

Growing with you

Half Yearly Report June 2021

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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. Siraj Ahmed Dadabhoy *	Non-Executive 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

Risk Management Committee

Dr. Amjad Waheed	Chairperson
Mr. Siraj Ahmed Dadabhoy *	Member
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. Siraj Ahmed Dadabhoy *	Member
Mr. Syed Ali Hasham	Member
Mr. Syed Amir Ali	Member

Board Remuneration Committee

Mr. Sulaiman Sadruddin Mehdi	Chairperson
Mr. Ali Hussain	Member
Dr. Amjad Waheed	Member
Dr. Lalarukh Ejaz	Member
Mr. Siraj Ahmed Dadabhoy *	Member
Mr. Syed Ali Hasham	Member

Information Technology (IT) Committee

Dr. Lalarukh Ejaz	Chairperson
Mr. Haider Ali Hilaly	Member
Mr. Syed Amir Ali	Member

* resigned effective from August 25, 2021

**co-opted effective from August 25, 2021 for remaining term in replacement of Mr. Siraj Ahmed Dadabhoy subject to SBP clearance.

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 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
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 half year ended June 30, 2021.

Economic Snapshot

Pakistan's economy continued its momentum of recovery during Fiscal Year 2021 (Jul'20 to Jun'21) due to healthy growth achieved in construction, services, FMCG, steel, cement, petroleum and power generation sectors. This growth momentum is expected to continue in FY22 based on support measures announced in federal budget, accommodative monetary stance and subsidized financing under SBP's Temporary Economic Refinance facility.

While overall year on year inflation increased from 8.0% in Dec'20 to 9.7% in Jun'21, inflation expectations for months ahead ranges between 7% to 9% based on improvement in food related inflation which went down to (i) Urban: 11.6% in Jun'21 from 12.6% in Dec' 20, and (ii) Rural: 9.8% in Jun'21 from 13.4% in Dec'20. This was largely due to administrative measures taken by Government of Pakistan and timely import of wheat and sugar stocks.

Country's FX reserve position is expected to improve this year due to adequate availability of external financing. Like all other emerging markets, Pak Rupee has depreciated by 4% since May'21, due to expectation of normalization of USA's monetary policy in order to balance inflationary trend in the west.

After registering surpluses in initial months, the country ended with a current account deficit of USD 1.8 Bn in FY21 on account of increase in seasonal imports, higher commodity prices at international level, vaccine imports and import of capital goods on the back of positive investment outlook. The current account deficit is expected at a sustainable range of 2-3 percent of GDP in FY22 (Jul'21 to Jun'22).

Based on the above, GDP Growth is now anticipated at around 4% to 5% in FY21. Moreover, Monetary Policy Committee has continued to maintain its accommodative stance and has kept the policy rate unchanged at 7% for sustained growth of economy during the on-going fourth wave of Covid.

Source: State Bank of Pakistan

Financial Performance

Following are the key financial highlights for the half year ended June 30, 2021:

Particulars (Financial Position)	June 2021	Dec 2020	June 2020	Growth	
	----- Rupees in Million -----			Vs Dec 2020	Vs June 2020
Total Deposits	304,102	283,641	241,825	7.2%	25.8%
Total Assets	355,131	336,297	285,926	5.6%	24.2%
Total Financing and Related Assets – net	143,548	130,162	141,629	10.3%	1.4%
Investments – net	107,128	95,240	50,846	12.5%	110.7%
Treasury and Bank Placements	48,704	53,948	31,970	-9.7%	52.3%
Net Assets	21,333	19,895	19,020	7.2%	12.2%
Branches network (number)	343	343	340	0.0%	0.9%

Particulars (Profit and Loss)	June 2021	June 2020	Growth
	----- Rupees in million -----		
Net Spread Earned	5,067	6,789	-25.4%
Fee and Commission Income	611	440	38.9%
Operating Expenses	4,484	4,142	8.3%
Operating Profit	1,592	3,412	-53.3%
Provisions and Write Offs-Net	(287)	1,538	-118.7%
Profit After Tax	1,162	1,074	8.2%
Basic Earnings per share (Rupees)	1.0481	0.9683	8.2%

In line with its strategy and keeping in view the prevailing low policy rate regime, the nucleus of the Bank's deposit revolved around low cost Current and Saving deposits, which grew by 17.7% and 13.4% respectively since end of December 2020. In view of aforementioned strategy, the Bank's high cost Term Deposits witnessed a decline of 7.7% during the same period. Consequently, overall Deposit grew by 7.2% during period ended Jun'21 when compared with its position at Dec'20. When compared with June 2020, total deposit registered a healthy growth of 25.8%. On the back of improving macroeconomic indicators, positive investment outlook and supportive refinancing facilities from SBP, BankIslami expanded its credit exposures through its financing and investment book. On the financing side the Bank disbursed funds to corporate entities and to retail customers longing for auto and housing finance following the Bank's rigorous underwriting process. The growth in financing portfolio as compared to June 2020 is marginal mainly because of adjustment of large amount during the period which was financed to Government backed commodity operations. Infection ratio of the Bank also declined to 11.5% at Jun'21 as opposed to 12.1% at Dec'20 mainly due to increase in financing book, whereas the coverage ratio (including general provision) improved to 84.2% at Jun'21 from 83.5% at Dec'20. On the investment front, the Bank placed surplus liquidity towards GoP Sukuk which assisted in improving BankIslami's overall credit risk weightings for the purpose of Capital Adequacy Ratio which clocked at 16.7% at the end of Jun'21 as opposed to 16.1% at the end of Dec'20.

While the Bank depicted notable growth in its high yielding earning assets and low cost CASA deposits, Net Spreads of the Bank contracted by 25.4% mainly attributable to outweighing impact of downward repricing on assets vis-à-vis repricing of cost bearing liabilities. Non Funded Income of the Bank rose by 13% due to robust growth in Fee and Commission Income earned through (i) Digital Delivery Channels, (ii) Trade and FI relationships, (iii) Wealth management segment, and (iv) Consumer Finance Services. The Bank also booked one-off capital gains on sale of its holdings in two of its subsidiaries, namely, BIPL Securities Limited and BankIslami Modaraba Investments Limited. Increase in NFI through these avenues, was off-set by decline in FX income and Capital Gains on sale of fixed income securities.

Operating expenses of the Bank rose by 8.3% mainly due to inflationary impact linked with staff and non-staff costs and appreciation in variable cost directly attributable to business growth.

Owing to compression in net spreads, the operating profit of the Bank decreased to Rs. 1,592 Mn in HY'21. This decline was offset by net reversals against non-performing assets during the period as opposed to net provisioning booked against non-performing assets during same period last year. Net reversals booked during the current period 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 certain extent by additional provisioning booked during HY'21 against non-performing accounts. Resultantly, the Bank posted Profit After Tax amounting to Rs. 1,162 Mn for the half year ended June 30, 2021, registering an improvement of 8.2% from last year's PAT of Rs. 1,074 Mn, *Alhamdulillah*.

Group Results

As at June 30, 2021, total assets of the Group increased by 5.2%, when compared with asset base of December 2020. Growth in the financial position of the Group was mainly due to growth in Deposits and Earning Assets of the Islamic Banking segment. On account of reduction in benchmark profit rates and resultant repricing of assets and liabilities, net spreads earned by the Group contracted during the six months ended June 30, 2021. Despite this, Group reported a Profit After Tax of Rs. 1,108 Mn for HY'21, improving by 16.6% when compared with PAT of Rs. 950 Mn for HY'20. This was mainly attributable to (i) net reversals booked during the outgoing period against delinquent assets; (ii) increase in profitability of Shakarganj Food Products Limited (associated entity) on account of growth in sales volumes and increase in prices of labeled dairy products; and (iii) increase in profits from discontinued operations (held for sale subsidiaries).

During the period ended June 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

Mr. Siraj Ahmed Dadabhoy, a non-executive Director, has decided to step down and tendered his resignation which has been accepted by the Board effective August 25, 2021. The Board has appointed Mr. Tasnim-ul-Haq Farooqui as a replacement for Mr. Siraj Ahmed Dadabhoy subject to completion of necessary formalities including regulatory approval. The Board places on record its appreciation for the invaluable support and contributions of Mr. Siraj Ahmed Dadabhoy during his tenure on the Board.

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,

Syed Amir Ali
Chief Executive Officer

Ali Hussain
Chairman of the Board

August 25, 2021

بورڈ آف ڈائریکٹرز میں تبدیلیاں / ترمیمات

جناب سراج احمد ادا بھائی، نان ایگزیکٹو ڈائریکٹر نے سبکدوشی کا فیصلہ کیا ہے اور انہوں نے اپنا استعفیٰ پیش کر دیا ہے، جو 25 اگست، 2021 کو بورڈ نے منظور کر لیا ہے۔ بورڈ نے جناب تسنیم الحق فاروقی کی جناب سراج احمد ادا بھائی کی جگہ پر تقرری کی ہے جو ضروری کارروائی، بشمول ضابطے کی منظوری سے مشروط ہے۔ بورڈ نے جناب سراج احمد ادا بھائی کی جانب سے بورڈ میں دی جانے والی خدمات کے اعتراف اور ان کی بھرپور معاونت کو سراہتے ہوئے اسے ریکارڈ کا حصہ بنایا 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، سیکورٹیز 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

علی حسین
چیئر مین آف دی بورڈ

سید عامر علی
چیف ایگزیکٹو آفیسر

25 اگست، 2021

گروپ کے نتائج

30 جون، 2021 کو گروپ کے مجموعی اثاثہ جات میں دسمبر 2020 کے اثاثہ جات کے مقابلے میں 5.2% تک اضافہ ہوا۔ گروپ کے مالی استحکام میں اضافے کی بنیادی وجہ اسلامی بینکاری کے شعبہ کے ڈپازٹس اور آمدن والے اثاثہ جات میں اضافے کی وجہ سے تھی۔ طے شدہ 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 (اسپیڈز) 30 جون، 2021 کے آخری چھ ماہ کے دوران کم ہو گئے۔ اس کے باوجود گروپ نے سال 2021 کی ششماہی میں 16.6% کی بہتری ریزروٹری کو ظاہر کرتے ہوئے 1,108 ملین روپے کا بعد از محمول منافع کا اعلان کیا جو کہ سال 2020 کی ششماہی میں 950 ملین روپے PAT تھا۔ اس کا سہرا بالخصوص (i) غیر فعال اثاثہ جات کے حوالے سے گزرنے والے مدت کے دوران صافی واپسی (ریورسلز) (ii) فروخت کے حجم میں اضافے اور لیبل والی ڈیری پراڈکٹس کی قیمتوں میں اضافے کی وجہ سے شکر گنج فوڈ پراڈکٹس لمیٹڈ (منسلک ادارے) کے منافع میں اضافہ اور (iii) معطل آپریشنز کی فروخت سے حاصل ہونے والے منافع (فروخت کے لیے رکھے گئے ذیلی ادارے) میں اضافے سے منسوب ہے۔

30 جون، 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 نان کرنٹ اثاثے برائے فروختگی کے طور پر کی گئی تھی۔ ان اداروں کے نام BIPL سیکورٹیز 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 ڈائریکٹرز:
3	(ii) نان ایگزیکٹو ڈائریکٹرز:
1	(iii) ایگزیکٹو ڈائریکٹرز:
1	(a) خاتون ڈائریکٹر:
7	(b) مرد ڈائریکٹرز:

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

موجودہ پالیسی کی کم شرح کے پیش نظر حکمت عملی کے مطابق، کم لاگت کے کرنٹ اور سیونگ ڈپازٹس بینک کے ڈپازٹ کی توجہ کا مرکز رہے، جو دسمبر، 2020 سے بالترتیب 17.7% اور 13.4% تک بڑھے۔ مذکورہ بالا حکمت عملی کے پیش نظر، اسی مدت کے دوران بینک کا مہنگے لاگت کے ٹرم ڈپازٹس میں 7.7% کی تیزی دیکھنے میں آئی۔ جس کے نتیجے میں جون 2021 کی مدت کے دوران مجموعی ڈپازٹ کا اگر دسمبر 2020 سے موازنہ کیا جائے تو اس میں 7.2% فیصد تک اضافہ ہوا۔ جب اس کا جون 2020 کے دوران مدت سے موازنہ کیا گیا تو مجموعی ڈپازٹ میں 25.8% فیصد کی صحت مند منور جٹر ہوئی۔ بینکر واکناٹک انڈیکس میں بہتری، سرمایہ کاری کی مثبت سطح اور اسٹیٹ بینک آف پاکستان کی معاونت پر مبنی ری فنانسنگ کی سہولت کی بنیاد پر، بینک اسلامی نے اپنی فنانسنگ اور انویسٹمنٹس بک کے ذریعے کریڈٹ ایکسیپوژرز کو وسعت دی۔ مالیاتی معاملات میں بینک نے اپنے سخت معاہدہ جات اور طریقہ کار کے تحت آٹو اور ہاؤس فنانسنگ کے خواہشمند کارپوریٹ اداروں اور ریٹیل کسٹمرز میں فنڈ تقسیم کیے۔ جون 2020 کے مقابلے میں کم نمو کی وجہ سے بڑی مقدار میں حکومتی ادارے کو فنانسنگ میں ایڈجسٹمنٹ ہے۔ بینک کی غیر فعال فنانسنگ کا تناسب خاص طور پر فنانسنگ بک میں بڑھوتری کی وجہ سے دسمبر، 2020 میں 12.1% کے برخلاف اگر جون 2021 میں 11.5% رہ گیا، جبکہ کوریج کا تناسب (بمشل عمومی فراہمی) دسمبر 2020 کے 83.5% کے مقابلے میں بڑھ کر جون 2021 میں 84.2% رہ گیا۔ سرمایہ کاری کے محاذ پر بینک نے حکومت پاکستان سلوک پرائیویٹ (سپلس) تزیل زر (لیکچو پڈیٹی) کو رکھا، جس سے سرمایہ کاری کی موزونیت کے تناسب کے مقصد کے حوالے سے بینک اسلامی کے مجموعی کریڈٹ رسک وینٹیکو بہتر بنانے میں مدد ملی، جو دسمبر، 2020 کے آخر میں 16.1% کے برخلاف جون 2021 کے آخر میں 16.7% پر پہنچ گیا۔

ہر چند یہ بینک نے اپنے بہترین پیداواری آمدن کے اثاثہ جات اور کم لاگت والے CASA ڈپازٹس میں قابل ذکر نمو ترقی ظاہر کی۔ بینک کے صافی پھیلاؤ کا حجم کم ہو کر 25.4% تک رہ گیا، جس کی بنیاد پر وجہ لاگت کے حامل واجبات کے زرخوں کے دوبارہ تعین کے مقابلے میں اثاثہ جات پر گرتی ہوئی قیمتوں کے اثرات ہیں۔ فیس اور کمیشن میں مستحکم اضافے کی وجہ سے بینک کی نان فنڈ ڈآمدن میں اضافہ ہوا۔ یہ آمدن (i) ڈیجیٹل ڈیلیوری چیلنجر (ii) ٹریڈ اور ایف آئی ریلیشن شپس (iii) ویلنٹھ منجمنٹ سیگمنٹ اور (iv) کنزرویٹو فنانس سرومز کے ذریعے حاصل ہوئی۔ بینک نے اپنے دو ذیلی اداروں BIPL سکیورٹیز لیمیٹڈ اور بینک اسلامی مضاربہ انویسٹمنٹ لیمیٹڈ میں اپنی ہولڈنگز کی فروخت پر ون آف کیپٹل منافع بھی حاصل کیا۔ ان شعبہ جات کے ذریعے NFI میں اضافہ، فلکسڈ ایکٹو ریٹیز کی فروخت اور غیر ملکی زرمبادلہ کی آمدن والے منافع جات میں کمی کے باعث آف سیٹ ہو گیا۔

بینک کے آپریٹنگ اخراجات میں 18.3% 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 نموسے عمارت ہے۔

صافی اسپریڈز میں پیدا ہونے والے دباؤ کی وجہ سے، 2021 کی ششماہی مدت میں بینک کا آپریٹنگ منافع کم ہو کر 1,592 ملین روپے پر آ گیا۔ اس کمی کی بنیاد پر اس دوران میں مندرغیر غیر فعال اثاثہ جات کے حوالے سے ہونے والی صافی واپسی کا عمل تھا، جو کہ گزشتہ سال کی اس مدت میں غیر فعال اثاثہ جات کے حوالے سے بک کی گئی صافی فراہمی کے برعکس تھا۔ موجودہ مدت کے دوران بک کے گئے نیٹ ریورسلز میں 722 ملین روپے کے ریورسلز شامل ہیں جو کہ ڈیولپر کے ساتھ تنازعہ کے حل اور متعلقہ مقدمات کی واپسی کے نتیجے میں حاصل ہوئے۔ غیر فعال اکاؤنٹس کے حوالے سے سال 2021 کی ششماہی مدت کے دوران بک کی گئی اضافی فراہمی کے ذریعے اس واپسی (ریورسل) کو ایک خاص حد تک بند رکھا گیا۔ جس کے نتیجے میں بینک نے گزشتہ سال کے 1,074 روپے کے PAT کے مقابلے میں 8.2% بہتری ریورسٹری کو ظاہر کرتے ہوئے، 30 جون، 2021 کو ختم ہونے والی ششماہی کے حوالے سے 1,162 ملین روپے کے بعد از حصول منافع کا اندراج کیا۔ الحمد للہ

مالیاتی کارکردگی

30 جون، 2021 کو ختم ہونے والی ششماہی کے حوالے سے اہم مالیاتی نکات درج ذیل ہیں:

نمو	2020 جون	دسمبر 2020	2021 جون	کوائف (مالی حیثیت)	
2020 Vs 2020 جون					
				----- روپے بلین میں -----	
25.8%	7.2%	241,825	283,641	304,102	مجموعی ڈپازٹس
24.2%	5.6%	285,926	336,297	355,131	مجموعی اثاثہ جات
1.4%	10.3%	141,629	130,162	143,548	مجموعی فنانسنگ اور متعلقہ اثاثہ جات - صافی
110.7%	12.5%	50,846	95,240	107,128	سرمایہ کاری - صافی
52.3%	-9.7%	31,970	53,948	48,704	ٹریڈری اور بینک پلیٹ فارمز
12.2%	7.2%	19,020	19,895	21,333	صافی اثاثہ جات
0.9%	-	340	343	343	برانچز کا نیٹ ورک (نمبر)

نمو	2020 جون	2021 جون	کوائف (نفع و نقصان)
			----- روپے بلین میں -----
-25.4%	6,789	5,067	حاصل کردہ صافی آمدن
38.9%	440	611	فیس اور کمیشن آمدن
8.3%	4,142	4,484	آپریٹنگ اخراجات
-53.3%	3,412	1,592	آپریٹنگ منافع
-118.7%	1,538	(287)	فراہمی اور دستبرداری - صافی
8.2%	1,074	1,162	بعد از محصول منافع
8.2%	0.9683	1.0481	فی حصص بنیادی آمدن (روپے)

ڈائریکٹرز کی رپورٹ

معزز حصص یافتگان

ہم بورڈ کی جانب سے 30 جون، 2021 کو ختم ہونے والی ششماہی کے حوالے سے بینک اسلامی پاکستان لمیٹڈ ("بینک" یا "بینک اسلامی") کی عبوری رپورٹ پیش کرنے پر خوشی محسوس کر رہے ہیں۔

معاشی جائزہ

پاکستان کی معیشت نے ترقیاتی، خدمات، FMCG، آئٹیل، سینٹ، پٹرولیم اور ٹیکسٹائل کی پیداوار کے شعبہ جات میں حاصل ہونے والی نمو کی وجہ سے مالی سال 2021 (جولائی، 2020 تا جون، 2021) کے دوران بحالی کا عمل جاری رکھا۔ وفاقی بجٹ میں امدادی اقدامات، مستحکم مالیاتی موقف اور اسٹیٹ بینک آف پاکستان کی عارضی اقتصادی ری فنانسنگ سہولت کے تحت دی جانے والی سبسڈائزڈ فنانسنگ کی بنیاد پر ترقی کی یہ رفتار مالی سال 2022 میں بھی جاری رہنے کا امکان ہے۔

جبکہ مجموعی طور پر سال کے افراترزی شرح دسمبر، 2020 کی 8.0% شرح سے بڑھ کر جون 2021 میں 9.7% ہو گئی اور آنے والے مہینوں میں افراترزی شرح، بنزلی کا شکار خوراک کے افراترزی جو کہ (i) شہری: دسمبر، 2020 کے 12.6% سے گر کر جون 2021 میں 11.6% اور (ii) دیہی: دسمبر، 2020 کے 13.4% سے گر کر جون 2021 میں 9.8% ہونے کی وجہ سے 7% سے 9% کے درمیان رہنے کی توقعات ہیں۔ اس کی بڑی وجہ حکومت پاکستان کے انتظامی اقدامات اور گندم، چینی کے اسٹاک کی بروقت درآمد تھی۔

خارجی فنانسنگ کی موزوں دستیابی کی وجہ سے اس سال ملک کے غیر ملکی زرمبادلہ کے ذخائر بہتر ہونے کی توقع ہے۔ دیگر ابھرتی ہوئی مارکیٹوں کی طرح، مغربی ممالک میں افراترزی کو متوازن کرنے کی غرض سے امریکہ کی مالیاتی پالیسی کو معمول پر لانے کے امکانات کی وجہ سے 2021 سے پاکستانی روپے کی قدر میں 4% کمی واقع ہوئی۔ ابتدائی مہینوں میں اضافی رقوم (سرپلس) کے اندراج کے بعد، مالی سال 2021 میں ملک کا کرنٹ اکاؤنٹ خسارہ سیزن میں ہونے والی درآمدات، بین الاقوامی سطح پر اجناس کے بلند نرخ، درآمد شدہ ویکسین اور مثبت سرمایہ کاری کی بنیاد پر کمپینل گڈز کی درآمد کی وجہ سے 1.8 بلین امریکی ڈالر رہا۔ مالی سال 2022 (جولائی، 2021 تا جون، 2022) میں کرنٹ اکاؤنٹ خسارہ جی ڈی پی کا 3-2% کی مستحکم سطح پر رہنے کی توقع ہے۔

مذکورہ بالا عوامل کی بنیاد پر، مالی سال 2021 میں جی ڈی پی گرتھ کی شرح اب تقریباً 4% سے 5% رہنے کی توقع ہے۔ مزید یہ کہ مالیاتی پالیسی کمیٹی نے اپنے مستحکم اور موثر موقف کو برقرار رکھا ہے اور پائیدار اقتصادی ترقی کے لیے COVID کی جاری چوتھی لہر کے دوران پالیسی کی شرح کو تبدیل کئے بغیر 7% پر رکھا ہے۔

اختدارہ: اسٹیٹ بینک آف پاکستان

Achievements and New Initiatives

ACHIEVEMENTS AND NEW INITIATIVES DURING HALF YEAR ENDED JUNE 30, 2021

Consumer Finance

Year 2021 have so far proved to be a robust year for Automobile industry where the country has witnessed launch of various new brands. Keeping up with the rising demand, BankIslami's Auto Finance segment also captured commendable business whereby it disbursed over Rs. 7.5 Bn during the first half of 2021. The Auto Finance team was also successful in implementing SBP's Kamyab Jawan Program through which it disbursed Rs. 28.2 Mn. Moreover, the Auto Team of the Bank also recorded its highest ever disbursement of Rs. 1.7 Bn during the Month of March 2021.

Similarly, Housing Sector of Pakistan has also witnessed significant recovery on account of initiatives taken by the Government of Pakistan. Taking advantage of the traction in the Housing Sector, the Bank also grew its Housing book on the back of over Rs. 4 Bn disbursements during the first half of the year. The Bank also achieved monthly disbursement of Rs. 1.8 Bn against 123 housing units in the month of March 2021 which is the highest ever number in a single month in the history of BankIslami and the banking industry. In addition to this, the Bank has also disbursed Rs. 435 Mn against 91 units under Government's Subsidy Schemes – 'Mera Pakistan, Mera Ghar' – which is over 3 times higher than assigned target as of June 2021. To further expand Bank's customer outreach the Bank has signed three MoU's with renowned builders, namely, EMAAR, Bahria and GFS.

To enhance turnaround time and operational efficiency in consumer financing, the Bank is expanding its Consumer Credit Risk footing in the regions of Faisalabad and Multan which will pave the way to improve the customer service.

Marketing

On the marketing side, the Bank launched a TVC campaign which was dedicated to our talented and differently abled children of Pakistan. This campaign was well received amongst masses. As a sequel to this campaign the Bank had organized a CSR fun day event for our special kids of the country.

Keeping in view the significance of digital platforms for marketing and dissemination of information to our stakeholders, the Marketing team of the Bank also launched its new and improved website which has been designed based on latest trend and needs of all our stakeholders.

Digital Delivery Channel

BankIslami successfully launched Whatsapp Banking channel through which it is now offering its valued customers with optimal digital convenience by leveraging state of the art digital platforms. With launch of this service, customers can interact with the Bank's representatives to acquire wide range of services.

On the technical side, the Bank has upgraded its Rendezvous Middleware which has enabled us in integrating our front-end channels with back-end systems in a seamless manner. This upgrade is compliant with latest PA-DSS mandates related to information security and has also allowed the Bank to significantly increase efficiency of its digital delivery channels.

Distribution

HY'21 has proved to be a landmark period for the Distribution Team. The Bank was not only able to increase its CASA mix composition from 64% in Dec'20 to 73% in Jun'21, but was also successful in crossing the Rs. 300 Bn benchmark for its overall deposit book. In order to achieve these milestones, the Bank has been actively working on strengthening its distribution structure and field force. Working on these lines, the Bank during the outgoing period, also expanded its field force by onboarding freelance Business Professionals and hiring of sales staff from rural areas which played a pivotal role towards enhancing CASA deposits.

Corporate Banking

Corporate Banking continued to pursue its strategy of portfolio rationalization and diversification. During the first half of 2021, the Bank remained focused towards adding New to Bank (NTB) customers, preferably Rated customers, with an aim to diversify and improve the credit quality of the financing portfolio encompassing all major economic sectors, such as Chemicals & Pharmaceuticals, Automobile, IT, Ceramics, Wires & Cables, Packaging and Textile.

Under Islamic Temporary Economic Relief facility, the response from various businesses across different industries has been overwhelming. The Bank opened LCs of over Rs 8.5 Bn under the Scheme against its approved limit of Rs. 9.1 Bn. These LCs are being retired through disbursement under ITERF facility and so far Rs. 1.4 Bn has been disbursed under subject Scheme.

SME Banking

SME team of BankIslami continued its focus on booking NTBs which exceeded 150 during the half year under review. Clients were embarked on trade intensive markets through our Import based Programs via 50 branches of the Bank across Pakistan. Through this thrust, the SME segment of the Bank achieved trade volumes of Rs. 47 Bn during first half of the year 2021 with a customer base of 650. Recognizing the importance of PM Kamyab Jawan Program for creation of employment in the country, the Bank played its role and effectively disbursed a sizable amount over Rs. 162 Mn. The focus of BankIslami's SME team is in line with initiatives taken by SBP with regards to Renewable Energy and Construction Finance. Several solar finance projects are in pipeline while the Team managed to disburse Rs. 550 Mn to support construction activities.

Besides the above achievements, SME segment of the Bank successfully launched 'Islamic Karobar Asaan Financing' program under Prime Minister's Youth Entrepreneurship Scheme, which will cater to the needs of relatively smaller entrepreneurs to set up or further expand their businesses.

Investment Banking

Investment Banking booked fee income of Rs. 79.6 Mn during HY'21. The fee income was mainly derived from advisory & arrangement services from Syndicate, Sukuk and Islamic Commercial Paper (ICP) transactions. BankIslami, as an Advisor, launched PIA Sukuk-I for Pakistan International Airlines (PIA). This was first SLR eligible Corporate Sukuk issuance during 2021 which was not only GoP backed but also Privately Placed Listed instrument issued through PSX Book Building process during mid of July 2021. Moreover, BankIslami, as Lead Advisor and Arranger, successfully closed two ICP issues amounting to Rs. 8,500 Mn for K-Electric Limited. With this, BankIslami has crossed Rs. 75 Bn milestone by successfully Structuring, Advising and Arranging ICP & Short Term Sukuk for the leading corporates during last three years.

Other notable achievements by Investment Banking Department include, (i) designation of BankIslami as Market Maker at PSX for Pakistan Energy Sukuk I and II; and (ii) issuance of CTI license (Consultant to the Issue) by SECP to BankIslami, making it the first Islamic bank in Pakistan to receive this approval. This license will broaden investment banking product suite and offerings relating to transaction advisory, investment agency and market maker services for both listed and privately placed Islamic debt instruments.

Agri Finance

BankIslami launched a new scheme of Tractor and Solar Finance under Prime Minister's Kamiyab Jawan initiative under which the Bank, till June 2021, has disbursed Rs. 98 Mn to 83 farmers for purchase of Tractors and Rs. 6 Mn to 3 farmers for installation of Solar Tubewells on their farms for the purpose of conserving energy and reducing their cost of production. To facilitate customers in timely delivery of Tractors, the Bank entered into an agreement with renowned company M/s Millat Tractors Limited.

The Bank also introduced a new concept of Field Warehouse Receipt Financing to facilitate farmers / traders to store their produce (Maize & Paddy) near their farm. As a pilot scheme, the Bank, entered into agreement with M/S Haji Sons to provide storage facilities in Hermetic Technology bags for Bank's customer in lieu of which we have disbursed Rs. 4.7 Mn in four transactions. BankIslami conducted 31 awareness program at different locations (villages) across Pakistan to bring awareness among rural community on Islamic Banking, Shariah Compliant Agri products, and developing habits on how to accumulate capital.

Employee Banking

In line with Bank's business strategy to pass on the benefits of Islamic Banking to grass root level, BankIslami launched Bike and Durable Goods Financing product for the employees of Bank's Corporate, Commercial and SME customers under Employees Banking Services. Through this Islamic Financing facility one can own its dream bike or home appliance on easy, affordable and flexible payment plans in a Riba-free way. The response under the Scheme is overwhelming and several mandates have been signed off for which financing requests are being processed.

Cash Management Services

BankIslami's Cash Management solution under the label of LinkIslami made considerable progress during the current period wherein the Bank has implemented new features for our valued customers. These include:

- Launch of Electronic Payment Gateway Services in collaboration with NIFT ePay.
- Electronic processing feature for settlement of all Bank's Digital Delivery Channel (DDC) merchants.
- Customized offering for onboarding collection clients over 1-Link network via our billing aggregator Partner Kuickpay.

With these product upgrades, the Bank is now able to cross-sell market competitive cash management and employee banking services to corporate and business customers which will add value to their business cash flows in an efficient manner with reduced operational cost.

Shariah

On the product side, the Shariah department made pivotal contribution towards launching of new Agri Finance products and structuring of Investment Banking deals. Moreover, to improve Bank's product suite and offerings, product manuals and standard agreement terms for Murabaha, Tijarah, Salam and Istisna were updated in line with the applicable Shariah Framework so as to cater business needs. The Shariah team also developed Urdu write ups of transaction summaries pertaining to modes of financing for SME and Agri Clients. This initiative aided improvement in customers' as well as staff's understanding about Islamic Banking products.

To maintain highest level of Islamic Banking and operating standards, the Shariah team reviewed more than 1,300 cases including Transaction Fact Sheets of various clients, bank guarantee drafts and approvals along with external and internal agreements. The team has also reviewed marketing and promotional material of the Bank including social media posts, sponsorship contents and marketing designs. In order to ensure a Shariah compliant environment at the branch level, Shariah team visited 20 branches across different cities to conduct Shariah Review and Knowledge Assessment of branch staff.

BankIslami, took an unprecedented initiative of launching a free of cost Islamic awareness programme with unique identity of 'Deen Connect', which was launched across all platforms. Under this program, different courses, webinars and workshops were conducted offering courses related to understanding of Arabic language used in the Quran, Quranic Tasfeer, and Quranic Tajweed. Moreover, under the umbrella of Deen Connect the Bank also conducted (i) two Live Islamic Awareness Webinars on Shariah aspects of Real Estate Business and Understanding Zakat: Its Importance, Calculation & Distribution'; and (ii) online workshops on topics of Ramadan, Halal Awareness and Islamic Law of Inheritance.

The Bank arranged a radio awareness session in Chitral which was delivered in the local language. The session provided a basic understanding of Islamic Banking to the listeners of the largest radio station in the region.

Human Resource

The Bank completed its performance appraisal exercise for the year 2020 in the first quarter of 2021 through e-portal to ensure smooth processing and transparency. Increments, promotions and performance bonus were awarded to deserving staff for their excellent performance and contributions towards achievement of Bank's goals. Moreover, the Bank made new hiring of over 500 plus staff at various levels of the Bank to support the business growth of the Bank. BankIslami believes in providing equal employment opportunities and built a talent pool by attracting batches of young graduates under its 'Graduate Trainees' and 'Trainee Personal Banking Officers' programs

For the wellbeing, convenience, health and safety of our valuable staff and their beloved family members, BankIslami took a remarkable initiative by setting up a Covid vaccination camp through which more than 525 staff members including their family members were immunized and jabbed through WHO approved vaccines.

Training and Development

Through a hybrid model which included classroom sessions as well as online virtual sessions, various training sessions were conducted by the Bank. BankIslami rolled out two certification courses i.e. Certified Islamic Retail Banker program and Certified Customer Service Officer Diploma program, accredited by Institute of Business Management (IoBM). The Bank also carried out 11 staff training sessions on Fair Treatment to Customers and Service Excellence including Complaint Management.

During the period under review, more than 30 classroom and 20 online training sessions of Islamic Banking Concepts were conducted in various cities with more than 916 participants attended these sessions. Specific training sessions were also conducted for Treasury Front and Back office staff and Agriculture Finance department's staff. Further, in a bid to improve staff's Shariah and Islamic Banking knowledge, the team also took an initiative to share daily posts with the title 'Islam aur Maeeshat', 'Seerat un Nabi (SAW)', 'Ramadan Kareem' and 'Zakat' etc.

Service Quality

The Bank received, total number of 27,260 complaints from Jan'21 till Jun'21 of which 25,427 were resolved with an average resolution TAT of 4 working days. Quantum of complaints received from Banking Mohtasib Pakistan was 60 of which 57 were resolved, while 84 complaints received through State Bank of Pakistan of which 83 were resolved.

The service quality team performed more than 1800 branch visits in which it provided trainings on internal service standards/memos and soft skills to enable Bank's staff in maintaining highest quality of service standards. The team also conducted meetings with General Managers and Area Managers on regular basis to update them on branch performance with regards to service quality.

The Bank conducted various product knowledge survey on the basis of e-product paper. The e-paper was circulated to Branches for knowledge purpose and then mystery calls were made to ensure quality assurance.

Condensed Interim
Unconsolidated Financial Statements
of
BankIslami Pakistan Limited
For the Half Year Ended
June 30, 2021

Independent Auditor’s Review Report

To the members of BankIslami Pakistan Limited

Report on review of Condensed Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **BankIslami Pakistan Limited** (“the Bank”) as at 30 June 2021 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated statement of cash flows, and notes to the condensed interim unconsolidated financial statements for the six-month period then ended (here-in-after referred to as the “interim financial statements”). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other Matters

The financial statements of the Bank for six-month period ended 30 June 2020 and for the year ended 31 December 2020 were respectively reviewed and audited by another firm of Chartered Accountants who had expressed an unqualified conclusion and opinion thereon vide their reports dated 28th August 2020 and 4th March 2021, respectively.

The figures for the quarter ended 30 June 2021 in the condensed interim unconsolidated statement of profit or loss and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor’s review report is Muhammad Taufiq.

Date: August 26, 2021

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Statement of Financial Position

AS AT JUNE 30, 2021

		(Un-audited)	(Audited)
	Note	June 30, 2021	December 31, 2020
		----- ((Rupees in '000)) -----	
ASSETS			
Cash and balances with treasury banks	6	20,508,979	22,034,025
Balances with other banks	7	6,876,919	12,308,269
Due from financial institutions	8	41,827,168	41,640,012
Investments	9	107,128,325	95,239,635
Islamic financing, related assets and advances	10	143,548,069	130,161,889
Fixed assets	11	12,825,878	11,741,506
Intangible assets	12	3,141,187	3,108,498
Deferred tax assets	13	5,060,194	5,824,886
Other assets	14	14,214,707	13,636,969
Non-current assets held for sale	15	-	601,609
		355,131,426	336,297,298
LIABILITIES			
Bills payable	16	4,221,517	3,324,085
Due to financial institutions	17	12,668,506	16,127,616
Deposits and other accounts	18	304,101,931	283,641,351
Subordinated sukuk	19	2,000,000	2,000,000
Deferred tax liabilities		-	-
Other liabilities	20	10,806,422	11,309,073
		333,798,376	316,402,125
NET ASSETS		21,333,050	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	3,297,968	3,030,509
Unappropriated profit		5,500,197	4,329,779
		21,333,050	19,895,173
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 38 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
PRESIDENT /
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OFFICER

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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 HALF YEAR ENDED JUNE 30, 2021

	Note	Quarter Ended		Half Year Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----					
Profit / return earned	23	5,618,530	6,790,557	10,957,253	14,769,142
Profit / return expensed	24	3,019,024	3,351,993	5,890,478	7,980,546
Net Profit / return		2,599,506	3,438,564	5,066,775	6,788,596
OTHER INCOME					
Fee and commission income	25	306,551	168,127	611,204	440,033
Dividend income		3,878	4,700	9,048	7,050
Foreign exchange income		108,516	99,647	169,579	213,774
Gain on securities	26	189,724	127,600	218,595	232,886
Other income	27	28,356	21,018	44,742	39,393
Total other income		637,025	421,092	1,053,168	933,136
Total Income		3,236,531	3,859,656	6,119,943	7,721,732
OTHER EXPENSES					
Operating expenses	28	2,304,340	2,051,861	4,484,473	4,141,948
Workers' Welfare Fund		22,029	25,429	40,934	37,642
Other charges	29	2,010	129,595	2,055	129,732
Total other expenses		2,328,379	2,206,885	4,527,462	4,309,322
Profit before provisions		908,152	1,652,771	1,592,481	3,412,410
Provisions and write offs - net	30	(334,508)	411,018	(287,278)	1,537,946
PROFIT BEFORE TAXATION		1,242,660	1,241,753	1,879,759	1,874,464
Taxation	31	470,561	536,348	717,731	800,856
PROFIT AFTER TAXATION		772,099	705,405	1,162,028	1,073,608
----- Rupees -----					
Basic earnings per share	32	0.6964	0.6362	1.0481	0.9683
Diluted earnings per share	32	0.6964	0.6362	1.0481	0.9683

The annexed notes 1 to 38 form an integral part of these condensed interim unconsolidated financial statements.

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DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021

	Quarter Ended		Half Year Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----				
Profit after taxation for the period	772,099	705,405	1,162,028	1,073,608
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	122,280	(1,034,675)	274,699	(1,749,547)
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	<u>894,379</u>	<u>(329,270)</u>	<u>1,437,877</u>	<u>(675,939)</u>

The annexed notes 1 to 38 form an integral part of these condensed interim unconsolidated financial statements.

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BankIslami Pakistan Limited

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 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 half year ended June 30, 2020	-	-	-	-	-	-	1,073,608	1,073,608
Other comprehensive income for the half year ended June 30, 2020	-	-	-	-	(1,749,547)	-	-	(1,749,547)
Total comprehensive income for the half year ended June 30, 2020	-	-	-	-	(1,749,547)	-	1,073,608	(675,939)
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	-	-	-	-	-	(696)	696	-
Balance as at June 30, 2020	11,087,033	(79,042)	936,267	250,000	1,239,187	1,633,735	3,953,213	19,020,393
Profit after taxation for the period from July 01, 2020 to December 31, 2020	-	-	-	-	-	-	629,527	629,527
Other comprehensive income for the period from July 01, 2020 to December 31, 2020	-	-	-	-	158,823	83,150	3,280	245,253
Total comprehensive income for the period from July 01, 2020 to December 31, 2020	-	-	-	-	158,823	83,150	632,807	874,780
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	-	-	-	-	-	(1,167)	1,167	-
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 half year ended June 30, 2021	-	-	-	-	-	-	1,162,028	1,162,028
Other comprehensive income for the half year ended June 30, 2021	-	-	-	-	274,699	1,150	-	275,849
Total comprehensive income for the half year ended June 30, 2021	-	-	-	-	274,699	1,150	1,162,028	1,437,877
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(833)	833	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(6,866)	6,866	-
Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	(691)	691	-
Balance as at June 30, 2021	11,087,033	(79,042)	1,276,894	250,000	1,672,709	1,625,259	5,500,197	21,333,050

The annexed notes 1 to 38 form an integral part of these condensed interim unconsolidated financial statements.

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DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,879,759	1,874,464
Less: Dividend Income		(9,048)	(7,050)
		1,870,711	1,867,414
Adjustments for non-cash charges and other items:			
Depreciation on fixed assets		395,041	362,495
Depreciation on non banking assets		2,976	2,416
Depreciation on right-of-use assets		420,710	405,807
Amortization		29,855	35,341
Depreciation on operating Ijarah assets		428,712	1,154,433
Finance cost on Ijarah (lease) liabilities	24	197,460	219,065
Provisions and write offs - net	30	(287,278)	1,507,077
Charge for defined benefit plan		63,279	58,064
Gain on sale of non-current assets held for sale		(151,601)	-
Gain on sale of property and equipment	27	(269)	(1,355)
		1,098,885	3,743,343
		2,969,596	5,610,757
Decrease / (increase) in operating assets			
Due from financial institutions		(187,156)	14,000,073
Islamic financing, related assets and advances		(14,276,061)	(12,150,353)
Others assets		444,288	620,731
		(14,018,929)	2,470,451
Increase in operating liabilities			
Bills payable		897,432	718,390
Due to financial institutions		(3,459,110)	(4,645,991)
Deposits and other accounts		20,460,580	10,850,268
Other liabilities (excluding current taxation)		(327,261)	(3,789,245)
		17,571,641	3,133,422
		6,522,308	11,214,630
Income tax paid		(380,836)	(243,849)
Net cash generated from operating activities		6,141,472	10,970,781
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(11,593,597)	2,591,116
Dividend received		9,048	7,050
Payment of Ijarah (lease) liability against right-of-use assets		(500,619)	(480,210)
Investments in fixed assets		(1,736,619)	(207,174)
Investments in intangible assets		(62,544)	(51,802)
Proceeds from disposal of non-current assets held for sale		753,210	-
Proceeds from disposal of fixed assets		33,253	1,964
Net cash (used in) / generated from investing activities		(13,097,868)	1,860,944
CASH FLOW FROM FINANCING ACTIVITIES			
IPO proceeds of subordinated sukuk		-	300,000
Net cash generated from financing activities		-	300,000
(Decrease) / increase in cash and cash equivalents		(6,956,396)	13,131,725
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		27,385,898	29,649,396

The annexed notes 1 to 38 form an integral part of these condensed interim unconsolidated financial statements.

-Sd-
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DIRECTOR

BankIslami Pakistan Limited

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

FOR THE HALF YEAR ENDED JUNE 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 343 branches including 80 sub branches as at June 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

2.2 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, 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 Subsequent to the period end, '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.

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	------(Rupees in '000)-----	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
- Local currency	7,889,957	6,153,879
- Foreign currency	328,412	601,823
	<u>8,218,369</u>	<u>6,755,702</u>
With the State Bank of Pakistan in:		
- Local currency current account	8,109,313	11,281,084
- Foreign currency deposit accounts:		
- Cash Reserve Account	635,059	431,873
- Special Cash Reserve Account	525,723	522,019
- US Dollar Clearing Account	24,890	21,184
	<u>1,185,672</u>	<u>975,076</u>
With National Bank of Pakistan in:		
- Local currency current account	2,942,010	2,955,558
National Prize Bonds	53,615	66,605
	<u>20,508,979</u>	<u>22,034,025</u>
7 BALANCES WITH OTHER BANKS		
In Pakistan:		
- In current accounts	967	2,361
- In deposit accounts	123	369
	<u>1,090</u>	<u>2,730</u>
Outside Pakistan:		
- In current accounts	6,475,860	8,992,757
- In deposit accounts	399,969	3,312,782
	<u>6,876,919</u>	<u>12,308,269</u>

8 DUE FROM FINANCIAL INSTITUTIONS

Note	(Un-audited)			(Audited)			
	June 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 Other Financial Institutions	8.1	16,392,558	-	16,392,558	16,888,683	-	16,888,683
Unsecured							
Wakalah Placement	8.2	-	2,550,428	2,550,428	-	3,073,290	3,073,290
Musharaka Placements	8.3	-	-	-	12,000,000	-	12,000,000
Bai Muajjal Receivable							
- from Banks	8.1	2,944,618	-	2,944,618	4,818,345	-	4,818,345
- from Other Financial Institutions	8.1	19,939,564	-	19,939,564	4,859,694	-	4,859,694
Other placements		25,920	-	25,920	27,540	-	27,540
		39,302,660	2,550,428	41,853,088	38,594,262	3,073,290	41,667,552
Provision against placements	8.4	(25,920)	-	(25,920)	(27,540)	-	(27,540)
		39,276,740	2,550,428	41,827,168	38,566,722	3,073,290	41,640,012

- 8.1 The average return on this product is 7.07% to 7.58% (2020: 6.42% to 10.80%) per annum. The balances have maturities ranging between 02 days to 128 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. 16,461 million (2020: Rs. 17,309 million).
- 8.2 These represents foreign placements and the profit rates on these agreements range between 0.05% to 0.95% (2020: 0.10% to 1.25%) per annum. These agreements have maturities ranging from 19 to 142 days (2020: 6 to 180 days).
- 8.3 The profit rate on these agreements is Nil (2020: 7.00% to 7.20%) per annum and the agreements have maturities in the Nil (2020:14 to 60 days).

8.4 Category of classification

	(Un-audited)		(Audited)	
	June 30, 2021		December 31, 2020	
	Classified Placements	Provision held	Classified Placements	Provision held
----- (Rupees in '000) -----				
Loss	25,920	25,920	27,540	27,540

- 8.4.1 The Bank does not hold overseas classified placements.

9 INVESTMENTS

	Note	(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020
		----- (Rupees in '000) -----	
Investments - Islamic	9.1 & 9.3	106,550,650	94,661,960
Investments - Conventional (relating to amalgamated entity)	9.2 & 9.4	577,675	577,675
		107,128,325	95,239,635

Note	(Un-audited)				(Audited)			
	June 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	65,879,923	-	480,518	66,360,441	54,812,890	-	(9,222)	54,803,668
Non Government Shariah Compliant Securities	37,286,163	(35,880)	1,985,522	39,235,805	36,852,598	(35,880)	2,078,535	38,895,253
Shares / Modaraba certificates	282,677	(63,573)	107,358	326,462	332,869	(79,244)	81,472	335,097
	103,448,763	(99,453)	2,573,398	105,922,708	91,998,357	(115,124)	2,150,785	94,034,018
Associates	627,942	-	-	627,942	627,942	-	-	627,942
Total Islamic investments	104,076,705	(99,453)	2,573,398	106,550,650	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	232,645	(232,645)	-	-	263,710	(263,710)	-	-
Shares	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
9.3 Islamic Investments by segments								
Federal Government Securities								
GOP Ijarah Sukuks	55,574,087	-	480,518	56,054,605	44,507,054	-	(9,222)	44,497,832
Bai Muajjal	10,305,836	-	-	10,305,836	10,305,836	-	-	10,305,836
	65,879,923	-	480,518	66,360,441	54,812,890	-	(9,222)	54,803,668
Non Government Shariah Compliant Securities								
Pakistan Energy Sukuk-I	21,146,945	-	1,832,419	28,979,364	27,503,500	-	1,925,245	29,428,745
Pakistan Energy Sukuk-II	3,393,034	-	17,873	3,410,907	2,000,000	-	12,000	2,012,000
Sukuk certificates - unlisted	6,746,184	(35,880)	135,230	6,845,534	7,349,098	(35,880)	141,290	7,454,508
	37,286,163	(35,880)	1,985,522	39,235,805	36,852,598	(35,880)	2,078,535	38,895,253
Shares								
Ordinary shares of listed companies	282,677	(63,573)	107,358	326,462	332,869	(79,244)	81,472	335,097
Associates - Unlisted								
Shakarganj Food Products Limited	627,942	-	-	627,942	627,942	-	-	627,942
Total Islamic investments	104,076,705	(99,453)	2,573,398	106,550,650	92,626,299	(115,124)	2,150,785	94,661,960

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

- 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)			
	June 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)	(Audited)
		June 30, 2021	December 31, 2020
(Rupees in '000)			
9.5 Investments given as collateral		5,000,000	5,000,000
Federal Government Securities			

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	30	(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

Category of classification	(Un-audited)		(Audited)	
	June 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 Bank does not hold overseas classified debt securities.

10 ISLAMIC FINANCING, RELATED ASSETS AND ADVANCES

	Note	(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020
------(Rupees in '000)-----			
Islamic financing and related assets - net	10.1	143,355,929	129,896,587
Advances (relating to amalgamated entity) - net	10.2	192,140	265,302
		<u>143,548,069</u>	<u>130,161,889</u>

10.1 Islamic financing and related assets - net

	Note	Performing		Non Performing		Total	
		(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
------(Rupees in '000)-----							
In Pakistan							
- Running Musharakah	10.11	41,793,764	39,189,963	1,550,510	1,668,510	43,344,274	40,858,473
- Diminishing Musharakah financing and related assets - Others	10.3	31,390,604	28,935,891	2,149,278	1,491,171	33,539,882	30,427,062
- Diminishing Musharakah financing and related assets - Auto		19,556,410	14,336,290	199,188	223,763	19,755,598	14,560,053
- Diminishing Musharakah - Housing		15,942,637	13,446,210	1,709,854	1,631,646	17,652,491	15,077,856
- Istisna financing and related assets	10.5 & 10.10	10,416,954	11,397,127	1,178,551	1,022,049	11,595,505	12,419,176
- Murabahah financing and related assets	10.6 & 10.9	7,647,339	3,496,899	385,920	440,795	8,033,259	3,937,694
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Muswammah financing and related assets / Karobar financing	10.4	4,667,880	8,380,530	4,441,432	3,024,150	9,109,312	11,404,680
- Ijarah financing under IFAS 2 and related assets	10.7	960,415	1,573,616	160,074	186,736	1,120,489	1,760,352
- Financing against Bills		886,138	23,236	-	-	886,138	23,236
- Musharakah financing		280,000	280,000	-	-	280,000	280,000
- Murabahah against Bills		393,920	72,092	892	892	394,812	72,984
- Net investment in Ijarah financing in Pakistan		138,797	143,162	-	-	138,797	143,162
- Salam	10.8	79,901	109,900	-	-	79,901	109,900
- Housing finance portfolio - others		33,897	33,897	-	-	33,897	33,897
- Past Due Acceptance		29,153	29,153	-	-	29,153	29,153
- Qardh e Hasana		870	946	121,960	541,060	122,830	542,006
Gross financing and related assets		140,468,679	127,698,912	11,897,659	10,230,772	152,366,338	137,929,684
Less: Provision against non-performing Islamic financing and related assets							
- Specific	10.13 & 10.14	-	-	(7,991,270)	(7,231,104)	(7,991,270)	(7,231,104)
- General	10.14	(1,019,139)	(801,993)	-	-	(1,019,139)	(801,993)
		<u>(1,019,139)</u>	<u>(801,993)</u>	<u>(7,991,270)</u>	<u>(7,231,104)</u>	<u>(9,010,409)</u>	<u>(8,033,097)</u>
Islamic financing and related assets-net of provisions		139,449,540	126,896,919	3,906,389	2,999,668	143,355,929	129,896,587

10.2 Advances (relating to amalgamated entity) - net

Loans, cash credits, running finances, etc. - In Pakistan*	98,376	110,380	5,144,266	6,009,473	5,242,642	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	98,376	110,380	6,410,746	7,297,983	6,509,122	7,408,363
Provision against advances						
- Specific	10.13 & 10.14	-	(6,410,746)	(7,260,504)	(6,410,746)	(7,260,504)
- General	10.14	(55)	(55)	-	(55)	(55)
		<u>(55)</u>	<u>(6,410,746)</u>	<u>(7,260,504)</u>	<u>(6,410,801)</u>	<u>(7,260,559)</u>
Advances - net of provision	98,321	110,325	819	37,479	98,321	147,804
Fair value adjustment	10.15	-	93,819	117,498	93,819	117,498
Advances - net of provision and fair value adjustment	98,321	110,325	93,819	154,977	192,140	265,302

* This includes non-interest bearing performing financing facilities amounting to Rs. 98.377 million (2020: Rs. 106.507 million).

	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
	------(Rupees in '000)-----	
10.3 Diminishing Musharakah financing and related assets - Others		
Diminishing Musharakah financing	31,282,399	30,180,621
Advance against Diminishing Musharakah financing	2,257,483	246,441
	<u>33,539,882</u>	<u>30,427,062</u>
10.4 Muswammah financing and related assets / Karobar financing		
Muswammah financing	7,368,283	8,036,816
Advance against Muswammah financing	2,157	205,000
Muswammah inventories	1,738,872	3,162,864
	<u>9,109,312</u>	<u>11,404,680</u>
10.5 Istisna financing and related assets		
Istisna financing	8,276,053	4,131,021
Advance against Istisna financing	3,319,452	8,254,755
Istisna inventories	-	33,400
	<u>11,595,505</u>	<u>12,419,176</u>
10.6 Murabahah financing and related assets		
Murabahah financing	4,894,305	2,292,974
Deferred murabahah income	170,559	71,613
Advances against Murabaha financing	1,186,507	252,008
Murabaha Inventories	1,781,888	1,321,099
	<u>8,033,259</u>	<u>3,937,694</u>
10.7 Ijarah financing under IFAS 2 and related assets		
Net book value of assets under IFAS 2	1,119,816	1,759,670
Advance against Ijarah financing	673	682
	<u>1,120,489</u>	<u>1,760,352</u>
10.8 Salam		
Salam financing	10,000	-
Advance against Salam	69,901	109,900
	<u>79,901</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. 152 million (2020: Rs. 80 million) under Islamic Export Refinance Scheme.		
10.10 Istisna financing and related assets includes financing amounting to Rs. 1,073.038 million (2020: Rs. 154.188 million) and advance amounting to Rs. 689 million (2020: Rs. 1,580 million) under Islamic Export Refinance Scheme.		
10.11 Running musharakah financing includes financing amounting to Rs. 1,742 million (2020: 1,492 million) under Islamic Export Refinance Scheme.		
	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
	------(Rupees in '000)-----	
10.12 Particulars of Islamic financing, related assets and advances - gross		
In local currency	158,482,400	144,618,552
In foreign currency	393,060	719,495
	<u>158,875,460</u>	<u>145,338,047</u>

- 10.13 Islamic financing, related assets and advances include Rs. 18,308.405 million (2020: Rs. 17,528.755 million) which have been placed under non-performing status as detailed below:

Category of classification

	(Un-audited)		(Audited)	
	June 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	274,766	-	149,428	-
Substandard	615,461	60,530	485,371	34,915
Doubtful	2,939,043	1,280,377	1,947,553	536,216
Loss	14,479,135	13,061,109	14,946,403	13,920,477
Total	<u>18,308,405</u>	<u>14,402,016</u>	<u>17,528,755</u>	<u>14,491,608</u>

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

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

	(Un-audited)			(Audited)		
	June 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	1,258,903	217,146	1,476,049	2,181,260	464,236	2,645,496
Reversals for the period / year	(1,038,559)	-	(1,038,559)	(416,632)	-	(416,632)
	220,344	217,146	437,490	1,764,628	464,236	2,228,864
Amount written off	(309,936)	-	(309,936)	-	-	-
Closing balance	<u>14,402,016</u>	<u>1,019,194</u>	<u>15,421,210</u>	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>
Islamic	7,991,270	1,019,139	9,010,409	7,231,104	801,993	8,033,097
Conventional	6,410,746	55	6,410,801	7,260,504	55	7,260,559
	<u>14,402,016</u>	<u>1,019,194</u>	<u>15,421,210</u>	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>

- 10.14.1

Islamic	7,991,270	1,019,139	9,010,409	7,231,104	801,993	8,033,097
Conventional	6,410,746	55	6,410,801	7,260,504	55	7,260,559
	<u>14,402,016</u>	<u>1,019,194</u>	<u>15,421,210</u>	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>

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

	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
----- (Rupees in '000) -----		
Gross reversals for the period / year	1,038,559	416,632
Charge for the period / year	(1,476,049)	(2,645,496)
	(437,490)	(2,228,864)
Fair value adjusted - net	(23,679)	(1,361)
Net charge taken to the profit and loss account	<u>(461,169)</u>	<u>(2,230,225)</u>

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

	(Un-audited)			(Audited)		
	June 30, 2021			December 31, 2020		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	14,402,016	1,019,194	15,421,210	14,491,608	802,048	15,293,656
	<u>14,402,016</u>	<u>1,019,194</u>	<u>15,421,210</u>	<u>14,491,608</u>	<u>802,048</u>	<u>15,293,656</u>

- 10.14.4 The Bank maintains general reserve (provision) amounting to Rs. 439.194 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. 580 million (December 31, 2020: 450 million) as a matter of prudence based on management estimate.

- 10.14.5 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 June 30, 2021 amounts to Rs.1,034,293 million (2020: Rs. 890,288 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 630,919 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.

- 10.15 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.

- 10.16 Total gross financing and related assets includes financing amounting to Rs. 2,532 million, Rs. 331.895 million and Rs.1,156 million, under "Islamic refinance scheme for payment of wages and salaries", "Islamic refinance scheme for combating COVID (IRFCC)" and "Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)", respectively.

11	FIXED ASSETS	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----				
	Capital work-in-progress	11.1&11.2	1,358,891	179,270
	Property and equipment	11.2 & 11.3	8,704,570	8,575,597
	Right of use assets	11.2	2,762,417	2,986,639
			<u>12,825,878</u>	<u>11,741,506</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors		174,409	138,670
Advance for acquiring properties:			
- Office premises	11.1.1	1,184,482	762,503
		1,358,891	901,173
Provision for impairment against advance for acquiring floors / office premises	11.1.1	-	(721,903)
		<u>1,358,891</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) June 30, 2021	(Un-audited) June 30, 2020
----- (Rupees in '000) -----	

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

Capital work-in-progress	527,999	189,017
Property and equipment		
Leasehold Building	187,021	133,706
Furniture and fixture	108,533	21,440
Electrical office and computer equipment	270,282	162,326
Vehicles	1,168	4,014
	567,004	321,486
Right of use assets		
Leasehold Building	196,487	77,774
Total	<u>1,291,490</u>	<u>588,277</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	-
Furniture and fixture	14,527	4
Electrical office and computer equipment	135	605
Total	<u>45,666</u>	<u>609</u>

12 INTANGIBLE ASSETS

Note	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
	----- (Rupees in '000) -----	
Computer software	170,685	136,869
Core deposits	26,205	27,332
Goodwill	2,944,297	2,944,297
	3,141,187	3,108,498

12.1 Additions to intangible assets

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

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

- Directly purchased	62,544	51,793
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12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period.

13 DEFERRED TAX ASSETS

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

Deductible Temporary Differences on:

Accumulated tax losses	2,666,643	2,748,819
Provision for diminution in the value of investments	200,519	326,246
Provision against non-performing Islamic financing and related assets and advances	3,746,617	3,797,882
Ijarah financing and related assets	260,435	207,080
Accelerated tax depreciation	101,016	61,891
Others	(14,408)	263,243
	6,960,822	7,405,161

Taxable Temporary Differences on:

Fair value adjustments relating to net assets acquired upon amalgamation	(366,834)	(191,218)
Surplus on revaluation of fixed assets	(619,094)	(621,899)
Surplus on revaluation of non-banking assets	(14,011)	(14,383)
Surplus on revaluation of available for sale securities	(900,689)	(752,775)
	(1,900,628)	(1,580,275)
	5,060,194	5,824,886

- 13.1** The Bank has aggregate tax losses of Rs. 7,618.980 million as at June 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. 2,666.643 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 and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	(Un-audited)	(Audited)
Note	June 30, 2021	December 31, 2020
	------(Rupees in '000)-----	
14 OTHER ASSETS		
Profit / return accrued in local currency	8,131,558	8,121,504
Profit / return accrued in foreign currency	3,915	7,772
Advances, deposits, advance rent and other prepayments	683,461	951,923
Non-banking assets acquired in satisfaction of claims	2,147,846	2,149,758
Branch Adjustment Account	586,815	-
Takaful / insurance claim receivable	41,438	30,985
Receivable against First WAPDA Sukuk	50,000	50,000
Acceptances	2,660,825	2,392,561
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts	28,664	60,489
Amount held with financial institution	-	814,546
Others	521,300	419,274
	<u>14,855,822</u>	<u>14,998,812</u>
Less: Provision held against other assets	14.1 (866,360)	(1,588,151)
Other Assets (Net of Provision)	<u>13,989,462</u>	<u>13,410,661</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21 225,245	226,308
Other assets - total	<u>14,214,707</u>	<u>13,636,969</u>
Market value of non-banking assets acquired in satisfaction of claims	<u>1,668,412</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	134,989	137,562
	14.1.1 <u>866,360</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	3,611	369,238
Reversals for the period / year	(23,952)	(34,269)
Adjustment during the period / year	(701,450)	-
Closing balance	<u>866,360</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)	(Audited)
	June 30, 2021	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)	(Audited)
	June 30, 2021	December 31, 2020
In Pakistan	4,221,517	3,324,085
Outside Pakistan	-	-
	<u>4,221,517</u>	<u>3,324,085</u>

17 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	2,880,327	3,622,550
Acceptances from State Bank of Pakistan for financial assistance	3,531,913	3,375,410
Refinance facility for Islamic Mortgage	2,809,866	1,989,031
Islamic refinance scheme for payment of wages and salaries	2,529,265	2,805,692
Islamic refinance scheme for combating COVID (IRFCC)	31,895	31,895
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	885,240	3,038
Total secured	12,668,506	11,827,616

Unsecured

Wakalah Acceptance	-	4,300,000
Total unsecured	-	4,300,000
	<u>12,668,506</u>	<u>16,127,616</u>

18 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	June 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	104,759,599	3,787,381	108,546,980	89,268,714	3,068,383	92,337,097
Savings deposits	78,045,837	3,625,454	81,671,291	74,101,851	3,615,238	77,717,089
Term deposits	89,101,217	2,823,863	91,925,080	91,499,914	1,630,147	93,130,061
Others	3,282,795	56,787	3,339,582	2,701,340	56,786	2,758,126
	<u>275,189,448</u>	<u>10,293,485</u>	<u>285,482,933</u>	<u>257,571,819</u>	<u>8,370,554</u>	<u>265,942,373</u>
Financial Institutions						
Current deposits	374,219	7,287	381,506	286,076	3,880	289,956
Savings deposits	15,172,585	5,342	15,177,927	7,665,522	-	7,665,522
Term deposits	3,059,565	-	3,059,565	9,743,500	-	9,743,500
	<u>18,606,369</u>	<u>12,629</u>	<u>18,618,998</u>	<u>17,695,098</u>	<u>3,880</u>	<u>17,698,978</u>
	<u>293,795,817</u>	<u>10,306,114</u>	<u>304,101,931</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-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)
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)
	June 30, 2021	December 31, 2020
------(Rupees in '000)-----		
Profit / return payable in local currency	1,690,400	1,733,220
Profit / return payable in foreign currencies	19,625	14,583
Accrued expenses	735,594	877,787
Deferred Murabahah Income - Financing and IERS	152,104	104,322
Payable to defined contribution plan	25,146	2,876
Defined Benefit Plan liabilities	199,694	136,415
Security deposits against Ijarah	928,614	1,122,450
Ijarah (lease) Liability	3,337,202	3,443,873
Provision against off-balance sheet obligations	85,975	85,975
Acceptances	2,660,825	2,392,561
Receipt appropriation account	-	6,638
Current taxation (provisions less payments)	68,433	199,281
Provision against other tax liabilities	97,269	146,409
Sundry creditors	265,575	190,839
Charity payable	12,278	14,712
Retention money payable	10,297	10,167
Provision for Workers' Welfare Fund	164,098	123,164
Branch adjustment account	-	30,867
Rental received in advance	225,555	348,243
Advance against disposal of Non current asset held for sale	-	188,303
Others	127,738	136,388
	<u>10,806,422</u>	<u>11,309,073</u>

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus on revaluation of:			
Available for sale securities	9.1	2,573,398	2,150,785
Fixed Assets		2,033,119	2,042,473
Non-banking assets acquired in satisfaction of claims	14	225,245	226,308
		<u>4,831,762</u>	<u>4,419,566</u>
Deferred tax liability on surplus on revaluation of:			
Available for sale securities	13	(900,689)	(752,775)
Fixed Assets		(619,094)	(621,899)
Non-banking assets acquired in satisfaction of claims		(14,011)	(14,383)
		<u>(1,533,794)</u>	<u>(1,389,057)</u>
		<u>3,297,968</u>	<u>3,030,509</u>

22 CONTINGENCIES AND COMMITMENTS

- Guarantees	22.1	11,904,940	10,342,243
- Commitments	22.2	35,127,439	10,298,481
- Other contingency liabilities	22.3	1,353,580	1,360,580
		<u>48,385,959</u>	<u>22,001,304</u>

22.1 Guarantees

Financial guarantees	-	84,182
Performance guarantees	6,034,636	5,888,773
Other guarantees	5,870,304	4,369,288
	<u>11,904,940</u>	<u>10,342,243</u>

22.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		27,924,757	12,003,211
Commitments in respect of:			
- Shariah compliant alternative of forward foreign exchange contracts	22.2.1	(1,439,663)	(9,435,135)
Commitments for acquisition of:			
- fixed assets		231,337	232,703
- intangible assets		81,492	15,559
Other commitments	22.2.2	8,329,516	7,482,143
		<u>35,127,439</u>	<u>10,298,481</u>

	Note	(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020
		----- (Rupees in '000) -----	
22.2.1	Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts		
	Purchase	12,325,540	11,389,226
	Sale	(13,765,203)	(20,824,361)
		<u>(1,439,663)</u>	<u>(9,435,135)</u>
22.2.2	Other commitments		
	Bills for collection	8,329,516	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
22.3.1	Tax Contingencies	1,349,380	1,349,380
		<u>1,353,580</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 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.		

	(Un-audited)	
	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----
23	PROFIT / RETURN EARNED	
	Profit earned on:	
	Financing	5,731,035
	Investments	3,473,281
	Placements	1,691,901
	Others	61,036
		<u>10,957,253</u>
		<u>14,769,142</u>

	(Un-audited)	
	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----
24	PROFIT / RETURN EXPENSED	
	Deposits and other accounts	5,199,484
	Due to financial institutions	385,843
	Cost of foreign currency swaps against foreign currency deposits	5,849
	Finance cost on Ijarah (lease) liabilities	197,460
	Additional Tier-1 sukuk	101,842
		<u>5,890,478</u>
		<u>7,980,546</u>

	(Un-audited)	
	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----
25	FEE AND COMMISSION INCOME	
	Branch banking customer fees	24,540
	Commission on banca takaful	79,389
	Card related fees	169,062
	Commission on arrangement with financial institutions	48,039
	Consumer finance related fees	34,153
	Commission on guarantees	53,615
	Investment banking fees	79,570
	Commission on cash management	2,786
	Commission on remittances including home remittances	14,496
	Commission on trade	102,441
	Others	3,113
		<u>611,204</u>
		<u>440,033</u>

26 GAIN ON SECURITIES

	(Un-audited)	
	June 30, 2021	June 30, 2020
	------(Rupees in '000)-----	
Realized gain	218,595	232,886

26.1 Realized gain on:

Non-Government Shariah compliant Securities	45,354	232,886
Shares	21,640	-
Non-Current Assets held for sale	151,601	-
	<u>218,595</u>	<u>232,886</u>

27 OTHER INCOME

Rent on property	579	5,126
Gain on termination of financing	40,704	30,099
Gain on sale of property and equipment	269	1,355
Recoveries against previously expensed items	3,190	2,813
	<u>44,742</u>	<u>39,393</u>

28 OPERATING EXPENSES

Total compensation expense	1,984,800	1,732,694
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Property expense

Rent & taxes	31,352	29,928
Takaful charges	967	1,759
Utilities cost	198,294	157,395
Security (including guards)	174,388	176,921
Repair & maintenance (including janitorial charges)	102,267	83,980
Depreciation	190,130	178,999
Depreciation on right-of-use assets	420,710	405,807
Others	-	10
	<u>1,118,108</u>	<u>1,034,799</u>

Information technology expenses

Software maintenance	156,063	117,477
Hardware maintenance	48,706	48,913
Depreciation	110,706	91,955
Amortization	28,728	34,202
Network charges	92,492	84,468
	<u>436,695</u>	<u>377,015</u>

Other operating expenses

Directors' fees and allowances	7,160	4,210
Fees and allowances to Shariah Board	8,885	7,756
Legal & professional charges	71,429	57,863
Travelling & conveyance	19,759	17,090
NIFT clearing charges	14,035	8,819
Depreciation	94,205	91,541
Depreciation on non-banking assets	2,976	2,416
Entertainment expense	28,890	30,691
Training & development	2,617	4,776
Postage & courier charges	16,218	40,973
Communication	23,630	34,858
Stationery & printing	64,177	91,429
Marketing, advertisement & publicity	65,709	85,368
Repairs and maintenance	45,011	45,737
Takaful, tracker and other charges on car Ijarah	99,893	90,088
Takaful charges	140,447	163,398
Fee and subscription	74,370	69,724
Vehicle running and maintenance	75,391	70,480
Donation	1,500	5,200
Auditors' remuneration	6,790	7,680
Amortization	1,127	1,139
CDC and share registrar services	4,710	3,649
Brokerage and commission	11,187	15,109
Stamp duty, registration & verification charges	46,096	4,918
Others	18,658	42,528
	<u>944,870</u>	<u>997,440</u>
	<u>4,484,473</u>	<u>4,141,948</u>

		(Un-audited)	
		June 30, 2021	June 30, 2020
29	OTHER CHARGES	----- (Rupees in '000) -----	
	Penalties imposed by the State Bank of Pakistan	2,055	129,732
30	PROVISIONS AND WRITE OFFS - NET		
	Provision / (reversal) for diminution in value of investments and due from financial institutions	(20,394)	7,813
	Provision against Islamic financing and related assets and advances - net	461,169	1,141,161
	Other provisions / (reversal) / write offs - net	(728,053)	388,972
		(287,278)	1,537,946
31	TAXATION		
	Current year	249,988	349,820
	Prior years	(149,216)	-
	Deferred	616,959	451,036
		717,731	800,856
32	BASIC AND DILUTED EARNINGS PER SHARE	(Un-audited)	
		June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
	Profit after taxation for the period	1,162,028	1,073,608
		----- 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	1.0481	0.9683
32.1	There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2021 and June 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) June 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	326,462	-	326,462
GOP Ijara Sukuk	-	56,054,605	56,054,605
Non-Government Shariah compliant Securities	32,390,271	6,845,534	39,235,805
Non-current assets held for sale	-	-	-

Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	6,579,900	6,579,900
Non-banking assets	-	1,668,412	1,668,412

Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	12,314,480	12,314,480
Shariah compliant alternative of forward sale of foreign exchange	-	13,745,247	13,745,247

(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)				
	June 30, 2021				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- (Rupees in '000) -----				
Profit & Loss					
Net profit / return	4,252,376	(3,333,345)	4,188,868	(41,124)	5,066,775
Inter segment revenue - net	(3,941,898)	7,672,745	(3,631,317)	(99,530)	-
Total other income	272,020	356,239	247,628	177,281	1,053,168
Total Income	582,498	4,695,639	805,179	36,627	6,119,943
Segment direct expenses	39,162	3,439,623	170,554	878,123	4,527,462
Inter segment expense allocation	48,886	446,228	339,914	(835,028)	-
Total expenses	88,048	3,885,851	510,468	43,095	4,527,462
Provisions / (reversals)	(20,394)	97,149	360,281	(724,314)	(287,278)
Profit before tax	514,844	712,639	(65,570)	717,846	1,879,759

	(Un-audited)				
	June 30, 2021				
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
	----- (Rupees in '000) -----				
Balance Sheet					
Assets					
Cash & Bank balances	16,174,194	11,211,087	-	617	27,385,898
Investments	107,128,325	-	-	-	107,128,325
Net inter segment placements	(148,940,125)	247,949,617	(102,013,141)	3,003,649	-
Due from financial institutions	41,827,168	-	-	-	41,827,168
Islamic financing and related assets					
- performing	-	31,411,734	105,134,640	3,001,487	139,547,861
- non-performing	-	1,273,127	2,593,550	133,531	4,000,208
Others	4,154,342	6,005,117	3,194,513	21,887,994	35,241,966
Total Assets	20,343,904	297,850,682	8,909,562	28,027,278	355,131,426
Liabilities					
Due to financial institutions	3,531,913	2,809,866	6,326,727	-	12,668,506
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	16,783,800	287,318,131	-	-	304,101,931
Net inter segment acceptances	-	-	-	-	-
Others	28,191	7,722,685	2,582,835	4,694,228	15,027,939
Total liabilities	20,343,904	297,850,682	8,909,562	6,694,228	333,798,376
Equity				21,333,050	21,333,050
Total Equity & liabilities	20,343,904	297,850,682	8,909,562	28,027,278	355,131,426
Contingencies & Commitments	(1,439,663)	-	48,159,213	1,666,409	48,385,959

(Un-audited)					
June 30, 2020					
	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- (Rupees in '000) -----					
Profit & Loss					
Net profit / return	4,897,811	(4,339,206)	6,309,539	(79,548)	6,788,596
Inter segment revenue - net	(3,891,708)	10,185,351	(6,293,643)	-	-
Total other income	480,887	259,465	183,490	9,294	933,136
Total Income	1,486,990	6,105,610	199,386	(70,254)	7,721,732
Segment direct expenses	32,918	2,440,328	115,800	1,720,276	4,309,322
Inter segment expense allocation	100,640	1,164,433	449,652	(1,714,725)	-
Total expenses	133,558	3,604,761	565,452	5,551	4,309,322
Provisions	7,813	68,691	1,072,470	388,972	1,537,946
Profit / (loss) before tax	1,345,619	2,432,158	(1,438,536)	(464,777)	1,874,464

(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)					(Audited)				
	June 30, 2021					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	-	20,554	679,000	186,691	2,610,238	-	180,438	780,000	92,048	3,216,340
Repaid during the period / year	(1,905)	(15,604)	(619,956)	(195,137)	(2,131,159)	(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	17,334	205,582	-	481,231	1,055,002	19,239	305,603	192,779	489,677	496,392
Other Assets										
Profit receivable on financings	109	18	-	3,669	9,089	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	14,647	189,519	19,340,725	1,248,164	4,512,517	96,690	694,472	23,549,788	1,641,620	8,820,606
Withdrawn during the period / year	(23,498)	(188,592)	(19,334,108)	(1,317,899)	(4,408,210)	(81,169)	(675,522)	(23,114,034)	(1,638,684)	(8,711,343)
Transfer in / (out) - net	-	(845)	(711,212)	(13,902)	(34,908)	(168)	-	(930)	120	4
Closing balance	10,036	25,292	6	1,505	1,240,928	18,887	25,210	704,601	85,142	1,171,529
Other Liabilities										
Profit / return payable	8	177	-	2	6,871	2	160	3,972	689	7,141
Meeting Fee / Remuneration Payable	-	-	-	-	-	2,260	-	-	-	-
Contingencies and Commitments										
Other contingencies	-	-	-	4,978	301,041	-	-	-	-	279,802
(Un-audited)										
June 30, 2021										
(Un-audited)										
June 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	866	4,286	-	19,380	35,702	1,671	4,483	12,746	20,866	35,668
Other income	-	3,922	579	-	-	-	954	93	-	-
Expense										
Profit / return expensed	26	444	28,043	611	49,187	10	418	12,581	403	61,303
Other administrative expenses	-	1,867	251	-	4,404	1,500	787	355	-	540
Meeting Fee / Remuneration	7,160	137,867	-	-	-	4,210	93,431	-	-	-
Contribution to employees provident fund	-	-	-	-	67,142	-	-	-	-	58,152
Charge for defined benefit plan	-	-	-	-	63,279	-	-	-	-	58,064

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 June 30, 2021.

	(Un-audited) June 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):	<u>11,007,991</u>	<u>11,007,991</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>14,733,748</u>	13,347,239
Eligible Additional Tier 1 (ADT 1) Capital	<u>2,000,000</u>	2,000,000
Total Eligible Tier 1 Capital	<u>16,733,748</u>	15,347,239
Eligible Tier 2 Capital	<u>5,314,445</u>	4,779,847
Total Eligible Capital (Tier 1 + Tier 2)	<u>22,048,193</u>	20,127,086
Risk Weighted Assets (RWAs):		
Credit Risk	<u>109,548,779</u>	103,520,752
Market Risk	<u>1,826,637</u>	956,425
Operational Risk	<u>20,563,275</u>	20,563,275
Total	<u>131,938,691</u>	125,040,452
Common Equity Tier 1 Capital Adequacy ratio	<u>11.17%</u>	10.67%
Tier 1 Capital Adequacy Ratio	<u>12.68%</u>	12.27%
Total Capital Adequacy Ratio	<u>16.71%</u>	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) June 30, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	16,733,748	15,347,239
Total Exposures	<u>400,204,115</u>	367,824,737
	<u>4.18%</u>	4.17%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	112,591,982	66,806,359
Total Net Cash Outflow	<u>46,684,134</u>	33,817,378
Liquidity Coverage Ratio	<u>247.04%</u>	210.41%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	306,491,101	282,534,177
Total Required Stable Funding	<u>124,327,821</u>	112,435,298
Net Stable Funding Ratio	<u>246.52%</u>	251.29%

37 GENERAL

37.1 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.

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

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

37.4 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 June 30, 2020 (Rupees in '000)
Statement of Financial Position		
Bills Payable	Deposits	<u>1,625,401</u>
For the half year ended June 30, 2020 (Rupees in '000)		
Statement of Profit and Loss		
Operating expenses	Provision and write offs - net	<u>30,869</u>

38 DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorized for issue on August 25, 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 Half Year Ended
June 30, 2021

BankIslami Pakistan Limited

Condensed Interim Consolidated Statement of Financial Position

AS AT JUNE 30, 2021

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	6	20,508,979	22,034,025
Balances with other banks	7	6,879,880	12,310,472
Due from financial institutions	8	41,827,168	41,640,012
Investments	9	107,554,830	95,622,282
Islamic financing, related assets and advances	10	143,548,069	129,971,889
Fixed assets	11	12,806,245	11,721,873
Intangible assets	12	3,188,198	3,155,509
Deferred tax assets	13	4,935,108	5,699,800
Other assets	14	14,215,464	13,637,939
Assets classified as held for sale	15	-	2,146,789
Total Assets		355,463,941	337,940,590
LIABILITIES			
Bills payable	16	4,221,517	3,324,085
Due to financial institutions	17	12,668,506	16,127,616
Deposits and other accounts	18	304,101,926	282,936,750
Subordinated Sukuk	19	2,000,000	2,000,000
Other liabilities	20	10,826,745	11,343,041
Liabilities directly associated with assets held for sale	15	-	1,696,016
		<u>333,818,694</u>	<u>317,427,508</u>
NET ASSETS		<u>21,645,247</u>	<u>20,513,082</u>
REPRESENTED BY			
Share capital - net		11,007,991	11,007,991
Reserves		1,528,251	1,526,894
Surplus on revaluation of assets - net of tax	21	3,288,903	3,026,358
Unappropriated profit		5,820,102	4,734,999
		<u>21,645,247</u>	<u>20,296,242</u>
Non-controlling interest		-	216,840
		<u>21,645,247</u>	<u>20,513,082</u>
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 38 form an integral part of these condensed interim consolidated financial statements.

-Sd-
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-Sd-
DIRECTOR

-Sd-
DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021

Note	Quarter Ended		Half Year Ended		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	
Rupees in '000					

Profit / return earned	23	5,618,530	6,784,344	10,948,721	14,756,112
Profit / return expensed	24	3,007,176	3,345,725	5,862,446	7,964,772
Net Profit / return		2,611,354	3,438,619	5,086,275	6,791,340
OTHER INCOME					
Fee and commission income	25	306,551	168,127	611,204	440,033
Dividend income		3,878	4,700	9,048	7,050
Foreign exchange income		108,516	99,647	169,579	213,774
Gain on securities	26	70	127,600	28,941	232,886
Other income	27	28,009	21,018	44,163	39,300
Total other income		447,024	421,092	862,935	933,043
Total Income		3,058,378	3,859,711	5,949,210	7,724,383
OTHER EXPENSES					
Operating expenses	28	2,304,340	2,047,234	4,484,473	4,135,818
Workers welfare fund		22,029	25,429	40,934	37,642
Other charges	29	2,010	129,595	2,055	129,732
Total other expenses		2,328,379	2,202,258	4,527,462	4,303,192
Profit before provisions		729,999	1,657,453	1,421,748	3,421,191
Provisions and write offs - net	30	(314,508)	411,018	(267,278)	1,537,946
Extra ordinary / unusual items		-	-	-	-
Share of profit / (loss) from associate - net of tax		21,422	(79,922)	43,858	(140,575)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		1,065,929	1,166,513	1,732,884	1,742,670
Taxation	31	470,561	536,348	717,731	800,856
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		595,368	630,165	1,015,153	941,814
DISCONTINUED OPERATIONS					
Profit after taxation from Discontinued Operations		40,215	777	92,609	8,644
PROFIT AFTER TAXATION		635,583	630,942	1,107,762	950,458
ATTRIBUTABLE TO:					
Equity shareholders of the Bank		621,226	629,931	1,078,070	946,899
Non-controlling interest		14,357	1,011	29,692	3,559
		635,583	630,942	1,107,762	950,458
----- Rupees -----					
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank					
Basic and diluted	32	0.5370	0.5684	0.9156	0.8495
Earnings per share for profit attributable to the ordinary equity holders of the Bank					
Basic and diluted	32	0.5733	0.5691	0.9724	0.8541

The annexed notes 1 to 38 form an integral part of these condensed interim consolidated financial statements.

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DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2021

	Quarter Ended		Half Year Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
----- Rupees in '000 -----				
Profit after taxation for the year attributable to:				
Equity shareholders of the Bank	621,226	629,931	1,078,070	946,899
Non-controlling interest	14,357	1,011	29,692	3,559
	<u>635,583</u>	<u>630,942</u>	<u>1,107,762</u>	<u>950,458</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	118,516	(1,034,675)	269,785	(1,756,594)
Non-controlling interest	3,764	-	4,048	2,479
	<u>122,280</u>	<u>(1,034,675)</u>	<u>273,833</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>757,863</u>	<u>(403,733)</u>	<u>1,382,745</u>	<u>(803,657)</u>
Total comprehensive income attributable to:				
Equity shareholders of the Bank	739,742	(404,744)	1,349,005	(809,695)
Non-controlling interest	18,121	1,011	33,740	6,038
	<u>757,863</u>	<u>(403,733)</u>	<u>1,382,745</u>	<u>(803,657)</u>
Total comprehensive income attributable to equity shareholders of the Bank:				
Continuing operations	705,128	(444,365)	1,313,432	(824,148)
Discontinued operations	34,614	39,621	35,573	14,453
	<u>739,742</u>	<u>(404,744)</u>	<u>1,349,005</u>	<u>(809,695)</u>

The annexed notes 1 to 38 form an integral part of these condensed interim consolidated financial statements.

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-Sd-
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CHAIRMAN

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DIRECTOR

-Sd-
DIRECTOR

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

FOR THE QUARTER AND HALF YEAR ENDED JUNE 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 half year ended June 30, 2020	-	-	-	-	-	-	946,899	946,899	3,559	950,458
Other comprehensive income for the half year ended June 30, 2020	-	-	-	-	(1,756,594)	-	-	(1,756,594)	2,479	(1,754,115)
Total comprehensive income for the half year ended June 30, 2020	-	-	-	-	(1,756,594)	-	946,899	(809,695)	6,038	(803,657)
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	-	-	-	-	-	(696)	696	-	-	-
Balance as at June 30, 2020	11,087,033	(79,042)	937,624	250,000	1,232,549	1,633,735	4,387,135	19,449,034	200,825	19,649,859
Profit after taxation for the period from July 01, 2020 to December 31, 2020	-	-	-	-	-	-	599,468	599,468	17,636	617,104
Other comprehensive income for the period from July 01, 2020 to December 31, 2020	-	-	-	-	161,310	-	-	-	(1,621)	161,310
Total comprehensive income for the period from July 01, 2020 to December 31, 2020	-	-	-	-	161,310	-	599,468	599,468	16,015	617,104
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	-	-	-	-	-	(1,167)	1,167	-	-	-
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)	1,278,251	250,000	1,393,859	1,632,499	4,733,642	20,296,242	216,840	20,513,082
Profit after taxation for the half year ended June 30, 2021	-	-	-	-	-	-	1,078,070	1,078,070	29,692	1,107,762
Other comprehensive income for the half year ended June 30, 2021	-	-	-	-	269,785	1,150	-	270,935	4,048	274,983
Total comprehensive income for the half year ended June 30, 2021	-	-	-	-	269,785	1,150	1,078,070	1,349,005	33,740	1,382,745
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	-	-	-	-	-	(833)	833	-	-	-
Transfer from surplus on revaluation of fixed assets on sale to unappropriated profit - net of tax	-	-	-	-	-	(6,866)	6,866	-	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(691)	691	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	11,087,033	(79,042)	1,278,251	250,000	1,663,644	1,625,259	5,820,102	21,645,247	-	21,645,247

The annexed notes 1 to 38 form an integral part of these condensed interim consolidated financial statements.

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-Sd-
DIRECTOR

-Sd-
DIRECTOR

BankIslami Pakistan Limited

Condensed Interim Consolidated Cash Flow Statement

(Un-audited)

FOR THE HALF YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation from Continuing Operations	1,732,884	1,742,670
Profit before taxation from Discontinued Operations	141,722	17,723
Less: Dividend Income	(9,048)	(7,050)
Less: Share of loss from associate	(43,858)	140,575
	1,821,700	1,893,918
Adjustments for non-cash charges and other items:		
Depreciation on fixed assets	395,041	361,820
Depreciation on non banking assets	2,976	2,416
Depreciation on right-of-use assets	420,710	405,807
Amortization	29,855	35,341
Depreciation on operating Ijarah assets	1,112,358	704,822
Finance cost on Ijarah (lease) liabilities	197,460	219,065
Provisions and write offs - net	(267,278)	1,507,077
Charge for defined benefit plan	63,279	58,064
Loss on sale of non-current assets held for sale	38,053	-
Gain on sale of property and equipment	(269)	(1,355)
	1,992,185	3,293,057
	3,813,885	5,186,975
Decrease / (increase) in operating assets		
Due from financial institutions	(187,156)	14,000,073
Islamic financing and related assets and advances	(15,149,707)	(11,701,741)
Others assets	395,390	787,876
	(14,941,473)	3,086,208
Increase in operating liabilities		
Bills payable	897,432	718,390
Due to financial institutions	(3,459,110)	(4,645,991)
Deposits and other accounts	21,165,176	10,682,889
Other liabilities (excluding current taxation)	(330,055)	(3,266,893)
	18,273,443	3,488,395
	7,145,855	11,761,578
Income tax paid	(380,836)	(223,974)
Net cash generated from Continuing Operations	6,765,019	11,537,604
Net cash used in Discontinued Operations	(591,071)	(583,939)
Net cash generated from operating activities	6,173,948	10,953,665
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(11,614,464)	2,586,548
Dividend received	9,048	7,050
Payment of ijarah (lease) liability against right-of-use assets	(512,620)	(480,210)
Investments in fixed assets	(1,735,469)	(186,372)
Investments in intangible assets	(62,544)	(51,802)
Proceeds from disposal of non-current assets held for sale	753,210	-
Proceeds from disposal of fixed assets	33,253	1,964
Net cash (used in) / generated from investing activities	(13,129,586)	1,877,178
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated sukuk	-	300,000
Net cash generated from financing activities	-	300,000
(Decrease) / increase in cash and cash equivalents	(6,955,638)	13,130,843
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	27,388,859	29,651,598

The annexed notes 1 to 38 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 HALF YEAR ENDED JUNE 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 342 branches including 80 sub branches as at June 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 Subsequent to the period end, '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 not 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.

3.1.1 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.

	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
	----- Rupees in '000 -----	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
- local currency	7,889,957	6,153,879
- foreign currency	328,412	601,823
	<u>8,218,369</u>	<u>6,755,702</u>
With the State Bank of Pakistan in:		
- local currency current account	8,109,313	11,281,084
- foreign currency deposit accounts:		
- Cash Reserve Account	635,059	431,873
- Special Cash Reserve Account	525,723	522,019
- US Dollar Clearing Account	24,890	21,184
	<u>1,185,672</u>	<u>975,076</u>
With National Bank of Pakistan in:		
- local currency current account	2,942,010	2,955,558
National Prize Bonds	53,615	66,605
	<u>20,508,979</u>	<u>22,034,025</u>
7 BALANCES WITH OTHER BANKS		
In Pakistan:		
- in current accounts	962	2,356
- in deposit accounts	3,089	2,577
	<u>4,051</u>	<u>4,933</u>
Outside Pakistan:		
- in current accounts	6,475,860	8,992,757
- in deposit accounts	399,969	3,312,782
	<u>6,879,880</u>	<u>12,310,472</u>

8 DUE FROM FINANCIAL INSTITUTIONS

Note	(Un-audited)			(Audited)			
	June 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 Other Financial Institutions	8.1	16,392,558	-	16,392,558	16,888,683	-	16,888,683
Unsecured							
Wakalah Placement	8.2	-	2,550,428	2,550,428	-	3,073,290	3,073,290
Musharaka Placements	8.3	-	-	-	12,000,000	-	12,000,000
Bai Muajjal Receivable							
-from Banks	8.1	2,944,618	-	2,944,618	4,818,345	-	4,818,345
-from other financial Institutions	8.1	19,939,564	-	19,939,564	4,859,694	-	4,859,694
Other placements		25,920	-	25,920	27,540	-	27,540
		<u>39,302,660</u>	<u>2,550,428</u>	<u>41,853,088</u>	<u>38,594,262</u>	<u>3,073,290</u>	<u>41,667,552</u>
Provision against placements	8.4	(25,920)	-	(25,920)	(27,540)	-	(27,540)
		<u>39,276,740</u>	<u>2,550,428</u>	<u>41,827,168</u>	<u>38,566,722</u>	<u>3,073,290</u>	<u>41,640,012</u>

- 8.1 The average return on this product is 7.07% to 7.58% (2020: 6.42% to 10.80%) per annum. The balances have maturities ranging between 02 days to 128 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. 16,461 million (2020: Rs. 17,309 million).
- 8.2 These represents foreign placements and the profit rates on these agreements range between 0.05% to 0.95% (2020: 0.10% to 1.25%) per annum. These agreements have maturities ranging from 19 to 142 days (2020: 6 to 180 days).
- 8.3 The profit rate on these agreements is Nil (2020: 7.00% to 7.20%) per annum and the agreements have maturities in the Nil (2020:14 to 60 days).
- 8.4 **Category of classification**

	(Un-audited)		(Audited)	
	June 30, 2021		December 31, 2020	
	Classified Placements	Provision held	Classified Placements	Provision held
----- Rupees in '000 -----				
Loss	<u>25,920</u>	<u>25,920</u>	<u>30,780</u>	<u>30,780</u>

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

9 INVESTMENTS

	Note	(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020
		----- Rupees in '000 -----	
Investments - Islamic	9.1 & 9.3	106,977,155	95,044,607
Investments - Conventional (relating to amalgamated entity)	9.2 & 9.4	<u>577,675</u>	<u>577,675</u>
		<u>107,554,830</u>	<u>95,622,282</u>

Note	(Un-audited)				(Audited)			
	June 30, 2021				December 31, 2020			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
9.1 Islamic Investments by type								
Available for sale securities								
Federal Government Securities	65,879,923	-	480,518	66,360,441	54,812,890	-	(9,222)	54,803,668
Non Government Shariah compliant Securities	37,286,163	(35,880)	1,985,522	39,235,805	36,852,598	(35,880)	2,078,535	38,895,253
Shares / Modaraba certificates	282,677	(63,573)	107,358	326,462	332,869	(79,244)	81,472	335,097
	103,448,763	(99,453)	2,573,398	105,922,708	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	104,503,210	(99,453)	2,573,398	106,977,155	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	232,645	(232,645)	-	-	263,710	(263,710)	-	-
Shares	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	55,574,087	-	480,518	56,054,605	44,507,054	-	(9,222)	44,497,832
Bai Muajjal	10,305,836	-	-	10,305,836	10,305,836	-	-	10,305,836
	65,879,923	-	480,518	66,360,441	54,812,890	-	(9,222)	54,803,668
Non Government Shariah compliant Securities								
Pakistan Energy Sukuk-I	9.3.1	27,146,945	-	1,832,419	28,979,364	27,503,500	-	1,925,245
Pakistan Energy Sukuk-II	9.3.2	3,393,034	-	41,726	3,434,760	2,000,000	-	12,000
Other sukuk certificates-unlisted		6,746,184	(35,880)	125,539	6,835,843	7,349,098	(35,880)	141,290
		37,286,163	(35,880)	1,999,684	39,249,967	36,852,598	(35,880)	2,078,535
Shares								
Ordinary shares of listed companies	282,677	(63,573)	107,358	326,462	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
	104,503,210	(99,453)	2,587,560	106,991,317	93,008,946	(115,124)	2,150,785	95,044,607

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

	Note	(Un-audited)	(Audited)
		June 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		-	-
Reversals for the period		(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	2,068,344	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)	
	June 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)	(Audited)
		June 30, 2021	December 31, 2020
----- Rupees in '000 -----			
Islamic financing and related assets - net	10.1	143,355,929	129,706,587
Advances (relating to amalgamated entity) - net	10.2	192,140	265,302
		<u>143,548,069</u>	<u>129,971,889</u>

10.1 ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total		
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	
	----- Rupees in '000 -----						
In Pakistan							
- Running Musharakah	10.11	41,693,764	39,189,963	1,550,510	1,668,510	43,244,274	40,858,473
- Diminishing Musharakah financing and related assets - Others	10.3	31,490,602	28,745,891	2,149,281	1,491,171	33,639,882	30,237,062
- Diminishing Musharakah financing and related assets - Auto		19,556,410	14,336,290	199,188	223,763	19,775,597	14,560,053
- Diminishing Musharakah - Housing		15,942,637	13,446,210	1,709,854	1,631,646	17,652,491	15,077,856
- Istisna financing and related assets	10.5 & 10.10	10,416,954	11,397,127	1,178,551	1,022,049	11,595,505	12,419,176
- Murabahah financing and related assets	10.6 & 10.9	7,647,339	3,496,899	385,920	440,795	8,033,259	3,937,694
- Investment Agency Wakalah		6,250,000	6,250,000	-	-	6,250,000	6,250,000
- Musawamah financing and related assets / Karobar financing	10.4	4,667,880	8,380,530	4,441,432	3,024,150	9,109,312	11,404,680
- Ijarah financing under IFAS 2 and related assets	10.7	960,415	1,573,616	160,074	186,736	1,120,489	1,760,352
- Financing against Bills		886,138	23,236	-	-	886,138	23,236
- Musharakah financing		280,000	280,000	-	-	280,000	280,000
- Murabahah against Bills		393,920	72,092	892	892	394,812	72,984
- Net investment in Ijarah financing in Pakistan		138,797	143,162	-	-	138,797	143,162
- Salam	10.8	79,901	109,900	-	-	79,901	109,900
- Housing finance portfolio - others		33,898	33,897	-	-	33,898	33,897
- Past Due Acceptance		29,153	29,153	-	-	29,153	29,153
- Qardh e Hasana		870	946	121,960	541,060	122,830	542,006
Gross financing and related assets		<u>140,468,679</u>	<u>127,508,912</u>	<u>11,897,659</u>	<u>10,230,772</u>	<u>152,366,338</u>	<u>137,739,684</u>
Less: Provision against non-performing Islamic financing and related assets							
- Specific	10.13 & 10.14	-	-	(7,991,270)	(7,231,104)	(7,991,270)	(7,231,104)
- General	10.14	(1,019,139)	(801,993)	-	-	(1,019,139)	(801,993)
		<u>(1,019,139)</u>	<u>(801,993)</u>	<u>(7,991,270)</u>	<u>(7,231,104)</u>	<u>(9,010,409)</u>	<u>(8,033,097)</u>
Islamic financing and related assets - net of provisions		<u>139,449,540</u>	<u>126,706,919</u>	<u>3,906,389</u>	<u>2,999,668</u>	<u>143,355,929</u>	<u>129,706,587</u>

10.2 ADVANCES

Loans, cash credits, running finances, etc. - In Pakistan*		98,376	110,380	5,144,266	6,009,473	5,242,642	6,119,853
Net investment in finance lease - In Pakistan	10.12	-	-	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		<u>98,376</u>	<u>110,380</u>	<u>6,410,746</u>	<u>7,297,983</u>	<u>6,509,122</u>	<u>7,408,363</u>
Provision against advances							
- Specific	10.13 & 10.14	-	-	(6,410,746)	(7,260,504)	(6,410,746)	(7,260,504)
- General	10.14	(55)	(55)	-	-	(55)	(55)
		<u>(55)</u>	<u>(55)</u>	<u>(6,410,746)</u>	<u>(7,260,504)</u>	<u>(6,410,801)</u>	<u>(7,260,559)</u>
Advances - net of provision		<u>98,321</u>	<u>110,325</u>	<u>-</u>	<u>37,479</u>	<u>98,321</u>	<u>147,804</u>
Fair Value adjustment	10.15	-	-	93,819	117,498	93,819	117,498
Advances - net of provision and fair value adjustment		<u>98,321</u>	<u>110,325</u>	<u>93,819</u>	<u>154,977</u>	<u>192,140</u>	<u>265,302</u>

* This includes non-interest bearing performing financing facilities amounting to Rs. 98,377 million (2020: Rs. 106,507 million).

	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
	----- Rupees in '000 -----	
10.3 Diminishing Musharakah financing and related assets - Others		
Diminishing Musharakah financing	31,382,399	29,990,621
Advance against Diminishing Musharakah financing	2,257,483	246,441
	<u>33,639,882</u>	<u>30,237,062</u>
10.4 Muswammah financing and related assets / Karobar financing		
Musa wamah financing	7,368,283	8,036,816
Advance against Musa wamah financing	2,157	205,000
Musa wamah inventories	1,738,872	3,162,864
	<u>9,109,312</u>	<u>11,404,680</u>
10.5 Istisna financing and related assets		
Istisna financing	8,276,053	4,131,021
Advance against Istisna financing	3,319,452	8,254,755
Istisna inventories	-	33,400
	<u>11,595,505</u>	<u>12,419,176</u>
10.6 Murabahah financing and related assets		
Murabahah financing	4,894,305	2,292,974
Deferred murabahah income	170,559	71,613
Advances against Murabaha financing	1,186,507	252,008
Murabaha Inventories	1,781,888	1,321,099
	<u>8,033,259</u>	<u>3,937,694</u>
10.7 Ijarah financing under IFAS 2 and related assets		
Net book value of assets under IFAS 2	1,119,816	1,759,670
Advance against Ijarah financing	673	682
	<u>1,120,489</u>	<u>1,760,352</u>
10.8 Salam		
Salam financing	10,000	-
Advance against Salam	69,901	109,900
	<u>79,901</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. 152 million (2020: Rs. 80 million) under Islamic Export Refinance Scheme.		
10.10 Istisna financing and related assets includes financing amounting to Rs. 1,073.038 million (2020: Rs. 154.188 million) and advance amounting to Rs. 689 million (2020: Rs. 1,580 million) under Islamic Export Refinance Scheme.		
10.11 Running musharakah financing includes financing amounting to Rs. 1,742 million (2020: 1,492 million) under Islamic Export Refinance Scheme.		
	(Un-audited)	(Audited)
	June 30, 2021	December 31, 2020
	----- Rupees in '000-----	
10.12 Particulars of Islamic financing and related assets and advances - gross		
In local currency	158,482,400	143,965,752
In foreign currency	393,060	1,182,295
	<u>158,875,460</u>	<u>145,148,047</u>

- 10.13 Islamic financing and related assets and advances include Rs. 18,308.405 million (2020: Rs. 17,528.755 million) which have been placed under non-performing status as detailed below:

Category of classification

	(Un-audited)		(Audited)	
	June 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	274,766	-	149,428	-
Substandard	615,461	60,530	485,371	34,915
Doubtful	2,939,043	1,280,377	1,947,553	536,216
Loss	14,479,135	13,061,109	14,946,403	13,920,477
Total	18,308,405	14,402,016	17,528,755	14,491,608

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

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

	(Un-audited)			(Audited)		
	June 30, 2021		Total	December 31, 2020		Total
Specific	General	Specific		General		
	----- (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	1,298,903	217,146	1,516,049	2,181,260	464,236	2,645,496
Reversals for the period / year	(1,078,559)	-	(1,078,559)	(416,632)	-	(416,632)
	220,344	217,146	437,490	1,764,628	464,236	2,228,864
Amount written off	(309,936)	-	(309,936)	-	-	-
Closing balance	14,402,016	1,019,194	15,421,210	14,491,608	802,048	15,293,656
10.14.1 Islamic	7,991,270	1,019,139	9,010,409	7,231,104	801,993	8,033,097
Conventional	6,410,746	55	6,410,801	7,260,504	55	7,260,559
	14,402,016	1,019,194	15,421,210	14,491,608	802,048	15,293,656

	(Un-audited)		(Audited)	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	----- Rupees in '000 -----			
10.14.2 Provision / reversal of provision net of fair value adjustment taken to the profit and loss account				
Gross reversals for the period / year			1,078,559	416,632
Charge for the period / year			(1,516,049)	(2,645,496)
			(437,490)	(2,228,864)
Fair value adjusted - net			(23,679)	(1,361)
Net charge taken to the profit and loss account			(461,169)	(2,230,225)

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

	(Un-audited)			(Audited)		
	June 30, 2021		Total	December 31, 2020		Total
Specific	General	Specific		General		
	----- Rupees in '000 -----					
In local currency	14,402,016	1,019,194	15,421,210	14,491,608	802,048	15,293,656
	14,402,016	1,019,194	15,421,210	14,491,608	802,048	15,293,656

- 10.14.4 The Holding Company maintains general reserve (provision) amounting to Rs. 439.194 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. 580 million (December 31, 2020: 450 million) as a matter of prudence based on management estimate.

- 10.14.5 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 June 30, 2021 amounts to Rs.1,034,293 million (2020: Rs. 890,288 million). The additional profit arising from availing the FSV benefit - net of tax amounts to Rs. 630,919 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.

- 10.15 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.

- 10.16 Total gross financing and related assets includes financing amounting to Rs. 2,532 million, Rs. 331.895 million and Rs.1,156 million, under "Islamic refinance scheme for payment of wages and salaries", "Islamic refinance scheme for combating COVID (IRFCC)" and "Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)", respectively.

	Note	(Un-audited) June 30, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----			
11	FIXED ASSETS		
Capital work-in-progress	11.1 & 11.2	1,358,891	179,270
Property and equipment	11.2 & 11.3	8,684,937	8,555,964
Right of use assets	11.2	2,762,417	2,986,639
		<u>12,806,245</u>	<u>11,721,873</u>

11.1 Capital work-in-progress

Advances to suppliers and contractors		174,409	138,670
Advance for acquiring properties:			
- Office premises	11.1.1	1,184,482	762,503
		1,358,891	901,173
Provision for impairment against advance for acquiring floor / office premises	11.1.1	-	(721,903)
		<u>1,358,891</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) June 30, 2021	(Un-audited) June 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	527,999	189,017
Property and equipment		
Leasehold building	187,021	133,706
Furniture and fixture	108,533	21,440
Electrical office and computer equipment	270,282	162,326
Vehicles	1,168	4,014
	567,004	321,486
Right of use assets		
Leasehold building	196,487	77,774
Total	<u>1,291,490</u>	<u>588,277</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	-
Furniture and fixture	14,527	4
Electrical office and computer equipment	135	605
	<u>45,666</u>	<u>609</u>

Note	<u>(Un-audited)</u>	<u>(Audited)</u>
	June 30, 2021	December 31, 2020
----- (Rupees in '000) -----		
12 INTANGIBLE ASSETS		
Computer software	170,685	137,722
Core deposits	26,205	26,479
Goodwill	2,991,308	2,991,308
	<u>3,188,198</u>	<u>3,155,509</u>
	<u>(Un-audited)</u>	<u>(Un-audited)</u>
	June 30, 2021	June 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	62,544	10,211
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12.2 Disposals of intangible assets

There were no disposals of intangible assets during the period

<u>(Un-audited)</u>	<u>(Audited)</u>
June 30, 2021	December 31, 2020

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

13 DEFERRED TAX ASSETS

Deductible temporary differences on:

Accumulated tax losses	2,666,643	2,748,819
Provision for diminution in the value of investments	75,433	201,160
Provision against non-performing islamic financing and related assets and advances	3,746,617	3,797,882
Ijarah financing and related assets	260,435	207,080
Accelerated tax depreciation	101,016	61,891
Others	(14,408)	263,243
	<u>6,835,736</u>	<u>7,280,075</u>

Taxable temporary difference on:

Fair value adjustments relating to assets acquired upon amalgamation	(366,834)	(191,218)
Surplus on revaluation of fixed assets	(619,094)	(621,899)
Surplus on revaluation of non-banking assets	(14,011)	(14,383)
Surplus on revaluation of available for sale securities	(900,689)	(752,775)
	<u>(1,900,628)</u>	<u>(1,580,275)</u>
	<u>4,935,108</u>	<u>5,699,800</u>

- 13.1** The Holding Company has aggregate tax losses of Rs. 7,637.649 million as at June 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. 2,671.003 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	June 30,	December
		2021	31, 2020
----- (Rupees in '000) -----			
Profit / return accrued in local currency		8,131,560	8,121,506
Profit / return accrued in foreign currency		3,915	7,772
Advances, deposits, advance rent and other prepayments		683,674	952,136
Non-banking assets acquired in satisfaction of claims		2,147,846	2,149,758
Branch Adjustment Account		586,815	-
Takaful / insurance claim receivable		41,438	30,985
Receivable against First WAPDA Sukuk		50,000	50,000
Trade debts		532	532
Acceptances		2,660,825	2,392,561
Unrealized gain on Shariah compliant alternative of forward foreign exchange contracts		28,664	60,489
Amount held with financial institution		-	814,546
Other receivables		521,310	419,497
		<u>14,856,579</u>	<u>14,999,782</u>
Less: Provision held against other assets	14.1	<u>(866,360)</u>	<u>(1,588,151)</u>
Other Assets (net of provision)		13,990,219	13,411,631
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21	225,245	226,308
Total other assets		<u>14,215,464</u>	<u>13,637,939</u>
Market value of non-banking assets acquired in satisfaction of claims		<u>1,668,412</u>	<u>1,671,387</u>

14.1 Provision held against other assets	Note	(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020
----- (Rupees in '000) -----			
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		134,989	137,562
	14.1.1	<u>866,360</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		3,611	369,238
Reversals for the period / year		(23,952)	(34,269)
Adjustment during the period / year		(701,450)	-
Closing balance		<u>866,360</u>	<u>1,588,151</u>

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.

16 BILLS PAYABLE		(Un-audited)	(Audited)
		June 30, 2021	December 31, 2020
----- (Rupees in '000) -----			
In Pakistan		4,221,517	3,324,085
		<u>4,221,517</u>	<u>3,324,085</u>

17 DUE TO FINANCIAL INSTITUTIONS

Secured

Acceptances from State Bank of Pakistan under Islamic Export Refinance Scheme	2,880,327	3,622,550
Acceptances from State Bank of Pakistan for financial assistance	3,531,913	3,375,410
Refinance facility of Islamic mortgage	2,809,866	1,989,031
Islamic refinance scheme for payment of wages and salaries	2,529,265	2,805,692
Islamic refinance scheme for combating COVID (IRFCC)	31,895	31,895
Refinance facility for Islamic Temporary Economic Refinance Facility (TERF)	885,240	3,038
Total secured	12,668,506	11,827,616

Unsecured

Wakalah Acceptance	-	4,300,000
Total unsecured	-	4,300,000
	12,668,506	16,127,616

18 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	June 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	104,759,599	3,787,381	108,546,980	89,268,714	3,068,383	92,337,097
Savings deposits	78,045,837	3,625,454	81,671,291	74,101,851	3,615,238	77,717,089
Term deposits	89,101,217	2,823,863	91,925,080	91,499,914	1,630,147	93,130,061
Others	3,282,795	56,787	3,339,582	2,701,340	56,786	2,758,126
	275,189,448	10,293,485	285,482,933	257,571,819	8,370,554	265,942,373
Financial Institutions						
Current deposits	374,214	7,287	381,501	285,829	3,880	289,709
Savings deposits	15,172,585	5,342	15,177,927	6,961,168	-	6,961,168
Term deposits	3,059,565	-	3,059,565	9,743,500	-	9,743,500
	18,606,364	12,629	18,618,993	16,990,497	3,880	16,994,377
	293,795,812	10,306,114	304,101,926	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 Dates 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)	(Audited)
	June 30, 2021	December 31, 2020
	----- (Rupees in '000) -----	
Profit / return payable in local currency	1,690,968	1,733,615
Profit / return payable in foreign currencies	19,625	14,583
Accrued expenses	752,350	894,463
Deferred Murabahah Income - Financing and IERS	152,104	104,322
Payable to defined contribution plan	25,146	2,877
Defined Benefit Plan liabilities	199,694	136,415
Security deposits against Ijarah	928,849	1,122,685
Ijarah (lease) Liability	3,337,202	3,455,874
Provision against off-balance sheet obligations	85,975	85,975
Acceptances	2,660,825	2,392,561
Receipt appropriation account	-	6,638
Current taxation (provisions less payments)	57,949	188,797
Provision against other tax liabilities	97,269	148,305
Sundry creditors	265,575	190,839
Charity payable	12,278	14,712
Retention money payable	10,297	10,167
Provision for Workers' Welfare Fund	164,098	123,164
Branch adjustment account	-	30,867
Rental received in advance	225,555	348,243
Advance against disposal of Non current asset held for sale	-	188,303
Others	140,986	149,636
	<u>10,826,745</u>	<u>11,343,041</u>

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	June 30, 2021	December 31, 2020
	----- Rupees in '000 -----	
Surplus on revaluation of:		
Available for sale securities	2,573,398	2,150,785
Fixed Assets	2,033,119	2,042,473
Non-banking assets acquired in satisfaction of claims	225,245	226,308
	4,831,762	4,419,566
Deferred tax liability on surplus on revaluation of:		
Available for sale securities	(900,689)	(751,909)
Fixed Assets	(619,094)	(621,899)
Non-banking assets acquired in satisfaction of claims	(14,011)	(14,383)
	(1,533,794)	(1,388,191)
Total surplus on revaluation of assets- net of tax	3,297,968	3,031,375
Less: Share of non-controlling interest	(9,065)	(5,017)
Holding Company's share	3,288,903	3,026,358

22 CONTINGENCIES AND COMMITMENTS

- Guarantees	22.1	11,904,940	10,342,243
- Commitments	22.2	35,127,439	10,298,481
- Other contingent liabilities	22.3	1,353,580	1,360,580
		<u>48,385,959</u>	<u>22,001,304</u>

22.1 Guarantees:

Financial guarantees	-	782,961
Performance guarantees	6,034,636	5,888,773
Other guarantees	5,870,304	3,670,509
	<u>11,904,940</u>	<u>10,342,243</u>

22.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		27,924,757	12,003,211
Commitments in respect of:			
- Shariah compliant alternative of forward foreign Exchange contracts	22.2.1	(1,439,663)	(9,435,135)
Commitments for acquisition of:			
- operating fixed assets		231,337	232,703
- intangible assets		81,492	15,559
Other commitments	22.2.2	8,329,516	7,482,143
		<u>35,127,439</u>	<u>10,298,481</u>

	June 30, 2021	December 31, 2020
	----- Rupees in '000 -----	
22.2.1 Commitments in respect of Shariah compliant alternative of forward foreign exchange contracts		
Purchase	12,325,540	11,389,226
Sale	(13,765,203)	(20,824,361)
	(1,439,663)	(9,435,135)
22.2.2 Other commitments		
Bills for collection	8,329,516	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 Holding Company has not acknowledged as debt	4,200	11,200
Tax Contingencies	1,349,380	1,349,380
	1,353,580	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 consolidated financial 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 consolidated financial statements of the Holding Company for the year ended December 31, 2020.		

----- (Un-audited) -----

Note	June 30, 2021	June 30, 2020
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23 PROFIT / RETURN EARNED

Profit earned on:

Financing	5,722,503	8,177,683
Investments	3,473,281	2,725,356
Placements	1,691,901	3,793,366
Others	61,036	59,707
	10,948,721	14,756,112

24 PROFIT / RETURN EXPENSED

Deposits and other accounts	5,171,452	7,188,378
Due to financial institutions	385,843	394,649
Cost of foreign currency swaps against foreign currency deposits	5,849	23,577
Finance cost on ijarah (lease) liabilities	197,460	219,065
Additional Tier-1 sukuk	101,842	139,103
	5,862,446	7,964,772

25 FEE AND COMMISSION INCOME

Branch banking customer fees	24,540	30,493
Commission on banca takaful	79,389	50,767
Card related fees	169,062	112,045
Commission on arrangement with financial institutions	48,039	27,178
Consumer finance related fees	34,153	14,821
Commission on guarantees	53,615	14,977
Investment banking fees	79,570	102,667
Commission on cash management	2,786	1,623
Commission on remittances including home remittances	14,496	17,518
Commission on trade	102,441	60,952
Others	3,113	6,992
	611,204	440,033

		----- (Un-audited) -----	
		June 30, 2021	June 30, 2020
		----- Rupees in '000 -----	
26	GAIN ON SECURITIES		
	Realized gain	26.1 <u>28,941</u>	<u>232,886</u>
26.1	Realized gain/ (loss) on:		
	Non-Government Shariah compliant Securities	45,354	232,886
	Shares / Mutual Funds Units	21,640	-
	Non-Current Assets held for sale	26.1.1 & 26.1.2 <u>(38,053)</u>	<u>-</u>
		<u>28,941</u>	<u>232,886</u>
26.1.1	Summary of gain on disposal of BankIslami Modaraba Investments Limited		(Un-audited)
			June 30, 2021
			- Rs. In '000 -
	Sale proceeds on disposal		90,000
	Less: Net assets of a subsidiary at the date of derecognition		<u>(27,427)</u>
			<u>62,573</u>
26.1.2	Summary of loss on disposal of BIPL Securities Limited		(Un-audited)
			June 30, 2021
			- Rs. In '000 -
	Sale proceeds on disposal		663,211
	Less: Net assets of a subsidiary at the date of derecognition		(1,014,417)
	Add: Non-controlling interest		250,580
			<u>(100,626)</u>
		----- (Un-audited) -----	
		June 30, 2021	June 30, 2020
		----- Rupees in '000 -----	
27	OTHER INCOME		
	Rent on property	-	5,126
	Gain on termination of financing	40,704	30,099
	Gain on sale of property and equipment	269	1,355
	Recoveries against previously expensed items	867	1,763
	Others	2,323	957
		<u>44,163</u>	<u>39,300</u>

28 OPERATING EXPENSES

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

Total compensation expense	1,984,800	1,732,694
Property expense		
Rent & taxes	31,352	29,928
Takaful / insurance	967	1,759
Utilities cost	198,294	157,395
Security (including guards)	174,388	176,921
Repair & maintenance (including janitorial charges)	102,267	83,980
Depreciation	190,130	178,999
Depreciation on right-of-use assets	420,710	405,807
Others	-	10
	1,118,108	1,034,799
Information technology expenses		
Software maintenance	156,063	117,477
Hardware maintenance	48,706	48,913
Depreciation	110,706	91,955
Amortisation	28,728	34,202
Network charges	92,492	84,468
	436,695	377,015
Other operating expenses		
Directors' fees and allowances	7,160	4,210
Fees and allowances to Shariah Board	8,885	7,756
Legal & professional charges	71,429	57,931
Travelling & conveyance	19,759	17,090
NIFT clearing charges	14,035	8,819
Depreciation	94,205	90,866
Depreciation on non banking assets	2,976	2,416
Entertainment expense	28,890	30,691
Training & development	2,617	4,776
Postage & courier charges	16,218	40,973
Communication	23,630	34,858
Marketing, advertisement & publicity	65,709	85,368
Repairs and maintenance	45,011	45,737
Takaful, tracker and other charges on car Ijarah	99,893	90,088
Stationery & printing	64,177	91,429
Takaful / Insurance	140,447	163,398
Fee and subscription	74,370	69,726
Vehicle running and maintenance	75,391	70,480
Donation	1,500	-
Auditors' remuneration	6,790	7,710
Amortization	1,127	1,139
CDC and share registrar services	4,710	3,649
Brokerage and commission	11,187	14,754
Stamp duty, registration & verification charges	46,096	4,918
Others	18,658	42,528
	944,870	991,310
	4,484,473	4,135,818

29 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	2,055	129,732
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	Note	----- (Un-audited) -----	
		June 30, 2021	June 30, 2020
		----- Rupees in '000 -----	
30 PROVISIONS AND WRITE OFFS - NET			
Provision / (reversal of provision) for diminution in value of investments and due from financial institutions		(394)	7,813
Provision against Islamic financing and related assets and advances - net	10.14.2	461,169	1,141,161
Other provisions / (reversal) / write offs - net		(728,053)	388,972
		<u>(267,278)</u>	<u>1,537,946</u>

31 TAXATION

Current	249,988	349,820
Prior years	(149,216)	-
Deferred	616,959	451,036
	<u>717,731</u>	<u>800,856</u>

32 BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation for the period from continuing operations (Attributable to equity shareholders of the Holding Company)	1,015,153	941,814
Profit after taxation for the period from discontinued operations (Attributable to equity shareholders of the Holding Company)	62,917	5,085
Profit after taxation for the period (Attributable to equity shareholders of the Holding Company)	<u>1,078,070</u>	<u>946,899</u>

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

Weighted average number of ordinary shares in issue	<u>1,108,703,299</u>	<u>1,108,703,299</u>
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----- Rupees -----

Earnings per share - basic / diluted from continuing operations	0.9156	0.8495
Earnings per share - basic / diluted from discontinued operations	0.0567	0.0046
Earnings per share - basic / diluted	<u>0.9724</u>	<u>0.8541</u>

32.1 There were no convertible / dilutive potential ordinary shares outstanding as at June 30, 2021 and June 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:

June 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	326,462	-	-	326,462
GOP Ijarah Sukuk	-	56,054,605	-	56,054,605
Non-Government Shariah compliant Securities	32,414,124	6,835,843	-	39,249,967

Non-Financial Assets - measured at fair value

Fixed assets - Land and building	-	-	6,891,351	6,891,351
Non-banking assets	-	-	1,668,412	1,668,412

Off-balance sheet financial instruments - measured at fair value

Shariah compliant alternative of forward purchase of foreign exchange	-	12,314,480	-	12,314,480
Shariah compliant alternative of forward sale of foreign exchange	-	13,745,247	-	13,745,247

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 Ijarah 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)

June 30, 2021

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Profit & Loss					
Net profit / return	4,271,876	(3,333,345)	4,188,868	(41,124)	5,086,275
Inter segment revenue - net	(3,941,898)	7,672,745	(3,631,317)	(99,530)	-
Total other income	218,254	356,239	247,628	177,281	999,402
Total Income	548,232	4,695,639	805,179	36,627	6,085,677
Segment direct expenses	39,162	3,439,623	170,554	878,123	4,527,462
Inter segment expense allocation	48,886	446,228	339,914	(835,028)	-
Total expenses	88,048	3,885,851	510,468	43,095	4,527,462
Provisions / (reversals)	(394)	97,149	360,281	(724,314)	(267,278)
Profit / loss before tax	460,578	712,639	(65,570)	717,846	1,825,493

(Un-audited)

June 30, 2021

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Balance Sheet					
Assets					
Cash & Bank balances	16,177,155	11,211,087	-	617	27,388,859
Investments	107,554,830	-	-	-	107,554,830
Net inter segment placements	(148,940,125)	247,949,617	(102,013,141)	3,003,649	-
Due from financial institutions	41,827,168	-	-	-	41,827,168
Islamic financing and related assets					
- performing	-	31,411,734	105,134,640	3,001,487	139,547,861
- non-performing	-	1,273,127	2,593,550	133,531	4,000,208
Others	4,015,323	6,005,117	3,194,513	21,930,062	35,145,015
Total Assets	20,634,351	297,850,682	8,909,562	28,069,346	355,463,941
Liabilities					
Due to financial institutions	3,531,913	2,809,866	6,326,727	-	12,668,506
Subordinated sukuk	-	-	-	2,000,000	2,000,000
Deposits & other accounts	16,783,795	287,318,131	-	-	304,101,926
Others	48,514	7,722,685	2,582,835	4,694,228	15,048,262
Total liabilities	20,364,222	297,850,682	8,909,562	6,694,228	333,818,694
Equity	-	-	-	21,645,247	21,645,247
Total Equity & liabilities	20,364,222	297,850,682	8,909,562	28,339,475	355,463,941
Contingencies & Commitments	(1,439,663)	-	48,159,213	1,666,409	48,385,959

(Un-audited)

June 30, 2020

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Profit & Loss					
Profit / return earned	4,894,256	(4,339,206)	6,309,539	(73,249)	6,791,340
Inter segment revenue - net	(3,891,708)	10,185,352	(6,293,643)	-	-
Other income	348,864	259,465	183,490	9,294	801,112
Total Income	1,351,411	6,105,611	199,385	(63,955)	7,592,452
Segment direct expenses	32,918	2,440,328	115,800	1,714,147	4,303,192
Inter segment expense allocation	100,640	1,164,433	449,652	(1,714,725)	-
Total expenses	133,558	3,604,761	565,452	(578)	4,303,192
Provisions / (reversals)	7,813	68,691	1,072,470	388,972	1,537,946
Profit before tax	1,210,040	2,432,158	(1,438,536)	(452,349)	1,751,314

(Audited)

December 31, 2020

	Trading & Sales	Retail Banking	Commercial Banking	Support Centre	Total
----- Rupees in '000 -----					
Assets					
Cash & Bank balances	23,783,594	10,560,903	-	-	34,344,497
Investments	95,622,282	-	-	-	95,622,282
Net inter segment placements	(137,226,368)	232,280,586	(97,855,921)	2,801,703	-
Due from financial institutions	41,640,012	-	-	-	41,640,012
Islamic financing and related assets					
- performing	-	24,718,161	99,428,978	2,887,371	127,034,510
- non-performing	-	1,265,885	1,555,851	115,643	2,937,379
Others	1,171,691	5,271,853	5,430,218	24,488,148	36,361,910
Total Assets	24,991,211	274,097,388	8,559,126	30,292,865	337,940,590
Liabilities					
Borrowings	7,675,409	1,989,031	6,463,176	-	16,127,616
Subordinated debt	-	-	-	2,000,000	2,000,000
Deposits & other accounts	15,987,163	266,949,587	-	-	282,936,750
Others	133,484	5,158,771	2,437,698	8,633,189	16,363,142
Total liabilities	23,796,056	274,097,389	8,900,874	10,633,189	317,427,508
Equity	-	-	-	20,513,082	20,513,082
Total Equity & liabilities	23,796,056	274,097,389	8,900,874	31,146,271	337,940,590
Contingencies & Commitments	(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)			
	June 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	-	20,554	186,691	3,933,103	-	180,438	92,048	3,216,340
Repaid during the period / year	(1,905)	(15,604)	(195,137)	(3,418,188)	(3,299)	(66,942)	(127,550)	(3,404,528)
Transfer in / (out) - net	-	(104,971)	-	43,695	-	(2,600)	-	(509,282)
Closing balance	17,334	205,582	481,231	1,055,002	19,239	305,603	489,677	496,392
Provision held against Islamic financing and related assets	-	-	-	-	-	-	-	-
Other Assets								
Profit receivable on financings	109	18	3,669	9,089	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	14,647	189,519	1,248,164	6,921,288	96,690	694,472	1,641,620	8,820,606
Withdrawn during the period / year	(23,498)	(188,592)	(1,317,899)	(6,814,169)	(81,169)	(675,522)	(1,638,684)	(8,711,343)
Transfer in / (out) - net	-	(845)	(13,902)	(37,720)	(168)	-	120	4
Closing balance	10,036	25,292	1,505	1,240,928	18,887	25,210	85,142	1,171,529
Other Liabilities								
Profit / return payable	8	177	2	6,871	2	160	689	7,141
Meeting Fee / Remuneration Payable	-	-	-	-	2,260	-	-	-
Contingencies and Commitments								
Other contingencies	-	-	4,978	301,041	-	-	-	279,802

	(Un-audited)				(Un-audited)			
	June 30, 2021				June 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	866	4,286	19,380	35,702	1,671	4,483	20,866	35,668
Other income	-	3,922	-	-	-	954	-	-
Expense								
Profit / return expense	26	444	611	49,187	10	418	403	61,303
Other administrative expenses	-	1,867	-	4,404	1,500	787	-	540
Meeting Fee / Remuneration	7,160	137,667	-	-	4,210	93,431	-	-
Contribution to employees provident fund	-	-	-	67,142	-	-	-	58,152
Charge for employees gratuity fund	-	-	-	63,279	-	-	-	58,064

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 June 30, 2021.

	(Un-audited) June 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	15,066,883	13,877,167
Eligible Additional Tier 1 (ADT 1) Capital	2,000,000	2,007,989
Total Eligible Tier 1 Capital	17,066,883	15,885,156
Eligible Tier 2 Capital	5,428,274	4,972,587
Total Eligible Capital (Tier 1 + Tier 2)	22,495,157	20,857,743
Risk Weighted Assets (RWAs):		
Credit Risk	113,545,058	107,957,298
Market Risk	1,826,637	1,020,400
Operational Risk	20,563,275	20,552,900
Total	135,934,970	129,530,598
Common Equity Tier 1 Capital Adequacy ratio	11.08%	10.71%
Tier 1 Capital Adequacy Ratio	12.56%	12.26%
Total Capital Adequacy Ratio	16.55%	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) June 30, 2021	(Audited) December 31, 2020
	----- Rupees in '000 -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	17,066,883	15,885,156
Total Exposures	400,660,791	369,368,591
Leverage Ratio	4.26%	4.30%
Liquidity Coverage Ratio (LCR)*:		
Total High Quality Liquid Assets	112,591,982	66,806,359
Total Net Cash Outflow	46,684,134	33,817,378
Liquidity Coverage Ratio	247.04%	210.41%
Net Stable Funding Ratio (NSFR)*:		
Total Available Stable Funding	306,536,073	282,534,177
Total Required Stable Funding	124,193,548	112,435,298
Net Stable Funding Ratio	246.82%	251.29%

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

37 GENERAL

- 37.1 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.
- 37.2 These consolidated financial statements are presented in Pakistani Rupees, which is the Holding Company's functional and presentation currency.
- 37.3 The figures in these financial statements have been rounded off to the nearest thousand rupee.
- 37.4 **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 June 30,2020 (Rupees in '000)
Statement of Financial Position		
Bills Payable	Deposits and other accounts	<u>1,625,401</u>
		For the half year ended June 30,2020 (Rupees in '000)
Statement of Profit and Loss		
Operating expenses	Provision and write offs - net	<u>30,869</u>

38 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue on August 25, 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



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

