficit remains a major concern. After an all-time high deficit of USD 18 billion in FY18, the current account deficit stands at USD 2.7 billion during 2M FY19 as compared to USD 2.5 billion in the corresponding period last year. Despite decline in non-oil imports, and increase in workers' remittances and exports during the first two months, a significant amount of oil imports has kept this figure on an upward trajectory. As a result, SBP's foreign exchange reserves have declined to USD 8.4 billion, a cover for 1.8 months of imports.

Now that Pakistan is approaching IMF, as announced recently by Finance Ministry, further monetary tightening, exchange rate flexibility and fiscal adjustment is expected. With international oil prices rising and protectionist trade policies hampering the growth in emerging markets including Pakistan, structural measures are required that would ensure stability in domestic prices, improve debt sustainability and lay foundations for a sustainable economy.

Bank's Performance:

FBL is pursuing a well-defined strategy for expansion in branch network with focus on mobilization of core revenue streams, technological advancement to support customer service, assets growth, cost efficiency and transformation to Islamic banking.

Following are few initiatives which have been taken during the period under review:

- Marketing campaign launched to promote Summer Campaign, Faysal Self invest and Auto Cash.
- Takaful Health Cover launched through Tele Sales in collaboration with Jubilee General Insurance window Takaful Operations for Takaful Health Cover.
- Launch of Bancassurance with IGI Life Insurance Ltd for Autos and Credit cards customers through which Term Life plans are provided.
- 35 Karachi Management Trainee Officers (MTOs) have completed their classroom training and are currently on job rotation. Similarly, 25 MTOs have successfully started their classroom training in Lahore.
- 129 trainee branch service officers have successfully completed their three month training program.
- Islamic Banking Motivational Session was conducted across the board for both conventional & Islamic Branch Managers during the 3rd quarter in collaboration with Islamic Banking team.
- Manager Development Boot Camp has been launched to help our managers effectively manage everyday issues to increase retention.

DIRECTORS' REVIEW

- “Believe” A branch management and strategic business planning program in collaboration with retail team has been successfully launched for branch managers.
- More than 9,000 participants have been trained in the 3rd quarter both through classroom and online training programs.

Corporate Social Responsibility:

Donations were given to help and support charitable work of following institutions:

- Child Aid Association
- Friends of Burns Center
- The Citizen Foundation
- National Institute of Child Health Trust (NICH)
- Shaukat Khanam Memorial Cancer Hospital and Research Center

Investment in Faysal Asset Management Limited:

Shareholders, at the Extra Ordinary General Meeting held on July 10, 2018, approved strategic acquisition of 50% shareholding of Faysal Asset Management Limited (FAML). The shareholders, subject to regulatory approvals, also approved further acquisition of 19.99% shareholding of FAML. Accordingly, FBL's shareholding in FAML will increase from 30% to 99.9%.

The shareholders also approved an additional investment of PKR 280 million in FAML to strengthen the capital base of the Company in preparation of the next phase in which a detailed strategy for turning around FAML into a profitable and successful Assets Management Company will be implemented. The plans also include increasing the Islamic investment products offering from FAML platform to supplement the plans of the bank for conversion into a full-fledged Islamic Bank.

Bank is currently completing legal and regulatory formalities for implementing the above stated decisions of the shareholders.

Future Outlook:

The Bank is in the process of developing its five year strategy. Apart from enhancing the core profitability, this strategy will focus on expansion in geographical reach, digital banking and Bank's conversion to a full-fledged Islamic banking institution.

In line with the Bank's strategic decision of gradual transformation into an Islamic Bank, 50 new Islamic branches were opened in 2017 and another 50 Islamic branches are planned to be opened in 2018.

DIRECTORS' REVIEW

Financial Highlights:

	Sep 30, 2018	Sep 30, 2017
	PKR in Million	
Net Mark-up/ Return Earned	11,040	10,340
Non Funded Income (excluding Capital Gain)	4,477	3,479
Capital Gain on Sale of Securities	203	980
Total revenue	15,720	14,799
Operating expenses	(10,316)	(9,214)
Profit before provision	5,404	5,585
Reversal of Provision	825	765
Profit before tax	6,229	6,350
Provision for taxation	(2,648)	(2,525)
Profit after tax	3,581	3,825
Earnings per share – Rupees	2.36	2.52

Owing to increase in lending portfolio, total markup income of the Bank increased by PKR 0.7 billion to Rs 11.0 billion. The Bank's continued focus on enhancing Non Fund based income resulted in 29% increase in non-funded income excluding capital gains over corresponding period last year. Bank's treasury has professionally managed Foreign Exchange (FX) position in very volatile market and managed to earn healthy exchange gains on FX transactions. Total revenue increased to PKR 15.7 billion i.e. 6.2% higher over corresponding period last year.

Your bank is increasing its branch network to facilitate customers and increase business volume, which led to increase in operating expenses by PKR 1.104 billion resulting in Bank's profit after tax of PKR 3.581 billion, which is slightly lower by PKR 244 million as against PKR 3.825 billion, same period last year. As a result, Earning Per Share (EPS) of the Bank marginally reduced from PKR 2.52 to PKR 2.36.

The bank with a strategy to increase its core revenue is focusing to gradually build core current and saving deposits (CASA) mix in total deposits. Presently CASA mix stands at 66% whereas cost free CA deposit is at 33.5% of total deposits. Cost of funds has marginally increased to 3.49% against 3.33% as at Dec'31, 2017. Minor increase in cost of deposit is primarily due to increase in saving deposits base rate by 75 bps. Similarly, your bank is also focused on enhancing its lending portfolio to selected segments. The gross advances showed an impressive growth of PKR 64.5bn or 25.2% from Dec 2017. This will enable the bank to further improve core markup income in the increasing interest rate scenario.

Strict credit monitoring and aggressive follow up from delinquent clients have led to reversal of provisions of PKR 825 million against PKR 765 million in the corresponding period last year.

DIRECTORS' REVIEW

Non-Performing Loans (NPL) coverage stands at 85.1% which indicates that adequate provision is being maintained against classified portfolio.

Total assets stand at Rs. 497 billion and equity excluding revaluation surplus reached to PKR 37.2 billion. Bank's Capital Adequacy Ratio at 16.35% is well above the statutory level of 11.275%.

Credit Rating:

JCR-VIS Credit Rating Company Limited (JCR) and Pakistan Credit Rating Agency Limited (PACRA) have re-affirmed the following entity ratings as of December 31, 2017:

Long-Term AA

Short-Term A1+

Stable outlook has been assigned to the ratings by both the agencies. Definitions of JCR-VIS for the assigned ratings are reproduced below:

“AA: High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A1+: High certainty of timely payment. Short term liquidity including internal operating factors and/or access to alternative sources of funds is outstanding and safety is just below risk free Government of Pakistan short-term obligations.”

Definitions of PACRA for the assigned ratings are reproduced below:

“AA: Very high credit quality. AA rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A1+: Obligations supported by the highest capacity for timely repayment.”

DIRECTORS' REVIEW

Acknowledgement:

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

On behalf of the board of Directors

President & CEO

Chairman

Karachi

Dated: October 25, 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2018

	Note	Un-audited September 30, 2018	Audited December 31, 2017 ---Restated---
----- Rupees '000 -----			
ASSETS			
Cash and balances with treasury banks		38,550,104	37,861,767
Balances with other banks	9	1,792,013	1,872,771
Lendings to financial institutions	10	250,000	9,010,335
Investments	11	130,353,150	179,706,358
Advances	12	296,738,290	231,532,160
Operating fixed assets	13	12,811,215	12,939,625
Deferred tax assets - net		642,689	1,607,625
Other assets		15,265,427	13,496,266
		496,402,888	488,026,907
LIABILITIES			
Bills payable		6,688,052	7,304,326
Borrowings		37,799,694	54,788,547
Deposits and other accounts	14	399,423,794	373,081,163
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		10,077,326	13,620,595
		453,988,866	448,794,631
NET ASSETS		42,414,022	39,232,276
REPRESENTED BY			
Share capital		15,176,965	13,197,361
Reserves		7,842,688	7,936,338
Unappropriated profit		14,148,335	12,485,335
		37,167,988	33,619,034
Surplus on revaluation of assets - net of tax		5,246,034	5,613,242
		42,414,022	39,232,276

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018

Note	Quarter ended		Nine months ended		
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
----- Rupees '000 -----					
Mark-up / return / interest earned	8,710,264	7,124,506	24,019,408	21,306,501	
Mark-up / return / interest expensed	4,871,601	3,776,634	12,969,561	10,947,317	
Net mark-up / interest income	3,838,663	3,347,872	11,049,847	10,359,184	
Reversal of provision against non-performing loans and advances - net	12.2	(198,569)	(259,168)	(795,828)	(769,092)
Provision for consumer and small enterprise loans - general - net	12.3	14,382	41,350	83,769	85,863
(Reversal of provision) / provision against off balance sheet obligations		(14,685)	-	6,896	-
Provision / (Reversal of provision) for diminution in value of investments - net	11.6	-	4,428	(49,623)	(1,418)
Recoveries against written-off debts - net		(18,863)	(26,621)	(69,996)	(80,129)
		(217,735)	(240,011)	(824,782)	(764,776)
Net mark-up / interest income after provisions		4,056,398	3,587,883	11,874,629	11,123,960
Non mark-up / interest income					
Fee, commission and brokerage income		813,577	778,977	2,547,332	2,249,907
Dividend income		49,278	29,428	100,118	109,747
Income from dealing in foreign currencies		513,124	342,911	1,465,818	928,029
Gain / (loss) on sale of securities - net		28,605	(50,704)	202,914	979,912
Unrealised loss on revaluation of investments classified as held for trading - net		(36,991)	(10,760)	(34,787)	(7,418)
Other income		88,295	49,539	398,693	199,606
Total non mark-up / interest income		1,455,888	1,139,391	4,680,088	4,459,783
		5,512,286	4,727,274	16,554,717	15,583,743
Non mark-up / interest expenses					
Administrative expenses		3,472,460	3,186,536	10,130,826	9,082,760
Other provisions - net		-	-	-	-
Other charges		51,047	30,931	185,598	131,157
Total non mark-up / interest expenses		3,523,507	3,217,467	10,316,424	9,213,917
		1,988,779	1,509,807	6,238,293	6,369,826
Share of loss of associate	11.4.1	(2,575)	(1,421)	(8,771)	(19,375)
Extraordinary / unusual items		-	-	-	-
Profit before taxation		1,986,204	1,508,386	6,229,522	6,350,451
Taxation - Current		814,972	529,557	2,507,494	2,245,612
- Prior years		25,290	14,500	(1,039,566)	(316,099)
- Deferred		(24,994)	(1,312)	1,180,103	595,871
		815,268	542,745	2,648,031	2,525,384
Profit after taxation		1,170,936	965,641	3,581,491	3,825,067
----- Rupees -----					
Basic earnings per share	16	0.77	0.64	2.36	2.52

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

DIRECTOR

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018

	Quarter ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	----- Rupees '000 -----			
Profit after taxation for the period	1,170,936	965,641	3,581,491	3,825,067
Other comprehensive income:				
Items that will not be reclassified to profit and loss account	-	-	-	-
Comprehensive income transferred to equity	1,170,936	965,641	3,581,491	3,825,067
Items that may be reclassified subsequently to profit and loss account				
Components of comprehensive income not reflected in equity				
- Net change in value of available for sale securities	(293,771)	(278,582)	(470,830)	(1,184,450)
- Deferred tax on change in value of available for sale securities	102,821	97,505	164,791	414,558
	(190,950)	(181,077)	(306,039)	(769,892)
Total comprehensive income	979,986	784,564	3,275,452	3,055,175

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Particulars	Share capital	Reserves						Unappropriated profit	Total
		Capital				Statutory reserve	Sub Total		
		Reserve for issue of bonus shares	Share premium	Non-distributable capital reserve (NCR) - gain on bargain purchase (Note 3.6)	Reserve arising on amalgamation				
Rupees '000									
Balance as at January 1, 2017 as previously reported (audited)	11,997,601	-	10,131	881,740	23,952	6,242,425	7,158,248	9,985,870	29,141,719
Transfer to surplus on revaluation of fixed assets - net of tax due to change in accounting policy (note 6.1)	-	-	-	-	-	-	-	(50,820)	(50,820)
Balance as at January 1, 2017 (audited) - restated	11,997,601	-	10,131	881,740	23,952	6,242,425	7,158,248	9,935,050	29,090,899
Profit after taxation for the period ended September 30, 2017	-	-	-	-	-	-	-	3,825,067	3,825,067
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	3,825,067	3,825,067
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(93,650)	-	-	(93,650)	-	(93,650)
Transfer from surplus on revaluation of fixed assets - net of tax - restated	-	-	-	-	-	-	-	52,535	52,535
Transaction with owners recognised directly in equity									
- Transfer to reserve for issue of bonus shares	-	1,199,760	-	-	-	-	1,199,760	(1,199,760)	-
- Bonus shares issued	1,199,760	(1,199,760)	-	-	-	-	(1,199,760)	-	-
	1,199,760	-	-	-	-	-	-	(1,199,760)	-
Balance as at September 30, 2017 (un-audited) - restated	13,197,361	-	10,131	788,090	23,952	6,242,425	7,064,598	12,612,892	32,874,851
Total comprehensive income for the period from October 1, 2017 to December 31, 2017									
Profit after taxation for the period October 1, 2017 to December 31, 2017 - restated	-	-	-	-	-	-	-	698,077	698,077
Other comprehensive income for the period	-	-	-	-	-	-	-	25,375	25,375
Total comprehensive income for the period	-	-	-	-	-	-	-	723,452	723,452
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(31,217)	-	-	(31,217)	-	(31,217)
Transfer to statutory reserve	-	-	-	-	-	902,957	902,957	(902,957)	-
Transfer from surplus on revaluation of fixed assets - net of tax - restated	-	-	-	-	-	-	-	17,455	17,455
Transfer from surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	-	34,493	34,493
Balance as at December 31, 2017 (audited) - restated	13,197,361	-	10,131	756,873	23,952	7,145,382	7,936,338	12,485,335	33,619,034
Profit after taxation for the period ended September 30, 2018	-	-	-	-	-	-	-	3,581,491	3,581,491
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	3,581,491	3,581,491
Amortisation of intangible assets - customer relationship - net of tax	-	-	-	(93,650)	-	-	(93,650)	-	(93,650)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	-	61,113	61,113
Transaction with owners recognised directly in equity									
- Transfer to reserve for issue of bonus shares	-	1,979,604	-	-	-	-	1,979,604	(1,979,604)	-
- Bonus shares issued	1,979,604	(1,979,604)	-	-	-	-	(1,979,604)	-	-
	1,979,604	-	-	-	-	-	-	(1,979,604)	-
Balance as at September 30, 2018 (un-audited)	15,176,965	-	10,131	663,223	23,952	7,145,382	7,842,688	14,148,335	37,167,988

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Note	September 30, 2018	September 30, 2017
	-----Rupees '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,229,522	6,350,451
Less: Dividend income	(100,118)	(109,747)
	<u>6,129,404</u>	<u>6,240,704</u>
Adjustments for non-cash and other items:		
Depreciation	636,547	566,347
Amortisation	89,203	134,468
Depreciation on non-banking assets	10,693	10,423
Workers' Welfare Fund	142,701	130,939
Reversal of provision against non-performing loans and advances - net	(795,828)	(769,092)
Provision for consumer and small enterprise loans - general - net	83,769	85,863
Reversal of provision for diminution in value of investments - net	(49,623)	(1,418)
Provision against off balance sheet obligations	6,896	-
Unrealised loss on revaluation of investments classified as held for trading - net	34,787	7,418
Net gain on disposal of property and equipment	(27,805)	(17,063)
Charge for defined benefit plan	92,716	85,961
Amortisation of prepaid employee benefits	-	6,977
Recoveries against written-off debts	(69,996)	(80,129)
Income from derivative contracts - net	(67,909)	(53,989)
Share of loss of associate	8,771	19,375
	<u>94,922</u>	<u>126,080</u>
	6,224,326	6,366,784
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,760,335	(3,576,656)
Held for trading securities	13,818,009	(46,263,373)
Advances - net	(64,424,075)	(8,702,631)
Other assets	(1,845,568)	251,694
	<u>(43,691,299)</u>	<u>(58,290,966)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(616,274)	2,521
Borrowings	(16,807,517)	5,209,235
Deposits and other accounts	26,342,631	18,519,581
Other liabilities	(3,547,583)	2,660,500
	<u>5,371,257</u>	<u>26,391,837</u>
	(32,095,716)	(25,532,345)
Income tax paid	(1,544,283)	(2,000,575)
Net cash generated from / (used in) operating activities	<u>(33,639,999)</u>	<u>(27,532,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net divestment in available for sale securities	35,964,310	17,004,008
Net (investment) / divestment in held to maturity securities	(893,875)	7,598,252
Dividend income received	75,307	106,771
Investment in operating fixed assets	(751,840)	(855,726)
Proceeds realised on disposal of operating fixed assets	37,594	25,039
Net cash (used in) / generated from investing activities	<u>34,431,496</u>	<u>23,878,344</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of sub-ordinated loan	-	(748,500)
Dividends paid	(2,582)	(183)
Net cash used in financing activities	<u>(2,582)</u>	<u>(748,683)</u>
Increase / (decrease) in cash and cash equivalents	<u>788,915</u>	<u>(4,403,259)</u>
Cash and cash equivalents at the beginning of the period	39,488,907	37,855,935
Cash and cash equivalents at the end of the period	<u>40,277,822</u>	<u>33,452,676</u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

PRESIDENT & CEO

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

DIRECTOR

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

1 STATUS AND NATURE OF BUSINESS

- 1.1 Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994 as a public limited company under the provisions of the Companies Ordinance, 1984. Its shares are listed on the Pakistan Stock Exchange Limited. The Bank is mainly engaged in Corporate, Commercial and Consumer banking activities. The Bank has a network of 410 branches (December 31, 2017: 405); including 204 Islamic banking branches (December 31, 2017: 197) and 1 Islamic sub-branch (December 31, 2017: 1) in Pakistan.

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

Ithmaar Bank B.S.C (closed), a fully owned subsidiary of Ithmaar Holdings B.S.C is the parent company of the Bank, holding directly and indirectly 66.78% (December 31, 2017: 66.78%) of the shareholding of the Bank. Dar Al-Maal Al-Islami Trust (DMIT), (ultimate parent of the Bank) is the holding company of Ithmaar Holdings B.S.C.

- 1.2 Based on the financial statements of the Bank for the year ended December 31, 2017, the Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited have determined the Bank's long-term rating as 'AA' (December 31, 2016: 'AA') and the short term rating as 'A1+' (December 31, 2016: 'A1+').

2 BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 The financial results of the Islamic banking branches have been consolidated in these condensed interim financial statements for reporting purposes only. Inter branch transactions and balances have been eliminated. In accordance with the directives issued by the SBP, the key financial figures of Islamic banking branches are disclosed in note 22 to these condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

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

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

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

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 also deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its S.R.O. 633(I)/2014 dated July 10, 2014. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

- 3.3** IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their condensed interim financial statements in line with the format prescribed by the SBP. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these condensed interim financial statements is based on the requirements laid down by the SBP.
- 3.4** The SECP has directed that the requirements of IFRS 10, 'Consolidated Financial Statements' are not applicable in case of investments by Companies in mutual funds established under Trust Deed structure. Accordingly, implications of IFRS 10 in respect of mutual funds are not considered in the preparation of these condensed interim financial statements.
- 3.5** The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required for the full annual financial statements and these condensed interim financial statements statement should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2017.
- 3.6** As per the directive of the SBP through its letter BPRD (R&P-02)/625-99/2011/3744 dated March 28, 2011, gain arising on bargain purchase of Pakistan operations of Royal Bank of Scotland (ex-RBS Pakistan) was credited directly into equity as Non-Distributable Capital Reserve (NCR). The SBP allowed the Bank to adjust the amortisation of intangible assets against the portion of reserve which arose on account of such assets. Accordingly, during the period ended September 30, 2018 the Bank has adjusted amortisation of intangible assets amounting to Rs. 93.650 million (net of tax) from the Non-distributable Capital Reserve.
- 3.7** The SBP vide its BPRD Circular No. 04 dated February 25, 2015 has clarified that the reporting requirements of IFAS-3 for Institutions offering Islamic Financial Services (IIFS) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with (IIFS). These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in these condensed interim financial statements.

4 BASIS OF MEASUREMENT

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

5 FUNCTIONAL AND PRESENTATION CURRENCY

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017 except for the changes as disclosed in note 6.1 of these condensed interim financial statements.

6.1 Change in Accounting Policy

The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets. The Bank's previous accounting policy (as described in note 7.6 of the annual financial statements for the year ended December 31, 2017), in accordance with the repealed Companies Ordinance, 1984, required that a deficit arising on revaluation of a particular asset was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit can not be adjusted against surplus for any other asset, but is to be taken to the profit and loss account as an impairment.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	As at December 31, 2017	As at December 31, 2016
	-----Rupees '000-----	
Impact on Statement of Financial Position		
(Decrease) / increase in surplus on revaluation of assets - net of tax	(8,182)*	50,820
Impact on Statement of Changes in Equity		
Increase / (decrease) in unappropriated profit	8,182*	(50,820)
		Year ended December 31, 2017 Rupees '000
Impact on Profit and Loss Account		
Decrease in other charges		11,340
Increase in taxation		(2,982)
Increase in earning per share (Rupees)		0.01

* Rs 0.176 million being the impact of incremental depreciation directly transferred from 'unappropriated profit' to 'surplus on revaluation of assets - net of tax'.

7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis and the methods used for critical accounting estimates and judgments adopted in these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2017.

8 FINANCIAL RISK MANAGEMENT

The Bank's Financial Risk Management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2017.

9 BALANCES WITH OTHER BANKS

	Note	Un-audited September 30, 2018	Audited December 31, 2017
		-----Rupees '000-----	
In Pakistan			
- Current accounts		1,331,125	1,488,379
Outside Pakistan			
- Current accounts		460,888	384,392
		<u>1,792,013</u>	<u>1,872,771</u>

10 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lending		-	3,000,000
Repurchase agreement lendings	10.1	250,000	6,010,335
		<u>250,000</u>	<u>9,010,335</u>

10.1 Securities held as collateral against lendings to financial institutions

	Un-audited September 30, 2018			Audited December 31, 2017		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral (10.1.1)	Total
	-----Rupees '000-----					
Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	250,000	-	250,000	1,924,000	4,076,000	6,000,000
	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>1,924,000</u>	<u>4,076,000</u>	<u>6,000,000</u>

10.1.1 This represents PIBs sold by the Bank with a commitment to settle the lendings and return the collateral on the maturity date.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

11 INVESTMENTS

11.1 Investments by type	Note	Un-audited September 30, 2018			Audited December 31, 2017		
		Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
----- Rupees '000 -----							
Held for trading securities							
Market Treasury Bills		16,208,982	-	16,208,982	30,128,496	-	30,128,496
Pakistan Investment Bonds		3,055,175	-	3,055,175	3,434,749	-	3,434,749
Fully paid up ordinary shares / certificates of closed end mutual funds		481,079	-	481,079	-	-	-
		19,745,236	-	19,745,236	33,563,245	-	33,563,245
Available for sale securities							
Market Treasury Bills		60,413,025	10,502,782	70,915,807	67,292,593	26,426,198	93,718,791
Pakistan Investment Bonds		2,871,062	1,038,240	3,909,302	19,232,587	-	19,232,587
GOP Ijara Sukuk Bonds		7,561,428	-	7,561,428	6,312,055	-	6,312,055
Sukuk		6,997,011	-	6,997,011	6,187,132	-	6,187,132
Units of open end mutual funds							
- Faysal Stock Fund *		37,480	-	37,480	37,480	-	37,480
- Faysal Income Growth Fund *		268,625	-	268,625	257,544	-	257,544
- Faysal Savings Growth Fund *		693,247	-	693,247	680,606	-	680,606
- Faysal Islamic Savings Growth Fund *		194,883	-	194,883	189,432	-	189,432
- Faysal Money Market Fund *		206,949	-	206,949	200,000	-	200,000
- Faysal Financial Sector Opportunity Fund *		15,193	-	15,193	15,000	-	15,000
Fully paid up ordinary shares / modaraba certificates / certificates of closed end mutual funds	11.2	5,443,105	-	5,443,105	5,376,689	-	5,376,689
Fully paid up preference shares	& 11.3	22,490	-	22,490	22,490	-	22,490
Term finance certificates		620,902	-	620,902	620,926	-	620,926
		85,345,400	11,541,022	96,886,422	106,424,534	26,426,198	132,850,732
Held to maturity securities							
Pakistan Investment Bonds		-	-	-	-	-	-
Term finance certificates		1,670,803	-	1,670,803	1,924,910	-	1,924,910
Sukuk		15,942,223	-	15,942,223	14,794,241	-	14,794,241
		17,613,026	-	17,613,026	16,719,151	-	16,719,151
Associate *							
Fully paid up ordinary shares of Faysal Asset Management Limited	11.4 & 11.5	14,398	-	14,398	23,169	-	23,169
Investments at cost							
		122,718,060	11,541,022	134,259,082	156,730,099	26,426,198	183,156,297
Less: Provision for diminution in the value of investments	11.6	(3,399,153)	-	(3,399,153)	(3,448,776)	-	(3,448,776)
Investments (net of provisions)							
		119,318,907	11,541,022	130,859,929	153,281,323	26,426,198	179,707,521
Deficit on revaluation of investments							
classified as held for trading - net		(38,178)	-	(38,178)	(3,392)	-	(3,392)
(Deficit) / surplus on revaluation of investments							
classified as available for sale - net		(452,320)	(16,281)	(468,601)	2,282	(53)	2,229
Total investments - net							
		118,828,409	11,524,741	130,353,150	153,280,213	26,426,145	179,706,358

* related parties

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

- 11.2** These include an investment of the Bank in unlisted shares of DHA Cogen Limited (DHACL) (a related party of the Bank) representing 19.1% (2017: 19.1%) equity holding of DHACL. The Bank acquired these equity shares in 2013 by exercising its rights over pledged shares of DHACL after eventual non-compliance by DHACL in respect of 'Rehabilitation and Standstill Agreement' made between the consortium banks (including the Bank) and DHACL for repayment of liabilities.
- 11.3** These include an amount of Rs 50 million issued to 1Link (Guarantee) Limited as part of the Bank's commitment towards capital injection on its conversion to a private limited company subject to regulatory approvals.
- 11.4** Investment of the Bank in Faysal Asset Management Limited (FAML) has been accounted for under the equity method of accounting as per the requirement of IAS 28 - Investment in associates and joint ventures. The Bank's share of post acquisition profit or loss is recognised using the latest available un-audited financial statements of FAML which relate to the period ended September 30, 2018 with a corresponding adjustment to the carrying amount of investment. The details of the Bank's investment, post acquisition changes and certain other details relating to FAML are as under:

11.4.1 Faysal Asset Management Limited - percentage holding 30% (December 31, 2017: 30%)	Un-audited September 30, 2018	Audited December 31, 2017
	-----Rupees '000-----	
At January 1	23,169	46,032
Post acquisition changes during the period / year		
- Recognised in the profit and loss account	(8,771)	(22,863)
Closing balance	<u>14,398</u>	<u>23,169</u>
Cost of investment	<u>45,000</u>	<u>45,000</u>

11.4.2 Particulars of the assets and liabilities of the associate

Revenue for the period / year	<u>84,533</u>	<u>127,835</u>
Net loss for the period / year	<u>(33,935)</u>	<u>(76,211)</u>
Total assets	<u>115,740</u>	<u>122,220</u>
Liabilities	<u>67,749</u>	<u>44,991</u>
Net assets	<u>47,992</u>	<u>77,229</u>
Percentage (%) holding of the Bank	<u>30%</u>	<u>30%</u>
Share of net assets of the Bank	<u>14,398</u>	<u>23,169</u>

- 11.5** The shareholders of the Bank in their extra ordinary general meeting held on July 10, 2018, in addition to existing 30% shareholding, have approved acquisition of 69.99% shareholding of FAML at a price of Rs 30 per share and capital injection of Rs 280 million in to FAML has also been approved by the shareholders subject to requisite regulatory approvals and legal formalities. After the consummation of the proposed transaction, FAML will become subsidiary of the Bank and accordingly will be accounted for as per the requirements of International Accounting Standard (IAS) - 27 'Separate Financial Statements' in standalone financial statements whereas, the requirements of International Financial Reporting Standard (IFRS) - 3 'Business Combinations' and International Financial Reporting Standard (IFRS) - 10 'Consolidated Financial Statements' will be applicable for consolidated financial statements.

11.6 Particulars of provision for diminution in the value of investments	Un-audited September 30, 2018	Audited December 31, 2017
	-----Rupees '000-----	
Opening balance	3,448,776	3,265,833
Charge for the period / year	4,209	241,861
Reversals during the period / year	(53,832)	(58,918)
	(49,623)	182,943
Closing balance	<u>3,399,153</u>	<u>3,448,776</u>

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Un-audited September 30, 2018	Audited December 31, 2017
-----Rupees '000-----		
12.2 Particulars of provision against non-performing advances		
Opening balance	23,726,401	24,530,264
- Charge during the period / year	955,398	1,335,926
- Reversals during the period / year	(1,751,226)	(2,026,626)
Net reversal	(795,828)	(690,700)
Transfer of provision	-	22,214
Amounts written off	(28,512)	(135,377)
Closing balance	22,902,061	23,726,401

12.2.1 As allowed by the SBP the Bank has availed benefit of Forced Sale Value (FSV) of collaterals held as security of Rs 1,624.081 million (December 31, 2017: Rs 1,799.678 million) relating to advances while determining the provisioning requirement against non-performing financing as at September 30, 2018. The additional profit arising from availing the FSV benefit - net of tax as at September 30, 2018 which is not available for distribution as either cash or stock dividend to shareholders and bonus to employees approximately amounted to Rs 1,055.653 million (December 31, 2017: Rs 1,169.791 million).

	Un-audited September 30, 2018	Audited December 31, 2017
-----Rupees '000-----		
12.3 Particulars of provision against consumer loans and small enterprise - general		
Opening balance	568,666	464,257
- Charge during the period / year	85,348	127,943
- Reversals during the period / year	(1,579)	(23,534)
Net charge	83,769	104,409
Closing balance	652,435	568,666

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

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

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

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

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Un-audited September 30, 2018	Audited December 31, 2017
	----- Rupees '000 -----	
13 OPERATING FIXED ASSETS		
Capital work-in-progress	679,602	514,958
Tangible fixed assets	11,035,814	11,127,768
Intangible assets	<u>1,095,799</u>	<u>1,296,899</u>
	<u>12,811,215</u>	<u>12,939,625</u>
	Un-audited Nine months ended	
	September 30, 2018	September 30, 2017
	----- Rupees '000 -----	
13.1 Additions to operating fixed assets - cost		
Leasehold property and improvements	<u>162,635</u>	<u>305,796</u>
Office furniture, fixtures, equipment and computers	<u>389,160</u>	<u>507,300</u>
Vehicles	<u>6,976</u>	<u>5,189</u>
Capital work-in-progress	<u>751,840</u>	<u>855,723</u>
Additions to Intangibles		
Software	<u>28,425</u>	<u>45,667</u>
13.2 Disposals of operating fixed assets - cost		
Leasehold property and improvements	<u>1,192</u>	<u>16,212</u>
Office furniture, fixtures, equipment and computers	<u>36,009</u>	<u>127,092</u>
Vehicles	<u>46,561</u>	<u>23,096</u>
	Un-audited September 30, 2018	Audited December 31, 2017
	----- Rupees '000 -----	
14 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	128,990,701	103,749,523
Savings deposits	126,000,029	121,356,347
Current accounts – Remunerative	4,611,433	4,830,709
Current accounts – Non-remunerative	125,621,881	121,781,059
Margin accounts	3,143,680	2,529,087
	<u>388,367,724</u>	<u>354,246,725</u>
Financial institutions		
Remunerative deposits	10,541,358	18,275,265
Non-remunerative deposits	514,712	559,173
	<u>11,056,070</u>	<u>18,834,438</u>
	<u>399,423,794</u>	<u>373,081,163</u>

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

15 CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

	Un-audited September 30, 2018	Audited December 31, 2017
-----Rupees '000-----		
Contingent liability in respect of guarantees favouring:		
- Government	38,056	33,820
- Banking companies and other financial institutions	1,315,914	994,368
- Others	2,163	1,984
	<u>1,356,133</u>	<u>1,030,172</u>
Acceptances		
- Others	<u>8,035,114</u>	<u>6,892,781</u>

15.2 Transaction-related contingent liabilities

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
- Government	13,685,341	12,937,583
- Banking companies and other financial institutions	261,666	183,831
- Others	3,221,185	2,494,089
	<u>17,168,192</u>	<u>15,615,503</u>

15.3 Trade-related contingent liabilities

Letters of credit		
- Government	15,349,901	14,127,754
- Others	22,909,839	18,854,054
	<u>38,259,740</u>	<u>32,981,808</u>

15.4 Other contingencies

- (i) Suit filed by a customer for recovery of alleged losses suffered which is pending in the High Court of Sindh. The Bank's legal advisors are confident that the Bank has a strong case
- | | |
|------------------|------------------|
| <u>2,510,000</u> | <u>2,510,000</u> |
|------------------|------------------|
- (ii) Indemnity issued favouring the High Court in one of the cases
- | | |
|----------------|----------------|
| <u>457,543</u> | <u>457,543</u> |
|----------------|----------------|
- (iii) There are certain claims against the Bank not acknowledged as debt amounting to Rs 31,790 million (2017: Rs 31,628 million). These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged/pledged assets kept as security), cases where the Bank was proforma defendant for defending its interest in the underlying collateral kept by it at the time of financing, certain cases filed by ex-employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment and cases for damages towards opportunity losses suffered by customers due to non disbursements of running finance facility as per the agreed terms. The above also includes an amount of Rs 25,299 million in respect of a suit filed against the Bank for declaration, recovery of monies, release of securities, rendition of account and damages.
- (iv) The Executive Officer, Karachi Cantonment Board (KCB), vide its notice CBR No. 1 dated March 03, 2017 has proposed revised rates for assessment of shops and flats "A" category in which a fresh sub-category "Banks (self-occupied)" has been introduced for the purpose of cantonment tax in the limit of KCB. This has resulted in additional demand of Rs 171 million by KCB which includes demand on reassessment for the years from 2013 to 2017. On the basis of legal grounds agreed in consultation with legal counsel, the Bank has filed a suit in the Honorable High Court of Sindh against such levy of tax. A stay order has been granted by the Honorable High Court of Sindh in respect of payment of this additional demand.

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

- (v) Income tax assessments of the Bank have been finalised upto the tax year 2017 (Accounting year 2016).

The department and the Bank have disagreements on a matter relating to taxability of gain on bargain purchase on the acquisition of Ex-RBS Pakistan. The additional tax liability on the matter amounts to Rs. 1,154.701 million (2017: Rs. 1,154.701 million). During the year ended December 31, 2017, the Commissioner Income Tax Appeals (CIT(A)) has deleted the said additional tax liability however the Income Tax Department has filed an appeal against the order of CIT(A) in front of Income Tax Appellate Tribunal. The management and tax advisors of the Bank are confident that the matter will be decided in the Bank's favor and accordingly, no provision has been recorded in these condensed interim financial statements in respect of the matter.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

15.5 Commitments to extend credits

The Bank makes commitments to extend credit (including to related parties) in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 26,772 million (December 31, 2017: Rs 32,457 million) which are irrevocable in nature.

	Un-audited September 30, 2018	Audited December 31, 2017
-----Rupees '000-----		
15.6 Commitments in respect of forward exchange contracts		
Purchase		
- Customers	92,763	441,297
- Banks	73,907,495	33,153,378
	<u>74,000,258</u>	<u>33,594,675</u>
Sale		
- Customers	19,193	342,751
- Banks	45,417,969	9,915,624
	<u>45,437,162</u>	<u>10,258,375</u>
15.7 Commitments for the acquisition of operating fixed assets	<u>163,611</u>	<u>197,878</u>
15.8 Commitments in respect of repo transactions		
Repurchase	<u>11,505,488</u>	<u>26,440,962</u>
Resale	<u>483,844</u>	<u>6,384,415</u>
15.9 Others		
Cross currency swaps (notional principal)	<u>4,229,729</u>	<u>2,361,939</u>

16 EARNINGS PER SHARE

	Un-audited			
	For the quarter ended		For the nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
----- Rupees '000 -----				
Profit after tax for the period	<u>1,170,936</u>	965,641	<u>3,581,491</u>	<u>3,825,067</u>
----- Number of shares in thousands -----				
Weighted average number of ordinary shares	<u>1,517,697</u>	1,517,697	<u>1,517,697</u>	<u>1,517,697</u>
----- Rupees -----				
Earnings per share - basic	<u>0.77</u>	0.64	<u>2.36</u>	<u>2.52</u>

16.1 Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at September 30, 2018 and September 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

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	Un-audited September 30, 2018	Audited December 31, 2017
-----Rupees '000-----		
17 CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	38,550,104	37,861,767
Balances with other banks	1,792,013	1,872,771
Overdrawn nostros	<u>(64,295)</u>	<u>(245,631)</u>
	<u>40,277,822</u>	<u>39,488,907</u>

18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

The Bank is organised into four major business segments:

- Corporate Finance
- Trading and Sales
- Retail Banking
- Corporate & Commercial Banking

All assets, liabilities, off balance sheet items and items of income and expense are distributed in primary segments in accordance with the core functions performed by the business groups.

	Corporate Finance	Trading & Sales	Retail Banking	Corporate & Commercial Banking	Total
-----Rupees '000-----					
September 30, 2018 - Un-audited					
Total income ***	181,912	4,893,154	20,822,402	2,793,257	28,690,725
Total expenses	<u>(105,959)</u>	<u>(4,093,678)</u>	<u>(18,820,467)</u>	<u>(2,089,130)</u>	<u>(25,109,234)</u>
Net income	<u>75,953</u>	<u>799,476</u>	<u>2,001,935</u>	<u>704,127</u>	<u>3,581,491</u>
Segment assets (Gross)	-	138,463,889	78,811,652	306,330,975	523,606,516
Segment non performing loans	-	-	4,637,193	22,243,988	26,881,181
Segment provision required against loans **	-	-	(3,452,294)	(20,102,202)	(23,554,496)
Segment liabilities	-	(42,283,935)	(366,129,265)	(45,575,666)	(453,988,866)
Segment return on assets (ROA) (%) *	-	<u>0.59%</u>	<u>3.98%</u>	<u>0.37%</u>	
Segment cost of funds (%) *	-	<u>6.16%</u>	<u>3.61%</u>	<u>6.34%</u>	
September 30, 2017 - Un-audited					
Total income ***	113,895	4,788,386	18,035,304	2,809,324	25,746,909
Total expenses	<u>(85,123)</u>	<u>(3,578,326)</u>	<u>(16,596,348)</u>	<u>(1,662,045)</u>	<u>(21,921,842)</u>
Net income	<u>28,772</u>	<u>1,210,060</u>	<u>1,438,956</u>	<u>1,147,279</u>	<u>3,825,067</u>
December 31, 2017 - Audited					
Total income ***	229,647	5,253,772	25,270,586	3,628,514	34,382,519
Total expenses	<u>(148,922)</u>	<u>(4,296,047)</u>	<u>(23,172,580)</u>	<u>(2,241,826)</u>	<u>(29,859,375)</u>
Net income	<u>80,725</u>	<u>957,725</u>	<u>2,098,006</u>	<u>1,386,688</u>	<u>4,523,144</u>
Segment assets (Gross)	-	186,246,334	105,912,738	223,861,658	516,020,730
Segment non performing loans	-	-	4,475,747	22,845,329	27,321,076
Segment provision required against loans **	-	-	(3,566,897)	(20,728,170)	(24,295,067)
Segment liabilities	-	(37,997,772)	(374,881,766)	(35,915,093)	(448,794,631)
Segment return on assets (ROA) (%) *	-	<u>0.50%</u>	<u>2.60%</u>	<u>0.75%</u>	
Segment cost of funds (%) *	-	<u>5.01%</u>	<u>3.47%</u>	<u>5.82%</u>	

* These percentages have been computed based on average balances.

** Includes general provision

*** Includes share of loss of associate

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19 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its holding company, associated undertaking, associated company, group companies, retirement benefit plans, directors, key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

Banking transactions with the related parties are executed substantially on the same terms, except transactions with directors and key management personnel that are as per their terms of employment, including mark-up rates and collateral, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk.

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

Particulars	As at September 30, 2018 (Un-audited)				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Other Related Parties
	Rupees '000				
Deposits					
Balance at the beginning of the period	133,409	1,463,773	2,801	622	1,675,071
Placements during the period	977,609	4,029,499	2,393,328	4,980,495	41,777,390
Withdrawals during the period	(968,843)	(4,433,749)	(2,390,004)	(4,968,139)	(42,111,313)
Balance at end of the period	<u>142,175</u>	<u>1,059,523</u>	<u>6,125</u>	<u>12,978</u>	<u>1,341,148</u>
Advances *					
Balance at the beginning of the period	154,722	-	-	-	4,636,528
Disbursements during the period	79,071	-	-	-	1,425,685
Repayments during the period	(63,004)	-	-	-	(50,438)
Balance at end of the period	<u>170,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,011,775</u>
Investments **					
Balance at the beginning of the period	-	-	23,169	-	3,782,571
Disbursements / purchases during the period	-	-	-	-	1,378,897
Repayments / sales / share of loss during the period	-	-	(8,771)	-	(1,342,583)
Balance at end of the period	<u>-</u>	<u>-</u>	<u>14,398</u>	<u>-</u>	<u>3,818,885</u>
Commission income receivable	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>-</u>
Trust activities	<u>124,225</u>	<u>1,077,600</u>	<u>-</u>	<u>-</u>	<u>66,100</u>
No of shares held by related parties (note 19.2)	<u>141</u>	<u>-</u>	<u>-</u>	<u>1,013,474</u>	<u>80,369</u>

* Provision held against advances in respect of other related parties amounted to Rs 2,931.622 million.

** Provision held against investments in respect of other related parties amounted to Rs 2,321.301 million.

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Particulars	As at December 31, 2017 (Audited)				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Other Related Parties
	Rupees '000				
Deposits					
Balance at the beginning of the year	76,655	921,493	3,173	981,862	1,891,917
Placements during the year	1,157,248	2,690,833	5,068,336	1,758	56,979,416
Withdrawals during the year	(1,100,494)	(2,148,553)	(5,068,708)	(982,998)	(57,196,262)
Balance at end of the year	<u>133,409</u>	<u>1,463,773</u>	<u>2,801</u>	<u>622</u>	<u>1,675,071</u>
Advances *					
Balance at the beginning of the year	84,388	-	-	-	3,987,241
Disbursements during the year	151,533	-	-	-	792,376
Repayments during the year	(81,199)	-	-	-	(143,089)
Balance at end of the year	<u>154,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,636,528</u>
Investments **					
Balance at the beginning of the year	-	-	46,032	-	3,567,571
Disbursements / purchases during the year	-	-	-	-	367,999
Repayments / sales / share of loss during the year	-	-	(22,863)	-	(152,999)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>23,169</u>	<u>-</u>	<u>3,782,571</u>
Commission income receivable	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
Trust activities	<u>123,485</u>	<u>581,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
No of shares held by related parties (note 19.2)	<u>123</u>	<u>-</u>	<u>-</u>	<u>861,281</u>	<u>69,866</u>

* Provision held against advances in respect of other related parties amounted to Rs 2,762,997 million.

** Provision held against investments in respect of other related parties amounted to Rs 2,317,947 million.

Particulars	For the nine months ended September 30, 2018 (Un-audited)				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Other Related Parties
	Rupees '000				
Shares / units purchased during the period	-	-	-	-	1,378,897
Shares / units sold during the period	-	-	-	-	1,440,262
Government securities purchased during the period	618,197	-	-	-	-
Government securities sold during the period	613,217	2,646,152	-	-	148,677
Profit paid / accrued	1,792	48,778	164	-	63,445
Profit return / earned	5,671	-	-	-	95,559
Remuneration of the key management personnel					
- Salaries and other short-term employee benefits	273,430	-	-	-	-
- Post-employment benefits	14,676	-	-	-	-
- Directors fee	67,245	-	-	-	-
Contribution / charge relating to staff retirement benefits	-	200,821	-	-	-
Capital gain	-	-	-	-	97,679
Dividend income	-	-	-	-	203
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	29,397
Trade related commitments	-	-	-	-	1,309,747
Share of loss from associate	-	-	8,771	-	-
Commission income earned	-	-	2,000	-	-
Bonus shares issued (note 19.2)	184	-	-	1,321,922	104,829

* represents outstanding guarantee

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Particulars	For the nine months ended September 30, 2017 (Un-audited)				
	Directors and key management personnel	Retirement Benefit Plans	Associate	Group Companies	Other Related Parties
	Rupees '000				
Shares / units purchased during the period	-	-	-	-	167,999
Shares / units sold during the period	-	-	-	-	149,460
Government securities purchased during the period	235,711	509,255	-	-	-
Government securities sold during the period	473,760	720,391	-	-	429,093
Profit paid / accrued	900	41,251	330	-	59,189
Profit return / earned	3,368	-	-	-	46,846
Remuneration of the key management personnel					
- Salaries and other short-term employee benefits	253,784	-	-	-	-
- Post-employment benefits	8,166	-	-	-	-
- Directors fee	58,557	-	-	-	-
Contribution / charge relating to staff retirement benefits	-	188,621	-	-	-
Capital loss	-	-	-	-	3,539
Dividend income	-	-	-	-	57,379
Guarantees issued favouring related parties or on their behalf *	-	-	-	-	29,397
Trade related commitments	-	-	-	-	1,795,894
Share of loss from associate	-	-	19,375	-	-
Commission income earned	-	-	718	-	-
Bonus shares issued (note 19.2)	111	-	-	801,165	63,532

* represents outstanding guarantee

- 19.1** Balances pertaining to parties that were related at the beginning of the period but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through the movement presented above.
- 19.2** Bonus shares issued to sponsor shareholders include 7,180,439 shares (2017: 4,005,826 shares) in respect of withholding tax on bonus shares issued by the Bank during the period. Consequently shares held by the sponsor shareholders as at September 30, 2018 include 11,186,265 shares (2017: 4,005,826 shares) that have not been released by the Bank to the Government Treasury based on the stay order issued by the Honorable High Court of Sindh.

20 FAIR VALUE DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

20.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs e.g. estimated future cash flows).

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Recurring fair value measurements	September 30, 2018 (Un-audited)			
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
Financial assets				
Investments - net				
Market Treasury Bills	-	87,117,380	-	87,117,380
Pakistan Investment Bonds	-	6,906,260	-	6,906,260
GOP Ijara Sukuk Bonds	-	7,303,008	-	7,303,008
Fully Paid up Ordinary Shares	4,527,902	30,346	-	4,558,248
Term Finance Certificates	-	61,035	-	61,035
Units of Open end Mutual Funds	1,365,576	-	-	1,365,576
Sukuk Bonds	-	7,011,109	-	7,011,109
Commitments in respect of forward exchange contracts				
Forward purchase of foreign exchange	-	74,144,899	-	74,144,899
Forward sale of foreign exchange	-	45,394,682	-	45,394,682
Financial liabilities				
Derivative instruments	-	4,362,177	-	4,362,177
Other Liabilities				
Pakistan Investment Bonds	-	-	-	-

Recurring fair value measurements	December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
----- Rupees '000 -----				
Financial assets				
Investments - net				
Market Treasury Bills	-	123,845,329	-	123,845,329
Pakistan Investment Bonds	-	22,741,324	-	22,741,324
GOP Ijara Sukuk Bonds	-	6,308,601	-	6,308,601
Fully Paid up Ordinary Shares	3,860,342	30,346	-	3,890,688
Term Finance Certificates	-	62,227	-	62,227
Units of Open end Mutual Funds	1,376,986	-	-	1,376,986
Sukuk Bonds	-	6,247,055	-	6,247,055
Commitments in respect of forward exchange contracts				
Forward purchase of foreign exchange	-	34,751,660	-	34,751,660
Forward sale of foreign exchange	-	10,655,396	-	10,655,396
Financial liabilities				
Derivative instruments	-	2,361,939	-	2,361,939
Other Liabilities				
Pakistan Investment Bonds	-	4,245,132	-	4,245,132

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

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

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

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Valuation techniques used in determination of fair values within level 2

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

21 LIQUIDITY STANDARDS

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of LCR is to ensure that banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

	Un-audited September 30, 2018	Audited December 31, 2017
	-----Rupees '000-----	
	(based on 6 months average)	(based on 12 months average)
High quality liquid assets	117,983,684	158,597,029
Net cash outflows	85,874,037	77,621,136
Liquidity Coverage ratio (%)	137%	212%
Minimum Requirement (%)	90%	90%

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	Un-audited September 30, 2018	Audited December 31, 2017
	-----Rupees '000-----	
21.2 Net Stable Funding Ratio		
Available stable funding	377,099,829	356,147,953
Required stable funding	258,768,054	213,926,847
Net Stable Funding Ratio (%)	<u>146%</u>	<u>166%</u>
Minimum Requirement (%)	<u>100%</u>	<u>100%</u>

22 ISLAMIC BANKING BUSINESS

The Bank is operating 204 Islamic banking branches (December 31, 2017: 197) and 1 Islamic sub-branch (December 31, 2017: 1).

22.1 The statement of financial position of these branches as at September 30, 2018 is as follows:

	Un-audited September 30, 2018	Audited December 31, 2017
	-----Rupees '000-----	
ASSETS		
Cash and balances with treasury banks	6,740,209	7,716,588
Balances with other banks	138,961	113,094
Due from financial institutions	-	-
Investments	28,505,733	25,399,578
Islamic financing and related assets	64,872,405	45,601,317
Operating fixed assets	1,793,395	1,685,039
Deferred tax assets	53,200	-
Other assets	2,881,007	3,573,338
	<u>104,984,910</u>	<u>84,088,954</u>
LIABILITIES		
Bills payable	1,149,645	1,329,424
Due to financial institutions	7,437,000	4,450,000
Deposits and other accounts		
- Current accounts	29,014,192	31,485,430
- Saving accounts	18,278,438	15,600,698
- Term deposits	16,939,319	12,025,841
- Others	31,451	14,986
- Deposits from financial institutions - remunerative	3,949,545	11,060,378
- Deposits from financial institutions - non-remunerative	45,181	41,939
Due to head office	20,156,344	2,263,153
Deferred tax liabilities	-	42,307
Other liabilities	935,096	741,735
	<u>97,936,211</u>	<u>79,055,891</u>
NET ASSETS	<u>7,048,699</u>	<u>5,033,063</u>
REPRESENTED BY		
Islamic banking fund	4,680,000	2,880,000
Reserves	-	-
Unappropriated profit	2,342,369	1,949,363
	<u>7,022,369</u>	<u>4,829,363</u>
Surplus on revaluation of assets - net of tax	26,330	203,700
	<u>7,048,699</u>	<u>5,033,063</u>

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

22.2 The profit and loss account of the Bank's Islamic Banking branches for the nine months ended September 30, 2018 is as follows:

	Un-audited	
	Nine months ended	
	September 30, 2018	September 30, 2017
	-----Rupees '000-----	
Profit / return earned on financing and investments	4,860,640	3,425,193
Profit / return expensed	2,459,109	1,370,806
Net spread earned	2,401,531	2,054,387
Provision / (reversal of provision) against non-performing financings - net	14,162	(2,546)
Provision against consumer financings - general	19,829	15,218
Recoveries against written off debts	-	-
	33,991	12,672
	2,367,540	2,041,715
Other Income		
Fee, commission and brokerage income	273,992	191,005
Income from dealing in foreign currencies - net	62,223	43,519
Loss on sale of securities - net	-	(712)
Other income	5,825	4,015
Total other income	342,040	237,827
	2,709,580	2,279,542
Other expenses		
Administrative expenses	2,315,677	1,735,444
Other provision / write-offs	-	-
Other charges	897	19
Total other expenses	2,316,574	1,735,463
	393,006	544,079
Extraordinary items / unusual items	-	-
Profit for the period	393,006	544,079
Unappropriated profit brought forward	1,949,363	1,357,645
Unappropriated profit carried forward	2,342,369	1,901,724
Remuneration to shariah board	8,067	7,818
	Un-audited	Audited
	September 30,	December 31,
	2018	2017
	-----Rupees '000-----	
CHARITY FUND		
Opening balance	8,245	4,844
Additions during the period / year	7,004	8,201
Payments / utilisation during the period / year	-	(4,800)
Closing balance	15,249	8,245
Sources of addition in charity fund		
Non-shariah compliant income	6,504	556
Late payment charges	278	7,548
Profit on saving accounts	222	97
	7,004	8,201
Sector wise details of charity disbursement		
Health	-	4,300
Education	-	200
Social Work	-	300
	-	4,800

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Note	Un-audited September 30, 2018	Audited December 31, 2017
-----Rupees '000-----		
22.3.1	<u>64,872,405</u>	<u>45,601,317</u>

22.3 Islamic Financing and Related Assets

22.3.1 Islamic Mode of Financing

Financing		
Murabaha	597,948	606,921
Musharaka cum Ijara	11,269	11,269
Diminishing Musharaka	50,391,083	36,648,073
Running Musharaka	2,089,580	540,524
Fixed assets Ijara financing - net	80,434	17,665
Istisna	135,454	90,873
Musharaka - Islamic export refinance scheme	2,237,000	-
	<u>55,542,768</u>	<u>37,915,325</u>
Advance against Financing		
Advance against Murabaha financing	183,754	153,923
Advance against Diminishing Musharaka	5,480,573	3,873,577
Advance against Ijara	3,124,766	3,374,766
Advance against Istisna	864,814	574,102
	<u>9,653,907</u>	<u>7,976,368</u>
Gross Islamic financing and related assets	<u>65,196,675</u>	<u>45,891,693</u>
Provision against Islamic financing and related assets	<u>(324,270)</u>	<u>(290,376)</u>
	<u>64,872,405</u>	<u>45,601,317</u>

23 GENERAL

23.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. There have been no significant reclassifications except for the impact of change in accounting policy as disclosed in note 6.1 to these condensed interim financial statements.

24 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 25, 2018 by the Board of Directors of the Bank.

ڈائریکٹرز کا جائزہ

کریڈٹ ریٹنگ

جے سی آر وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR) اور پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے ۳۱ دسمبر، ۲۰۱۷ کے مالیاتی گوشواروں کی بنیاد پر درج ذیل درجہ بندی جاری کی ہے:

AA	طویل المیعاد:
A1+	قلیل المیعاد:

مذکورہ بالا کریڈٹ ریٹنگ ایجنسیز نے مستحکم حالت کی درجہ بندی تفویض کی ہے۔ JCR-VIS کی جانب سے تفویض کردہ درجہ بندیوں کی تعریفات درج ذیل ہیں:

”AA ہائی کریڈٹ کواٹی۔ حفاظتی عوامل مضبوط ہیں۔ خطرات بہت کم ہیں لیکن اقتصادی حالات کے باعث بسا اوقات کچھ خطرات رونما ہو سکتے ہیں۔“

A1+: بروقت ادائیگی کے لیے بڑی یقین دہانی۔ قلیل المیعاد فنڈز کے متبادل ذرائع تک رسائی موجود ہے۔ درجہ بندی سرکاری قلیل المیعاد قرضوں کی درجہ بندی سے ذرا سی نیچے ہے۔“

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی جانب سے تفویض کردہ درجہ بندیوں کی تعریفات درج ذیل ہیں:

”AA: بہت اعلیٰ قرضیاتی میعاد۔ AA درجہ بندی سے مراد قرضوں کے خطرات کی بہت ہی کم امید ہے۔ اس سے اشارہ ملتا ہے کہ مالیاتی معاہدوں پر بروقت ادائیگی کی بہترین صلاحیت موجود ہے۔“

A1+: بروقت ادائیگی کے لیے بڑی یقین دہانی موجود ہے۔“

توثیقی بیان:

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

چیئرمین

صدر اوریسی ای او

کراچی: ۲۵ اکتوبر، ۲۰۱۸

ڈائریکٹرز کا جائزہ

لینڈنگ پورٹ فولیو میں اضافے کی وجہ سے بینک کی نیٹ مارک اپ آمدنی ۷۰۷ ارب روپے سے بڑھ کر ۱۱۰۷ ارب روپے ہو گئی ہے۔ بینک کی مسلسل توجہ نان فنڈ میں آمدنی کو بڑھانے پر مرکوز ہے نتیجتاً نان فنڈ ڈ آمدنی (علاوہ کیپٹل گین) میں گزشتہ سال اسی عرصے کے مقابلے میں ۲۹ فیصد اضافہ ہوا ہے۔ بینک کے ٹریڈری نے پیشہ ورانہ انداز میں دباؤ کی شکار مارکیٹ میں فارن ایکسچینج پوزیشن کو برقرار رکھتے ہوئے فارن ایکسچینج ٹرانزیکشنز پر خاطر خواہ منافع حاصل کیا ہے۔ گزشتہ سال اسی عرصے کے مقابلے میں مجموعی آمدنی ۶۰۲ فیصد سے بڑھ کر ۱۱۵۷ ارب روپے ہو گئی ہے۔

آپ کا بینک اپنے برانچ نیٹ ورک کی وسعت سے صارفین کو سہولیات اور کاروباری حجم میں اضافہ کر رہا ہے جس کے باعث انتظامی اخراجات بڑھ کر ۱۱۰۷ ارب روپے سے تجاوز کر گئے ہیں جس کے نتیجے میں بعد از محصلہ منافعے میں ۲۴۴ ملین روپے کی معمولی کمی ہوئی ہے جو کہ گزشتہ سال اسی عرصے کے دوران ۳۰۸۲۵ ارب روپے کے مقابلے میں ۲۰۱۸ کے ۹ ماہ میں ۳۶۵۸۱ ارب روپے ریکارڈ کیا گیا ہے۔ اس کے نتیجے میں بینک کی فی نحص آمدنی (EPS) ۲۰۵۲ روپے سے کم ہو کر ۳۶۲۶ روپے ہو گئی ہے۔

بینک اپنی خالص آمدنی میں اضافے کی منصوبہ بندی کے تحت مرحلہ وار اپنے کرنٹ اور سیونگ ڈپازٹس (CASA) کو ٹول ڈپازٹس میں بڑھانے پر توجہ دے رہا ہے۔ اس وقت CASA ۶۱ فیصد ہے جبکہ اخراجات سے مبرا کرنٹ اکاؤنٹ ڈپازٹ، مجموعی ڈپازٹس کا ۳۶۵ فیصد ہے۔ کاسٹ آف فنڈ معمولی اضافے کے ساتھ ۳۰۹ فیصد ہو گئی ہے جبکہ ۳۱ دسمبر ۲۰۱۷ کو ۳۳۳ فیصد تھی۔ کاسٹ آف فنڈ میں معمولی اضافہ بنیادی طور پر سیونگ ڈپازٹ کے بیس ریٹ میں ۷۵ بی پی ایس اضافے کی وجہ سے ہوا ہے۔ اسی طرح آپ کے بینک نے اپنے لینڈنگ پورٹ فولیو کے منتخب شعبوں میں توسیع پر توجہ مرکوز کر رکھی ہے۔ دسمبر ۲۰۱۷ سے مجموعی قرضہ جات کے اجراء میں ۲۵۰۲ فیصد اضافے کے ساتھ ۶۲۵ ارب روپے کا اضافہ ہو چکا ہے جو کہ شرح سود میں اضافے سے بینک کی مارک اپ سے حاصل ہونے والی آمدنی کو بڑھانے میں مددگار ثابت ہوگا۔

کریڈٹ پر سخت نگرانی اور ڈوبے ہوئے قرضوں کی واپسی کے لیے سرٹوڈ کو ششوں کی بدولت گزشتہ سال کے اسی عرصے کے ۶۵ ملین روپے کے مقابلے میں اس سال ۸۲۵ ملین روپے کا پروویژن رپورسل ہوا ہے۔ نان پرفارمنگ لونز (NPL) کی شرح ۸۵.۱ فیصد کی اطمینان بخش سطح پر برقرار ہے اور ڈوبے ہوئے قرضوں کی واپسی کے لیے کافی پروویژن موجود ہیں۔

بینک کے کل اثاثہ جات ۲۹۷ ارب روپے پر پہنچ گئے ہیں اور ری ویلیویشن سرپلس کے علاوہ حصص کے اثاثہ جات کی مالیت ۳۷۲ ارب روپے تک پہنچ گئی ہے۔ بینک کی کیپٹل ایڈیکویسی ریٹو ۱۱.۲۷ فیصد کی اسٹیٹیوٹری لیول کے مقابلے میں ۱۶.۳۵ فیصد ہے۔

ڈائریکٹرز کا جائزہ

حصص مالکان نے کمپنی کے کیپٹل میں کو مستحکم بنانے اور آئندہ مرحلے کی تیاری کے لیے FAML میں ۲۸۰ ملین روپے کی اضافی سرمایہ کاری کی بھی منظوری دی ہے جس سے FAML کو کامیاب اور منافع بخش ایسیٹ منیجمنٹ کمپنی بنانے کے لیے جامع حکمت عملی پر عملدرآمد کیا جائے گا۔ منصوبوں میں FAML کے ذریعے اسلامک انویسٹمنٹ پروڈکٹس کی فراہمی بھی شامل ہے تاکہ بینک کو مکمل اسلامی بینکاری میں منتقل کرنے میں مدد حاصل ہو۔

حصص مالکان کے مذکورہ بالا فیصلوں پر عملدرآمد کے لیے بینک تمام قانونی قواعد و ضوابط کی کارروائیاں مکمل کرنے میں مصروف عمل ہے۔

مستقبل پر نظر:

بینک اپنی پانچ سالہ حکمت عملی تکمیل دینے میں مصروف عمل ہے۔ منافع میں اضافے کے علاوہ اس حکمت عملی کے تحت جغرافیائی حدود، ڈیجیٹل بینکنگ اور بینک کو مکمل طور پر اسلامی بینکاری کے ادارے میں تبدیل کرنے پر خصوصی توجہ دی جا رہی ہے۔

فیصل بینک کو مرحلہ وار مکمل اسلامی بینک میں تبدیل کرنے والے فیصلے کی روشنی میں ۲۰۱۷ میں ۵۰ نئی اسلامی شناختیں کھولی گئیں اس کی علاوہ مزید ۵۰ اسلامی شناختیں ۲۰۱۸ میں کھولنے کا منصوبہ ہے۔

مالیاتی جھلکیاں:

۳۰ ستمبر ۲۰۱۸ ۳۰ ستمبر ۲۰۱۷
ملین روپے

۱۰،۳۴۰	۱۱،۰۴۰
۳،۴۷۹	۴،۴۷۷
۹۸۰	۲۰۳
۱۴،۷۹۹	۱۵،۷۲۰
(۹،۲۱۴)	(۱۰،۳۱۶)
۵،۵۸۵	۵،۴۰۴
۷۶۵	۸۲۵
۶،۳۵۰	۶،۲۲۹
(۲،۵۲۵)	(۲،۶۳۸)
۳،۸۲۵	۳،۵۸۱
۲،۵۵۲	۲،۶۲۶

نیٹ مارک اپ / ریٹرن ارنڈ
نان فنڈڈ آمدنی (علاوہ کیپٹل گین)
سیکورٹیز کی فروخت پر کیپٹل گین
مجموعی آمدنی
آپریٹنگ اخراجات
منافع قبل از پروویژن
پروویژن ریورسل
قبل از محصول منافع
پروویژن برائے محصول
بعد از محصول منافع
فی حصص آمدن (روپے)

ڈائریکٹرز کا جائزہ

- کراچی میں ۳۵ مینجمنٹ ٹرینی آفیسرز (MTOs) نے اپنی کلاس روم ٹریننگ مکمل کر لی ہے، اور اس وقت جاب روٹیشن پر ہیں، اسی طرح لاہور میں ۲۵ مینجمنٹ ٹرینی آفیسرز نے اپنی کلاس روم ٹریننگ کا آغاز کر دیا ہے
- ۱۲۹ ٹرینی براچ سروس آفیسرز نے کامیابی سے اپنا سہ ماہی ٹریننگ پروگرام مکمل کر لیا ہے
- اسلامی بینکاری ٹیم کے اشتراک سے تیسری سہ ماہی کے دوران روایتی اور اسلامی براچ نیجز کے لیے اسلامی بینکاری کو فروغ دینے سے متعلق پیشن کا اہتمام کیا گیا
- نیجز کو پیش آنے والے روزمرہ کے مسائل کو موثر طریقے سے حل کرنے میں مدد فراہم کرنے کے لیے نیجز ڈیولپمنٹ بوٹ کیمپ کا آغاز کیا گیا ہے
- براچ نیجز کے لیے ریٹیل ٹیم کے اشتراک سے "BELIEVE" کے نام سے براچ مینجمنٹ اینڈ اسٹریٹجی رولس پلاننگ پروگرام کامیابی سے شروع کیا گیا ہے۔
- ۹۰۰۰ سے زائد شرکاء کو تیسری سہ ماہی میں کلاس روم اور آن لائن ٹریننگ پروگراموں کے ذریعے تربیت دی گئی

ادارے کی سماجی ذمہ داری

درج ذیل اداروں کو فلاحی کاموں میں تعاون اور مدد فراہم کی گئی:

- چائلڈ اینڈ ایبوسٹی اینشن
- فرینڈز آف برنس سینٹر
- دی سٹیزن فاؤنڈیشن
- نیشنل انسٹیٹیوٹ آف چائلڈ ہیلتھ ٹرسٹ (NICH)
- شوکت خانم میموریل کینسر اسپتال اور ریسرچ سینٹر

فیصل ایسیٹ مینجمنٹ لمیٹڈ میں سرمایہ کاری

۱۰ جولائی ۲۰۱۸ کو منعقدہ غیر معمولی اجلاس عام میں حصص مالکان نے فیصل ایسیٹ مینجمنٹ لمیٹڈ (FAML) کے ۵۰ فیصد حصص حاصل کرنے کے لیے حکمت عملی کی منظوری دی ہے۔ حصص مالکان نے قانونی لحاظ سے مشروط مزید ۹۹،۹۹ فیصد حصص حاصل کرنے کی بھی منظوری دی ہے جس کے نتیجے میں FAML میں فیصل بینک لمیٹڈ کے حصص ۳۰ فیصد سے بڑھ کر ۹۹،۹۹ فیصد ہو جائیں گے۔

ڈائریکٹرز کا جائزہ

مالیاتی مسائل کے باعث ریئل سیکٹرز کی جانب سے حاصل کردہ ترقی کے تسلسل میں سست روی دیکھنے میں آئی ہے (معیشت کا یہ شعبہ دراصل سامان کی پیداوار اور خدمات کی فراہمی سے منسلک ہے)۔ گیس کی قیمتوں میں بڑے پیمانے پر اضافے سے اخراجات کو برابر کرنے اور بجلی کی قیمتوں میں متوقع اضافے سے تیرہ سالوں میں مالیاتی سال ۲۰۱۸ میں بلند ترین شرح نمو ۵.۸٪ حاصل کیے جانے کے بعد اقتصادی سست روی کے امکانات دکھائی دیتے ہیں۔ استحکام پر توجہ مرکوز کرنے والی پالیسی اقتصادی ترقی میں وقتی طور پر کاؤٹ بن سکتی ہے، لیکن جامع منصوبہ بندی کی ضرورت ہے مستحکم ترقی کا حصول یقینی بنانے کے لئے۔

بیرونی محاذ پر، جاری کھاتوں میں خسارہ تئویش کا حامل ہے۔ مالیاتی سال ۲۰۱۸ میں ۱۸ بلین امریکی ڈالر کے خسارے کے بعد، مالیاتی سال ۲۰۱۹ کے دوامہ میں جاری کھاتوں کا خسارہ ۲.۷ بلین امریکی ڈالر تک جا پہنچا ہے جو کہ گزشتہ سال کے اسی عرصہ کے دوران ۲.۵ بلین امریکی ڈالر تھا۔ مالی سال کے پہلے دو ماہ کے دوران تیل کے علاوہ اشیاء کی درآمدات میں کمی، بیرون ملک موجود پاکستانیوں کی جانب سے ترسیلات زر اور برآمدات میں اضافے کے باوجود مالی خسارہ بڑھ رہا ہے، تیل درآمدات کی ایک اہم رقم اس کی وجہ ہے، ان کے نتیجے میں بینک دولت پاکستان کے زرمبادلہ کے ذخائر ۳.۴ بلین امریکی ڈالر تک کم ہو گئے جو کہ ۱۸ ماہ کی درآمدات کا نتیجہ ہے۔

وزارت خزانہ کے مطابق اس وقت پاکستان آئی ایم ایف کے پاس جانے کی تیاری کر رہا ہے، جس سے سخت اقتصادی پالیسی، ایکسچج ریٹ میں اتار چڑھاؤ اور فیکل ایڈجسٹمنٹ متوقع ہے۔ تیل کی عالمی قیمتوں میں اضافہ اور معاشی تحفظ کی حامل تجارتی پالیسیوں کے سبب پاکستان جیسی ترقی پذیر مارکیٹس میں خود ساختہ اقدامات کی ضرورت ہے جس سے گھریلو اشیاء کی قیمتوں میں استحکام، قرض ادا کرنے کی صلاحیت میں اضافہ اور مستحکم معیشت کی بنیاد یقینی ہو۔

فیصل بینک کی کارکردگی:

فیصل بینک لمیٹڈ نے ایک جامع حکمت عملی کے تحت اپنی توجہ بنیادی آمدنی کے اضافہ، تکنیکی ترقی سے صارفین کی سہولیات، اثاثوں کے فروغ، اخراجات میں توازن اور اسلامی بینکاری میں منتقلی پر مرکوز کر رکھی ہے۔

زیر جائزہ عرصے کے دوران بینک کی چند نمایاں کامیابیوں پر نظر ڈالتے ہیں:

- فیصل سیلف انویسٹ اینڈ آؤٹکیش کے لئے مارکیٹنگ مہم چلائی گئی
- جوہلی جزل انشورنس ونڈ وٹیکافل آپریشنز کے اشتراک سے ٹیکافل ہیلتھ کورڈ کے لیے ٹیلی سلز ٹیکافل ہیلتھ کور کا آغاز کیا
- آٹوز اور کریڈٹ کارڈ صارفین کے لیے IGI لائف انشورنس لمیٹڈ کے ساتھ بینکیشنز کا آغاز کیا جس کے تحت لائف پلان فراہم کئے جاتے ہیں

ڈائریکٹرز کا جائزہ

فیصل بینک کے بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کی خدمت میں ۳۰ ستمبر، ۲۰۱۸ کو ختم ہونے والی تیسری سہ ماہی کی رپورٹ مالیاتی گوشواروں کے ساتھ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

کمپنی پروفائل

فیصل بینک لمیٹڈ (FBL) کا قیام پاکستان میں ۱۳ اکتوبر، ۱۹۹۴ کو ایک پبلک لمیٹڈ کمپنی کے طور پر عمل میں آیا۔ بینک کے شیئرز کا اندراج پاکستان اسٹاک ایکسچینج میں ہے۔ فیصل بینک لمیٹڈ کی ملک بھر کے ۱۲۴ سے زائد شعبوں میں ۲۱۰۰ شاخیں ہیں جن میں سے ۲۰۴ اسلامی شاخیں ہیں جبکہ ایک ذیلی شاخ ہے۔ اپنے صارفین کی سہولت کے لیے بینک نے ملک بھر میں ۱۴۱۳ اے ٹی ایبز نصب کیے ہیں۔

فیصل بینک لمیٹڈ اسلامی مالیاتی ادارے میں تبدیل ہونے کی راہ پر گامزن ہے۔ بینک اپنے فرنیچائز ویلیو میں اضافے کے مواقع کا متلاشی رہا ہے۔ بینک نئی شاخوں کی توسیع سے صارفین کو ان کی دلہیز پر خدمات کی فراہمی کے لیے کوشاں ہے۔ فیصل بینک لمیٹڈ شاخوں کی توسیع کے ساتھ ٹیکنالوجی میں بھی سرمایہ کاری کر رہا ہے تاکہ صارفین کو آسان اور قابل اعتماد خدمات کی فراہمی یقینی ہو۔

بینک ماحولیات سے متعلق اپنی ذمہ داریوں سے باخبر ہے اور اس سلسلے میں ایک جامع گرین بینکنگ پالیسی تشکیل دی جا چکی ہے۔ نئے پروجیکٹس کو حتمی شکل دینے سے پہلے ماحولیات کی تحفظ کا خاص خیال رکھا جاتا ہے۔ اس کے علاوہ قدرتی روشنی سے فائدہ اٹھانے اور توانائی کے قیمتی وسائل کو بچانے کے لیے اقدامات کیے گئے ہیں۔

اقتصادی اپ ڈیٹ

مالیاتی سال ۲۰۱۹ کے آغاز میں ہی پاکستان کو اقتصادی مسائل کا سامنا ہے۔ بڑھتی ہوئی مہنگائی، خساروں میں اضافہ اور کم ہوتے بیرونی ذخائر اقتصادی ماہرین کے لیے تشویش کا باعث ہیں۔ حال ہی میں اسلام آباد کا دورہ کرنے والی انٹرنیشنل مانیٹری فنڈ (IMF) کی ٹیم نے شرح سود میں دسمبر ۲۰۱۷ سے اب تک ۲۷.۵ فی پی ایس کے اضافے اور ۶.۶ فیصد کرنسی کی قدر میں کمی کے اقدامات کو درست قرار دیا ہے۔

داخلی محاذ پر مہنگائی میں اضافے کا رجحان جاری ہے اور مالیاتی سالی کی پہلی سہ ماہی میں CPI انفلیشن کا تناسب گزشتہ سال کے اسی عرصہ کے دوران ۳۶.۳۹ فیصد کے مقابلے میں ۵۶.۶۰ فیصد رہا۔ مہنگائی کے اثرات خالصتاً اشیائے خورد و نوش اور توانائی کی قیمتوں پر پڑے جس کے باعث ستمبر ۲۰۱۸ کے دوران یہ شرح ۸.۶۰ فیصد تک جا پہنچی۔ گھریلو صارفین پر مہنگائی کا بوجھ بنیادی طور پر تیل کی عالمی قیمتوں میں اضافہ، گھریلو صارفین کے لیے گیس کی قیمتوں میں اضافہ، ریگولیٹری ڈیویڈنڈ کا نفاذ اور روپے کی قدر میں کمی کے باعث ہے۔ حالیہ مہنگائی کے اعداد کی وجہ سے بینک دولت پاکستان نے مہنگائی کی شرح ۶.۵ سے ۷.۵ فیصد ہونے کی پیش گوئی کی ہے۔

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