

# HABIBMETRO

HALF YEARLY REPORT

J U N E  
2021



[Subsidiary of Habib Bank AG Zurich]



هَذَا فَضْلُكَ

# OUR VISION

To be the most respected financial institution  
based on trust, service and commitment



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# OUR VALUES

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## **RESPECT**

We respect our heritage, our team's dedication, and our customers' faith in us.

## **INTEGRITY**

We set high professional and ethical standards for ourselves and each other.

## **TEAMWORK**

We play to our strengths and build teams that deliver at the local and global levels.

## **RESPONSIBILITY**

We take responsibility for ourselves, our actions, and always give our best.

## **COMMITMENT**

We are committed to responding to the needs of our customers.

## **TRUST**

We safeguard the trust that our customers place in us, and foster the same with passion.



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### CHAIRMAN

Mohamedali R. Habib

#### PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

#### DIRECTORS

Anjum Z. Iqbal

Firasat Ali

Hamza Habib

Mohomed Bashir

Muhammad H. Habib

Rashid Ahmed Jafer

Tahira Raza

### BOARD COMMITTEES

#### AUDIT

Anjum Z. Iqbal

Hamza Habib

Rashid Ahmed Jafer

#### CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

#### HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohsin A. Nathani

Tahira Raza

#### COMPANY SECRETARY

Ather Ali Khan

#### REGISTERED OFFICE

Ground Floor, HabibMetro Head Office,  
I I Chundrigar Road,  
Karachi – 74200, Pakistan.

#### INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

#### RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

Tahira Raza

#### SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B,

S.M.C.H.S., Main Shahra-e-Faisal,

Karachi - 74400.



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## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the condensed interim un-audited financial statements for the half year ended 30 June 2021.

Pakistan's economy continued on a trajectory of recovery in the period under review, with alleviated inflationary expectations, improved investor confidence and stable external position. However, with the fourth wave of the COVID-19 underway, economic impact of the same will become clearer in due course.

Inflationary pressures eased in June 2021, with a decline in food prices and core inflation, post supply-side shocks witnessed during Ramadan. Average inflation was recorded at 8.9 percent in FY21, with a projection of 7 - 9 percent for FY22, and a further decline in inflation to 5 - 7 percent anticipated in the medium-term. Increase in global commodity prices (particularly higher oil prices), depreciation in rupee value and stronger demand-side pressures post lockdown are some factors that created inflationary pressures.

The current account deficit widened in the second half of FY21 after recording surpluses in the first few months of the fiscal year. Current account posted a deficit of USD 1.9 billion in FY21, marking a reduction of 58 percent (lowest deficit in 10 years), albeit with a sizeable USD 1.6 billion deficit recorded in the month of June 2021, alone.

Imports increased by 17.6 percent year-on-year to USD 61.6 billion during FY21, driven by increased domestic activity, higher global commodity prices, imports of vaccines and capital goods. Exports and remittances closed the fiscal year with historic high levels. Exports increased by 12.8 percent year-on-year to USD 31.6 billion in FY21. Meanwhile, the pressure of increased imports was largely offset by remittances, which increased by 27 percent year-on-year to USD 29.4 billion.

SBP's FX reserves rose by USD 5.2 billion during FY21 and amounted to over USD 17 billion (cover of around 3 months of imports) - a high of 4.5 years. Pak Rupee parity with US Dollar cumulatively appreciated by 1.5 percent in H1 2021 (versus cumulative depreciation of 8.5 percent in H1 2020).

Fiscal deficit is expected to reduce to 6.3 percent in FY22 (from 7.1 percent of GDP in FY21) due to strong growth of 24.6 percent year-on-year in tax revenues and 24.7 percent in non-tax revenues, mainly from income and sales tax as well as the petroleum development levy (PDL). This higher revenue is expected to offset significant 71 percent growth in development expenditures. Moreover, public debt is expected to be curtailed further, from 83.1 percent of GDP in FY21, to 81.8 percent in FY22.

GDP growth is projected to increase to 4 - 5 percent in FY22 (versus 3.9 percent in FY21) driven by large-scale manufacturing/construction and supported by budgetary measures (increased development spending and reduced regulatory duties, custom duties, FED and reduced sales tax on import of raw materials and capital goods), accommodative monetary conditions and disbursements under the SBP's TERF facility and other refinance facilities. Moreover, private sector credit is expected to witness continued growth in FY22, due to the low interest rate environment and SBP's support measures.

By the Grace of Allah, HABIBMETRO's profit after tax for the first six months posted a healthy increase of 51 percent amounting to Rs. 6,228 million compared to Rs 4,119 million in the same period last year. This translates into after tax earnings per share of Rs. 5.94 per share.

The Board of Directors has approved an interim cash dividend of Rs. 2 per share (20%) for the year ending December 31, 2021.

The Bank's net interest margin amounted to Rs. 14,403 million with a growth of 34.4 percent whereas fee and commission income increased by 34.3 percent amounting to Rs. 3,321 million as compared to Rs. 2,472 million during the same period last year.

Investments and Advances show a growth of 12 percent during the period under review, amounting to Rs. 655,512 million and Rs. 350,059 million, respectively. Meanwhile, deposits increased by 12.2 percent from their 2020 year-end level to Rs. 764,074 million. The Bank continues to focus on low cost deposit mobilization - as a result of which, current deposits increased by 19.7 percent during the period under review, to Rs. 264,172 million with an increased CA mix of 34.6 percent.

The Bank's Net Equity stands at Rs. 60,261 million with a capital adequacy level of 15.4 percent.

For twenty one consecutive years, the Bank has maintained AA+ rating for Long Term, and A1+ rating for Short Term. These ratings by the Pakistan Credit Rating Agency Limited (PACRA) denote a high credit quality, with a low expectation of credit risk, and a strong capacity for timely payment of financial commitments.

During the period under review, the Bank opened 41 new branches in 23 cities in the country. With this increased branch network, HABIBMETRO now operates a network of 447 branches in 162 cities across Pakistan, including 34 Islamic banking branches, and 218 Islamic banking windows. The Bank provides a comprehensive spectrum of banking services and products. These include specialized trade finance products and digital banking solutions such as secured mobile, internet & SMS Banking services, globally accepted Visa Cards and a nationwide network of ATMs.

The Bank participated in various schemes launched by the SBP for improving the economy, like Kamyab Jawaan program, Roshan Digital program, etc. In addition, the Bank also launched House Finance and Mera Pakistan Mera Ghar products to participate in the Prime Minister's Housing program.

Being a conscientious corporate citizen, your Bank acknowledges its corporate social responsibilities and continues to make regular contributions to a host of non-profit / social organizations with primary focus on healthcare and education.

With COVID-19's impact still prevalent in the economy, the Bank continued to promote its digital banking channels (mobile app, internet banking, debit cards) further to reduce physical interaction at its branches for the safety of its staff and customers.

In conclusion, I would like to place on record our sincere gratitude to the Ministry of Finance, the State Bank of Pakistan, and the Securities and Exchange Commission of Pakistan for their continued support and guidance to the Bank. I would also like to thank our valued customers for the trust and patronage that they continue to extend to us. Lastly, I would like to acknowledge the unwavering dedication of the staff of HABIBMETRO Bank, who continue to work tirelessly to provide our customers with uninterrupted financial services. Their efforts enable the Bank to grow from strength to strength.

On behalf of the Board

MOHSIN A. NATHANI

President & Chief Executive Officer

Karachi: 24 August 2021

بورڈ آف ڈائریکٹرز نے 31 دسمبر 2021 کو ختم ہونے والے سال کیلئے 2 روپے فی شیئر (20 فیصد) کا عبوری نقد منافع منظور کیا ہے۔

بینک کے خالص شرح سود کا حجم 34.4 فیصد کی گروتھ کے ساتھ 14,403 ملین روپے رہا جبکہ فیس اور کمیشن کی آمدنی 34.3 فیصد سے بڑھ کر 3,321 ملین روپے رہی جو گزشتہ سال کی اسی مدت کے دوران 2,472 ملین روپے تھی۔

سرماہ کاروں اور ایڈوانسز نے زیر جائزہ مدت کے دوران 12 فیصد کی گروتھ ظاہر کی اور ان کا حجم بالترتیب 655,512 ملین روپے اور 350,059 ملین روپے رہا۔ جبکہ ڈپازٹس سال 2020 کے اختتام پر 12.2 فیصد بڑھ کر 764,074 ملین روپے ہو گئے۔ بینک نے اپنے کم بائیلیٹی ڈپازٹس کو بڑھانے پر توجہ دینے کا سلسلہ برقرار رکھا جس کے نتیجے میں کرنٹ ڈپازٹس زیر جائزہ مدت کے دوران 19.7 فیصد تک بڑھ کر 264,172 ملین روپے ہو گئے اور اس کے ساتھ کرنٹ اکاؤنٹ کا تناسب 34.6 فیصد تک بڑھ گیا۔

بینک کی خالص ایکویٹی 15.4 فیصد کیپٹل ایڈیکوئسی کے ساتھ 60,261 ملین روپے رہی۔

پاکستان کریڈٹ ریٹنگ ایجنسی لیٹیڈ نے مسلسل 21 ویں سال بھی بینک کی کریڈٹ ریٹنگ طویل مدت کے لئے AA+ (ڈبل اے پلس) اور قلیل مدت کے لئے A1+ (اے ون پلس) برقرار رکھی ہے۔ یہ ریٹنگز کریڈٹ کے اعلیٰ معیار، کریڈٹ رسک کے بہت کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

زیر جائزہ مدت کے دوران بینک نے 23 شہروں میں 41 نئی شاخوں کا اضافہ کیا۔ اس اضافے کے ساتھ حبیب میٹروپاکستان بھر میں 162 شہروں میں 447 شاخوں بشمول 134 اسلاک بینکنگ کی شاخوں اور 218 اسلاک بینکنگ ونڈوز کے ساتھ بہترین، وسیع تر اور مکمل بینکاری خدمات اور پروڈکٹس فراہم کر رہا ہے۔ ان میں خصوصی تجارتی مالیاتی پروڈکٹس، ڈیجیٹل پروڈکٹس اور خدمات بشمول محفوظ SMS، انٹرنیٹ اینڈ موبائل بینکنگ سروسز، دنیا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کے لئے ATM نیٹ ورک شامل ہیں۔

بینک نے معیشت کی بہتری کیلئے اسٹیٹ بینک آف پاکستان کی جاری کردہ مختلف اسکیموں مثلاً کامیاب جوان پروگرام، روشن ڈیجیٹل پروگرام وغیرہ میں حصہ لیا۔ مزید برآں بینک نے وزیراعظم کے ہاؤسنگ پروگرام میں حصہ لینے کیلئے ہاؤس فنانس پروڈکٹ اور میرا پاکستان میرا گھر کا اجراء کیا۔

بحیثیت ایک ذمہ دار اور فعال کارپوریٹ شہری آپ کا بینک اپنی کارپوریٹ سماجی ذمہ داریوں کو بخوبی سمجھتا اور سماجی اداروں بالخصوص صحت عامہ اور تعلیم کے شعبوں میں معاونت کرتا ہے۔

معیشت پر COVID-19 کے اثرات کا حال برقرار ہیں لہذا بینک نے ڈیجیٹل بینکنگ چینلز (موبائل ایپ، انٹرنیٹ بینکنگ، ڈیٹ کارڈز) کے استعمال کو فروغ دینے کا سلسلہ جاری رکھا ہوا ہے تاکہ اپنے اسٹاف اور صارفین کے تحفظ کے لئے اپنی شاخوں میں میل ملاپ اور روابط کو مزید کم کیا جاسکے۔

آخر میں اس موقع پر وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے بینک کیلئے تعاون اور ہدایات کیلئے شکریہ ادا کرتے ہیں۔ ہم اپنے محترم اور قابل قدر کسٹمرز کا بھی ان کے اعتماد اور سرپرستی پر مشکور ہیں جو ان کے بینک پر مستقل بھروسے کا مظہر ہے۔ آخر میں حبیب میٹرو بینک کے اسٹاف کی انتھک کاوشوں اور جدوجہد کا اعتراف کرتے ہوئے انہیں خراج تحسین پیش کرتے ہیں جو بینک کے صارفین کو بلا کا و مالیاتی خدمات فراہم کر رہے ہیں۔ ان ہی کاوشوں کی بدولت بینک مضبوط سے مضبوط تر ہوتا جا رہا ہے۔

منجانب بورڈ

**حسن اے۔ ناتھانی**  
صدر و چیف ایگزیکٹو آفیسر

کراچی: 24 اگست 2021

## ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2021 کو ختم ہونے والی ششماہی کیلئے غیر آڈٹ شدہ عبوری مالیاتی گوشوارے پیش کر رہا ہوں۔

پاکستانی معیشت نے زیر جائزہ مدت کے دوران افراط زر کنٹرول کرنے کی توقعات، سرمایہ کاروں کے بڑھتے ہوئے اعتماد اور مستحکم خارجی صورتحال کے ساتھ مثبت بحالی کارمجان برقرار رکھا۔ تاہم COVID-19 کی چوٹی اہر کے معاشی اثرات آئندہ عرصے میں مزید واضح ہوں گے۔

دوران رمضان اشیاء کی طلب کے دباؤ کے بعد اشیائے خورد و نوش کی قیمتوں اور بنیادی افراط زر میں جون کے ماہ میں کمی آئی۔ مالیاتی سال 2021 میں اوسط افراط زر 8.9 فیصد ریکارڈ کیا گیا اس کے ساتھ مالی سال 2022 میں 9-7 فیصد کا تخمینہ لگایا گیا ہے جبکہ وسط مدت میں 7-5 فیصد تک کی پیشگوئی کی گئی ہے۔ عالمی سطح پر اشیاء کے نرخوں میں اضافہ (بالخصوص تیل کی قیمت میں اضافہ)، روپے کی قدر میں کمی اور لاک ڈاؤن کے بعد طلب میں اضافہ افراط زر پر دباؤ کا باعث بنے۔

مالیاتی سال 2021 کی دوسری ششماہی میں مالی سال کے پہلے چند ماہ کے دوران سرپلس ریکارڈ ظاہر کرنے کے بعد کرنٹ اکاؤنٹ خسارہ بڑھ گیا۔ مالی سال 2021 میں کرنٹ اکاؤنٹ خسارہ 1.9 بلین امریکی ڈالر ظاہر کیا گیا جو مالی سال 2021 کے دوران 58 فیصد (10 سالوں کے دوران کم سے کم خسارہ) کی کمی ظاہر کرتا ہے اگرچہ صرف جون 2021 کے مہینے میں 1.6 بلین امریکی ڈالر خسارہ ریکارڈ کیا گیا۔

معاشی سرگرمیوں میں تیزی، عالمی سطح پر نرخوں میں اضافہ، ویکسین اور سرمایہ جاتی اشیاء کی درآمد کے باعث درآمدات سال بہ سال کے لحاظ سے 17.6 فیصد تک بڑھ کر مالیاتی سال 2021 کے دوران 61.6 بلین امریکی ڈالر ہو گئیں۔ برآمدات اور زریز سلیات مالی سال میں تاریخ کی بلند ترین سطح پر بند ہوئے۔ برآمدات سال بہ سال 12.8 فیصد تک اضافے کے ساتھ مالی سال 2021 میں 31.6 بلین امریکی ڈالر ہو گئیں۔ اسی دوران درآمدات میں اضافے کے دباؤ میں زریز سلیات میں اضافے کے باعث واضح کمی آئی جو کہ سال بہ سال 27 فیصد بڑھ کر 29.4 بلین امریکی ڈالر ہو گئیں۔

مالی سال 2021 کے دوران اسٹیٹ بینک آف پاکستان کے زرمبادلہ کے ذخائر 5.2 بلین امریکی ڈالر سے بڑھ کر 17 بلین امریکی ڈالر (تقریباً 3 ماہ کے درآمدات کے مساوی) ہو گئے جو 4.5 سالوں کی بلند ترین سطح ہے۔ ڈالر کے مقابلے میں روپے کی قدر میں 2021 کی پہلی ششماہی میں 1.5 فیصد کا اضافہ ہوا (2020 کی پہلی ششماہی میں اس کے برخلاف 8.5 فیصد کمی ہوئی تھی)۔

مالی سال 2022 میں مالیاتی خسارہ 6.3 فیصد (مالی سال 2021 میں جی ڈی پی کے 7.1 فیصد) تک کمی کی توقع ہے جس کی وجہ اکم نگیس اور سیکلز نگیس نیز پیٹرو لیوم ڈیولپمنٹ لیوی میں اضافے کے باعث نگیس ریونیو میں سال بہ سال 24.6 فیصد اور ان نگیس ریونیو میں 24.7 فیصد کی سطح کا اضافہ ہے۔ اس اضافی آمدنی کے باعث ترقیاتی اخراجات میں 71 فیصد کے واضح اضافے میں مدد ملنے کی توقع ہے۔ مزید برآں سرکاری قرضہ جات میں مزید کمی کا امکان ہے جو مالی سال 2021 کے 83.1 فیصد سے کم ہو کر مالی سال 2022 میں 81.8 فیصد ہو جائیں گے۔

مالی سال 2022 میں جی ڈی پی پر گروتھ میں 5-4 فیصد اضافے (مالی سال 2021 میں 3.9 فیصد) کی پیشگوئی کی گئی ہے جس کی وجہ بڑے پیمانے پر مینوفیکچرنگ، تعمیرات اور بجٹ میں کئے گئے اقدامات (ترقیاتی اخراجات میں اضافہ اور ریگولیٹری ڈیویژ، کسٹم ڈیویژ، ایف ای ڈی میں کمی اور درآمدات و خام مال اور کپٹل سامان پر کم کیا گیا سیکلز نگیس)، معاون ماٹیری صورت حال اور ایس پی پی کی TERF فیسیلیٹی اور دیگر ری فنانس سہولتوں کے تحت تقسیم ہے۔ مزید برآں پرائیویٹ سیکٹر کے قرضہ جات میں مالی سال 2022 میں مسلسل گروتھ کی توقع ہے جس کی وجہ شرح سود کا ماحول اور اسٹیٹ بینک آف پاکستان کے معاشی اقدامات ہیں۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو کا منافع بعد از نگیس برائے پہلی ششماہی میں 51 فیصد کے صحتمند اضافے کے ساتھ 6,228 ملین روپے ہو گیا جو گزشتہ سال کی اسی مدت کے دوران 4,119 ملین روپے تھا اس طرح بعد از نگیس آمدنی فی شیئر 5.94 روپے فی شیئر رہی۔

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## INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF HABIB METROPOLITAN BANK LIMITED

### Report on review of Unconsolidated Condensed Interim Financial Statements

#### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2021 and the related unconsolidated condensed interim statement of profit or loss account, the unconsolidated condensed interim statement of comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim cash flow statement, and notes to the unconsolidated condensed interim financial statements for the six-months period then ended (here-in-after-referred to as "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 the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

#### Other Matter

The figures for the quarter ended 30 June 2021 in the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim 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 Amyn Malik.

Karachi: 26 August 2021

KPMG Taseer Hadi & Co.  
Chartered Accountants

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	86,314,880	54,694,603
Balances with other banks	7	4,346,549	1,990,862
Lendings to financial institutions	8	4,000,000	1,000,000
Investments	9	655,512,342	584,531,633
Advances	10	350,059,384	312,166,805
Fixed assets	11	9,967,973	9,033,002
Intangible assets	12	126,813	89,690
Deferred tax assets	13	1,980,733	1,156,509
Other assets	14	45,361,893	52,909,079
		<u>1,157,670,567</u>	<u>1,017,572,183</u>
<b>LIABILITIES</b>			
Bills payable	15	21,794,558	15,421,002
Borrowings	16	260,441,011	201,722,849
Deposits and other accounts	17	764,073,584	680,955,712
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	51,100,004	61,824,409
		<u>1,097,409,157</u>	<u>959,923,972</u>
<b>NET ASSETS</b>		<u>60,261,410</u>	<u>57,648,211</u>

### REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		21,231,914	19,986,241
Surplus on revaluation of assets - net of tax	19	2,089,725	3,164,807
Unappropriated profit		26,461,456	24,018,848
		<u>60,261,410</u>	<u>57,648,211</u>

### CONTINGENCIES AND COMMITMENTS

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

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

TAHIRA RAZA  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman

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

**FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2021**

	Note	30 June 2021		30 June 2020	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned	22	17,761,208	35,104,359	19,849,642	40,457,400
Mark-up / return / interest expensed	23	(10,730,650)	(20,701,196)	(13,455,554)	(29,739,731)
Net mark-up / interest income		7,030,558	14,403,163	6,394,088	10,717,669
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	24	1,681,740	3,320,773	1,129,111	2,471,875
Dividend income		23,930	59,299	71,697	104,444
Foreign exchange income		784,000	1,263,646	1,224,531	2,006,532
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	43,603	45,134	44,417	149,122
Other income	26	170,208	177,006	8,308	17,195
Total non mark-up / interest income		2,703,481	4,865,858	2,478,064	4,749,168
Total Income		9,734,039	19,269,021	8,872,152	15,466,837
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	27	3,919,397	7,580,537	3,336,309	6,840,916
Workers' welfare fund		105,000	212,000	82,000	148,000
Other charges	28	6,075	14,556	22,836	29,240
Total non-mark-up / interest expenses		(4,030,472)	(7,807,093)	(3,441,145)	(7,018,156)
Profit before provisions		5,703,567	11,461,928	5,431,007	8,448,681
Provisions and write offs - net	29	(778,074)	(1,776,935)	(1,116,221)	(1,600,347)
Extra ordinary / unusual items		—	—	—	—
<b>PROFIT BEFORE TAXATION</b>		4,925,493	9,684,993	4,314,786	6,848,334
Taxation	30	(1,923,305)	(3,456,911)	(1,722,354)	(2,729,395)
<b>PROFIT AFTER TAXATION</b>		3,002,188	6,228,082	2,592,432	4,118,939
Rupees					
Basic and diluted earnings per share	31	2.87	5.94	2.47	3.93

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

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**TAHIRA RAZA**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman



**UNCONSOLIDATED CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2021

	30 June 2021		30 June 2020	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	3,002,188	6,228,082	2,592,432	4,118,939
Other comprehensive income / (loss)				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in an offshore branch	173	57	136	(67)
Movement in surplus / (deficit) on revaluation of investments - net of tax	690,302	(940,524)	4,995,054	11,875,230
Movement in surplus / (deficit) on non-banking asset due to change in tax rate	–	(13,661)	–	–
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	(1,970)	(41,176)	5,142	(20,475)
<b>Total comprehensive income</b>	<b>3,690,693</b>	<b>5,232,778</b>	<b>7,592,764</b>	<b>15,973,627</b>

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

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

TAHIRA RAZA  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman

# **UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**

**FOR THE HALF YEAR ENDED 30 JUNE 2021**

	Reserves						Surplus / (deficit) on revaluation			
	Share capital	Share premium	Special reserve	Revenue reserve	Statutory reserve	Exchange translation reserve	Investments	Non-banking assets	Un-appropriated profit	Total
	Rupees in '000									
Balance as at 1 January 2020	10,478,315	2,550,985	240,361	1,500,000	13,293,143	28	(3,110,491)	225,431	19,059,758	44,237,530
Profit after taxation	-	-	-	-	-	-	-	-	4,118,939	4,118,939
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	(67)	11,875,230	-	(20,475)	11,854,688
Total comprehensive income for the period	-	-	-	-	-	(67)	11,875,230	-	4,098,464	15,973,627
Transfer to statutory reserve	-	-	-	-	823,788	-	-	-	(823,788)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(1,722)	1,722	-
Transactions with owners, recorded directly in equity										
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2019	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Balance as at 30 June 2020	10,478,315	2,550,985	240,361	1,500,000	14,116,931	(39)	8,764,739	223,709	19,716,577	57,591,578
Profit after taxation	-	-	-	-	-	-	-	-	7,889,257	7,889,257
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	152	(5,821,902)	-	84,789	(5,736,961)
Total comprehensive income for the period	-	-	-	-	-	152	(5,821,902)	-	7,974,046	2,152,296
Transfer to statutory reserve	-	-	-	-	1,577,851	-	-	-	(1,577,851)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(1,739)	1,739	-
Transactions with owners, recorded directly in equity										
Interim dividend (Rs. 2.00 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 31 December 2020	10,478,315	2,550,985	240,361	1,500,000	15,694,782	113	2,942,837	221,970	24,018,848	57,648,211
Profit after taxation	-	-	-	-	-	-	-	-	6,228,082	6,228,082
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	57	(940,524)	(13,661)	(41,176)	(995,304)
Total comprehensive income for the period	-	-	-	-	-	57	(940,524)	(13,661)	6,186,906	5,232,778
Transfer to statutory reserve	-	-	-	-	1,245,616	-	-	-	(1,245,616)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(120,897)	120,897	-
Transactions with owners, recorded directly in equity										
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Balance as at 30 June 2021	10,478,315	2,550,985	240,361	1,500,000	16,940,398	170	2,002,313	87,412	26,461,456	60,261,410

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

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**TAHIRA RAZA**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

# UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	30 June 2021	(Un-Audited) 30 June 2020
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		9,684,993	6,848,334
Less: Dividend income		(59,299)	(104,444)
		<u>9,625,694</u>	<u>6,743,890</u>
<b>Adjustments:</b>			
Depreciation on operating fixed assets		547,257	531,309
Depreciation on right-of-use assets		460,333	382,749
Depreciation on non-banking assets		18,004	5,731
Amortization		33,941	35,847
Mark-up / return / interest expensed on lease liability against right-of-use assets		301,489	264,457
Provisions and write offs excluding recovery of written off bad debts	29	1,775,435	1,611,098
Unrealised gain on securities-held-for-trading		(4,604)	(40,038)
Gain on sale of fixed assets - net		(7,543)	(9,046)
Gain on sale of non-banking assets - net		(163,220)	-
Provision against workers' welfare fund		212,000	148,000
Provision against compensated absences		17,350	23,757
Provision against defined benefit plan		88,430	86,655
		<u>3,278,872</u>	<u>3,040,519</u>
		<u>12,904,566</u>	<u>9,784,409</u>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(3,000,000)	20,497,303
Held-for-trading securities		(30,944,373)	(7,187,303)
Advances		(39,974,377)	(29,906,513)
Other assets (excluding dividend and non-banking asset)		(862,835)	(2,316,601)
		<u>(74,781,585)</u>	<u>(18,913,114)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		6,373,556	5,249,588
Borrowings from financial institutions		60,189,218	39,758,934
Deposits and other accounts		83,117,872	(13,393,684)
Other liabilities (excluding current taxation)		(4,116,043)	(1,985,401)
		<u>145,564,603</u>	<u>29,629,437</u>
		<u>83,687,584</u>	<u>20,500,732</u>
Payment against compensated absences		(6,828)	(7,218)
Income tax paid		(3,469,273)	(1,889,310)
<b>Net cash flows generated from operating activities</b>		<u>80,211,483</u>	<u>18,604,204</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(41,933,477)	(21,719,803)
Net investments in held-to-maturity securities		658,015	3,282,479
Dividend received		58,955	103,466
Investments in fixed assets		(829,223)	(716,209)
Proceeds from sale of non-banking assets		597,723	-
Investments in intangible assets		(71,064)	(60,391)
Proceeds from sale of fixed assets		7,924	11,861
Effect of translation of net investment in an offshore branch		57	(67)
<b>Net cash flows used in investing activities</b>		<u>(41,511,090)</u>	<u>(19,098,664)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(2,602,356)	(2,605,130)
Payment of lease against right-of-use assets		(651,017)	(357,476)
<b>Net cash flows used in financing activities</b>		<u>(3,253,373)</u>	<u>(2,962,606)</u>
<b>Increase / (decrease) in cash and cash equivalents</b>		<u>35,447,020</u>	<u>(3,457,066)</u>
Cash and cash equivalents at beginning of the period		<u>52,367,519</u>	<u>68,472,282</u>
<b>Cash and cash equivalents at end of the period</b>		<u>87,814,539</u>	<u>65,015,216</u>

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

<b>FUZAIL ABBAS</b>	<b>MOHSIN A. NATHANI</b>	<b>TAHIRA RAZA</b>	<b>RASHID AHMED JAFER</b>	<b>MOHAMEDALI R. HABIB</b>
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

## **NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 30 JUNE 2021**

### **1. STATUS AND NATURE OF BUSINESS**

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The Bank operates 447 (31 December 2020: 406) branches, including 34 (31 December 2020: 32) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) (31 December 2020: 1) and 30 (31 December 2020: 30) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the holding company with 51% shares in the Bank) which is incorporated in Switzerland.

The registered office of the Bank is situated at HabibMetro Head Office, II Chundrigar Road, Karachi.

### **2. BASIS OF PRESENTATION**

#### **2.1 Statement of Compliance**

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

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

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

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 2 of 2018, as amended from time to time.

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The disclosures and presentations made in these unconsolidated condensed interim financial statements are based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the audited unconsolidated financial statements of the Bank for the year ended 31 December 2020.

- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up thereon.
- 2.3 The financial results of all Islamic banking branches of the Bank have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of all Islamic banking branches are disclosed in note 36 to these unconsolidated condensed interim financial statements.
- 2.4 These unconsolidated condensed interim financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank and its subsidiary companies are being separately issued.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Standards, interpretations and amendments to accounting and reporting standards that are effective in current period

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

#### 3.2 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current period. These are not likely to have material effect on the Bank's financial statements except for the following:

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – the effective date of the standard had been extended to annual periods beginning on or after 1 January 2022 vide SBP BPRD Circular Letter no. 5 dated 5 July 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Bank has estimated the impact of adoption of IFRS 9 on the financial statements of the Bank on the date of initial application, which shall be finalized post issuance of the guidelines by the State Bank of Pakistan.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

## 5. RISK MANAGEMENT

The risk management policies adopted by the bank are consistent with those disclosed in the audited unconsolidated financial statements for the year ended 31 December 2020.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		7,848,722	7,695,676
Foreign currencies		690,891	1,039,893
		<u>8,539,613</u>	<u>8,735,569</u>
<b>With State Bank of Pakistan in</b>			
Local currency current accounts		55,837,045	27,378,376
Foreign currency current accounts		971,852	83,730
Foreign currency deposit accounts			
- cash reserve account		5,164,215	5,306,457
- special cash reserve account		9,529,748	10,176,561
		<u>71,502,860</u>	<u>42,945,124</u>
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		5,775,319	2,613,310
<b>Prize Bonds</b>		497,088	400,600
		<u>86,314,880</u>	<u>54,694,603</u>
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		368,127	171,108
In deposit accounts		37,672	4,696
		<u>405,799</u>	<u>175,804</u>
<b>Outside Pakistan</b>			
In current accounts		3,940,750	1,815,058
		<u>4,346,549</u>	<u>1,990,862</u>
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Musharaka placements	8.1	1,500,000	1,000,000
Modaraba placements	8.2	2,500,000	-
		<u>4,000,000</u>	<u>1,000,000</u>

8.1 These carry profit / return rate ranging from 7% to 7.10% (31 December 2020: 7.50%) per annum with maturity upto 6 July 2021 (31 December 2020: 5 January 2021).

8.2 These carry profit / return rate ranging from 6.70% to 7% (31 December 2020: Nil) per annum with maturity upto 9 July 2021.

## 9. INVESTMENTS

### 9.1 Investments by types

	30 June 2021 (Un-Audited)				31 December 2020 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Held-for-trading securities</b>								
Federal government securities	30,944,373	-	4,604	30,948,977	-	-	-	-
<b>Available-for-sale securities</b>								
Federal government securities	572,555,490	-	3,354,918	575,910,408	529,525,794	-	4,726,542	534,252,336
Shares	1,110,559	(378,463)	292,951	1,025,047	1,049,902	(377,389)	245,600	918,113
Non-government debt securities	9,299,360	(118,247)	(378,408)	8,802,705	10,654,678	(120,551)	(438,347)	10,095,780
Mutual funds	30,140	(9,647)	7,370	27,863	30,140	(9,647)	6,086	26,579
Real estate investment trust	586,311	-	5,650	591,961	387,869	-	(12,440)	375,429
	583,581,860	(506,357)	3,282,481	586,357,984	541,648,383	(507,587)	4,527,441	545,668,237
<b>Held-to-maturity securities</b>								
Federal government securities	35,150,381	-	-	35,150,381	34,358,396	-	-	34,358,396
Non-government debt securities	2,225,000	-	-	2,225,000	3,675,000	-	-	3,675,000
	37,375,381	-	-	37,375,381	38,033,396	-	-	38,033,396
Subsidiaries	830,000	-	-	830,000	830,000	-	-	830,000
<b>Total investments</b>	<u>652,731,614</u>	<u>(506,357)</u>	<u>3,282,085</u>	<u>655,512,342</u>	<u>580,511,779</u>	<u>(507,587)</u>	<u>4,527,441</u>	<u>584,531,633</u>

30 June  
2021  
(Un-Audited)

31 December  
2020  
(Audited)

————— Rupees in '000 —————

#### 9.1.1 Investments given as collateral

##### Federal government securities

Market treasury bills	1,764,934	9,217,825
Pakistan investment bonds	134,194,183	82,695,225
	<u>135,959,117</u>	<u>91,913,050</u>

### 9.2 Provision for diminution in value of investments

9.2.1 Opening balance	507,587	473,990
Charge for the period / year	1,074	183,314
Reversal for the period / year	(2,304)	(10,008)
(Reversal) / charge for the period / year - net	(1,230)	173,306
Reversal on disposals for the period / year	-	(139,709)
Closing balance	<u>506,357</u>	<u>507,587</u>

### 9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2021 (Un-Audited)		31 December 2020 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	118,247	118,247	120,551	120,551
	<u>118,247</u>	<u>118,247</u>	<u>120,551</u>	<u>120,551</u>

9.3 The market value of securities classified as held-to-maturity as at 30 June 2021 amounted to Rs. 36.940 billion (31 December 2020: Rs. 37.981 billion).

## 10. ADVANCES

Note	Performing		Non-Performing		Total	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
Rupees in '000						
Loans, cash credits, running finances, etc.	227,305,432	215,387,833	12,937,309	13,444,761	240,242,741	228,832,594
Islamic financing and related assets	81,209,925	56,661,899	776,440	822,665	81,986,365	57,484,564
Bills discounted and purchased	43,883,604	40,130,792	5,270,377	5,034,630	49,153,981	45,165,422
Advances - gross 10.1 & 10.2	<u>352,398,961</u>	<u>312,180,524</u>	<u>18,984,126</u>	<u>19,302,056</u>	<u>371,383,087</u>	<u>331,482,580</u>
Provision against advances						
- Specific	-	-	(18,149,435)	(16,417,607)	(18,149,435)	(16,417,607)
- General	(3,174,268)	(2,898,168)	-	-	(3,174,268)	(2,898,168)
	<u>(3,174,268)</u>	<u>(2,898,168)</u>	<u>(18,149,435)</u>	<u>(16,417,607)</u>	<u>(21,323,703)</u>	<u>(19,315,775)</u>
Advances - net of provision	<u>349,224,693</u>	<u>309,282,356</u>	<u>834,691</u>	<u>2,884,449</u>	<u>350,059,384</u>	<u>312,166,805</u>

### 10.1 Particulars of advances - gross

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
In local currency	333,351,886	296,313,201
In foreign currencies	38,031,201	35,169,379
	<u>371,383,087</u>	<u>331,482,580</u>



10.2 Advances include Rs. 18,984 billion (31 December 2020: Rs. 19,302 billion) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2021 (Un-Audited)		31 December 2020 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Substandard	62,785	–	14,200	–
Doubtful	1,042,179	521,089	5,386,811	2,539,062
Loss	17,879,162	17,628,346	13,901,045	13,878,545
	<u>18,984,126</u>	<u>18,149,435</u>	<u>19,302,056</u>	<u>16,417,607</u>

### 10.3 Particulars of provision against advances

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	16,417,607	2,898,168	19,315,775	15,294,415	1,621,537	16,915,952
Charge for the period / year	2,347,697	276,100	2,623,797	4,413,921	1,276,631	5,690,552
Reversals for the period / year	(541,999)	–	(541,999)	(2,594,580)	–	(2,594,580)
Net charge for the period / year	1,805,698	276,100	2,081,798	1,819,341	1,276,631	3,095,972
Amounts written off	(73,870)	–	(73,870)	(696,149)	–	(696,149)
Closing balance	<u>18,149,435</u>	<u>3,174,268</u>	<u>21,323,703</u>	<u>16,417,607</u>	<u>2,898,168</u>	<u>19,315,775</u>

10.3.1 General provision includes provision of Rs. 3,022 million (31 December 2020: Rs. 2,915 million) made against consumer portfolio and Rs. 7 thousand (31 December 2020: Rs. 17 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

### 10.3.2 Particulars of provision against advances

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	17,709,966	3,174,268	20,884,234	15,968,899	2,898,168	18,867,067
In foreign currencies	439,469	–	439,469	448,708	–	448,708
	<u>18,149,435</u>	<u>3,174,268</u>	<u>21,323,703</u>	<u>16,417,607</u>	<u>2,898,168</u>	<u>19,315,775</u>

## 10.3.3 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

The Bank has availed forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. Had the benefit of FSVs (including those availed in prior years) not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 242.012 million (31 December 2020: Rs. 156.904 million) and accumulated profit would have been lower by Rs. 147.627 million (31 December 2020: Rs. 101.988 million). This amount of Rs. 147.627 million (31 December 2020: Rs. 101.988 million) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	337,689	684,335
Property and equipment - book value		9,630,284	8,348,667
		<u>9,967,973</u>	<u>9,033,002</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		288,731	481,194
Advance to suppliers		48,958	203,141
		<u>337,689</u>	<u>684,335</u>
		Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
<b>11.2 Additions to fixed assets</b>			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress additions / (transfer to fixed assets) - net		(346,646)	70,969
<b>Property and equipment</b>			
Furniture and fixtures		133,592	61,941
Electrical, office and computer equipments		393,670	354,035
Vehicles		41,566	17,812
Lease hold improvement		607,041	211,452
Right-of-use assets		1,113,722	528,975
		<u>2,289,591</u>	<u>1,174,215</u>
		<u>1,942,945</u>	<u>1,245,184</u>
<b>11.3 Disposal of fixed assets</b>			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixtures		170	35
Electrical, office and computer equipments		164	519
Vehicles		47	2,261
		<u>381</u>	<u>2,815</u>

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>12. INTANGIBLE ASSETS</b>		
Computer software	126,813	89,690
	Half year ended	
	30 June 2021 (Un-Audited)	30 June 2020
	Rupees in '000	
12.1 The following additions have been made to intangible assets during the period:		
Directly purchased	71,064	60,391
	30 June 2021 (Un-Audited)	
	31 December 2020 (Audited)	
	Rupees in '000	
<b>13. DEFERRED TAX ASSETS</b>		
<b>Deductible temporary differences</b>		
Provision for diminution in value of investments	197,479	177,655
Provision for non-performing loans and off-balance sheet items	2,965,741	2,555,455
Provision against other assets	–	87,150
Accelerated tax depreciation and amortisation	120,376	34,593
Deferred liability on defined benefit plan	33,191	5,781
	3,316,787	2,860,634
<b>Taxable temporary differences</b>		
Surplus on revaluation of investments	(1,280,168)	(1,584,604)
Surplus on revaluation of non-banking assets	(55,886)	(119,521)
	(1,336,054)	(1,704,125)
Deferred tax asset - net	1,980,733	1,156,509

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>14. OTHER ASSETS</b>			
Income / mark-up / profit accrued in local currency - net of provision		11,733,486	10,049,786
Income / mark-up / profit accrued in foreign currencies - net of provision		15,928	11,630
Advances, deposits and other prepayments		313,350	207,175
Non-banking assets acquired in satisfaction of claims		2,386,828	2,641,141
Branch adjustment account		–	41
Mark-to-market gain on forward foreign exchange contracts		3,318,616	4,718,094
Acceptances		26,816,913	34,998,772
Receivable from the SBP against encashment of government securities		76,420	11,990
Stationery and stamps on hand		89,009	101,678
Dividend receivable		2,950	2,606
Others		700,095	283,675
		45,453,595	53,026,588
Provision held against other assets	14.1 & 14.2	(235,000)	(459,000)
Other assets (net of provision)		45,218,595	52,567,588
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	143,298	341,491
		45,361,893	52,909,079
<b>14.1 Provision held against other assets</b>			
Acceptances		–	249,000
Others		235,000	210,000
		235,000	459,000
<b>14.2 Movement in provision held against other assets</b>			
Opening balance		459,000	210,000
Charge for the period / year		25,000	249,000
Reversal for the period / year		(249,000)	–
		(224,000)	249,000
Closing balance		235,000	459,000

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>15. BILLS PAYABLE</b>		
In Pakistan	21,715,390	15,337,849
Outside Pakistan	79,168	83,153
	<u>21,794,558</u>	<u>15,421,002</u>

## 16. BORROWINGS

### Secured

Borrowings from State Bank of Pakistan		
Under export refinance scheme	67,703,917	64,704,959
Under long term financing facility - renewable energy scheme	1,046,614	982,960
Under long term financing facility - locally manufactured plant and machinery scheme	16,455,721	14,832,149
Under refinance for payment of wages and salaries	17,929,909	20,810,171
Under temporary economic refinance facility	18,634,412	4,173,416
Under refinance facility for combating COVID-19	50,000	—
Under refinance facility for modernization of SME	23,586	—
Under long term financing facility for storage of agricultural produce scheme	542,405	256,481
	<u>122,386,564</u>	<u>105,760,136</u>
Repurchase agreement borrowings (Repo)	135,207,557	91,644,767
	<u>257,594,121</u>	<u>197,404,903</u>

### Unsecured

Overdrawn nostro accounts	2,846,890	4,317,946
	<u>260,441,011</u>	<u>201,722,849</u>

## 17. DEPOSITS AND OTHER ACCOUNTS

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	228,571,644	33,092,500	261,664,144	185,076,754	32,854,065	217,930,819
Savings deposits	182,816,641	19,365,429	202,182,070	158,741,477	23,866,671	182,608,148
Term deposits	203,043,793	46,935,617	249,979,410	211,496,123	41,495,660	252,991,783
Others - margin deposits	21,801,315	4,886	21,806,201	13,702,059	1,791	13,703,850
	<u>636,233,393</u>	<u>99,398,432</u>	<u>735,631,825</u>	<u>569,016,413</u>	<u>98,218,187</u>	<u>667,234,600</u>
<b>Financial institutions</b>						
Current deposits	1,181,640	1,325,986	2,507,626	1,631,604	1,058,671	2,690,275
Savings deposits	24,623,693	—	24,623,693	7,271,627	—	7,271,627
Term deposits	1,310,440	—	1,310,440	3,754,307	4,903	3,759,210
	<u>27,115,773</u>	<u>1,325,986</u>	<u>28,441,759</u>	<u>12,657,538</u>	<u>1,063,574</u>	<u>13,721,112</u>
	<u>663,349,166</u>	<u>100,724,418</u>	<u>764,073,584</u>	<u>581,673,951</u>	<u>99,281,761</u>	<u>680,955,712</u>

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		6,518,393	7,786,278
Mark-up / return / interest payable in foreign currencies		233,427	348,217
Unearned commission and income on bills discounted		297,729	307,572
Accrued expenses		999,492	1,146,965
Current taxation (provision less payments)		2,722,815	2,229,140
Acceptances		26,816,913	34,998,772
Unclaimed dividend		108,178	90,955
Branch adjustment account		71	-
Mark-to-market loss on forward foreign exchange contracts		2,988,245	5,949,494
Provision for compensated absences		258,121	247,599
Deferred liability on defined benefit plan		170,584	13,568
Provision against off-balance sheet obligations	18.1	32,583	113,716
Workers' welfare fund	18.2	1,828,689	1,616,689
Charity fund		118	-
Excise duty payable		1,624	1,575
Locker deposits		905,857	875,074
Advance against diminishing musharakah		110,564	2,541
Advance rental for ijarah		1,636	1,610
Security deposits against leases / ijarah		184,128	202,596
Sundry creditors		1,113,596	951,415
Lease liability against right-of-use assets		5,358,095	4,593,901
Withholding tax / duties		378,012	290,044
Others		71,134	56,688
		<u>51,100,004</u>	<u>61,824,409</u>
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		113,716	113,716
Reversal for the period / year		<u>(81,133)</u>	<u>-</u>
Closing balance		<u>32,583</u>	<u>113,716</u>

The above represents provision against certain letters of credit and guarantees.

- 18.2** Under the Workers' Welfare Ordinance 1971, the Bank is liable to pay workers' welfare fund (WWF) at 2% of accounting profit before tax or taxable income, whichever is higher. The Bank has made full provision for WWF based on profit for the respective years.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly the Bank maintains its provision in respect of WWF.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
Rupees in '000			
<b>19. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of			
- Non-banking assets	14	143,298	341,491
- Available-for-sale securities	9.1	3,282,481	4,527,441
		3,425,779	4,868,932
Deferred tax on surplus on revaluation of			
- Non-banking assets		55,886	119,521
- Available-for-sale securities		1,280,168	1,584,604
		(1,336,054)	(1,704,125)
		2,089,725	3,164,807
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	20.1	102,078,114	89,902,458
Commitments	20.2	611,932,433	598,093,837
Other contingent liabilities	20.3	16,905,462	2,733,563
		730,916,009	690,729,858
<b>20.1 Guarantees</b>			
Financial guarantees		49,116,800	42,197,620
Performance guarantees		29,420,729	27,904,956
Other guarantees		23,540,585	19,799,882
		102,078,114	89,902,458
<b>20.2 Commitments</b>			
Documentary credits and short-term trade-related transactions:			
Letters of credit		213,568,051	160,321,521
Commitments in respect of:			
Forward foreign exchange contracts	20.2.1	398,214,859	435,798,001
Forward lendings	20.2.2	-	1,681,802
Acquisition of operating fixed assets		149,523	292,513
		398,364,382	437,772,316
		611,932,433	598,093,837
<b>20.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		222,987,206	245,157,873
Sale		175,227,653	190,640,128
		398,214,859	435,798,001

### 20.2.2 Commitments in respect of forward lendings

The Bank has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		———— Rupees in '000 ————	———— Rupees in '000 ————
Commitments in respect of syndicate financing		<u>—</u>	<u>1,681,802</u>

### 20.3 Other contingent liabilities

Claims against bank not acknowledged as debt		16,799,406	2,627,507
Foreign exchange repatriation case	20.3.1	<u>106,056</u>	<u>106,056</u>
		<u>16,905,462</u>	<u>2,733,563</u>

#### 20.3.1 Foreign exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106.056 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgement. The Honorable High Court has granted relief to Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised mark-to-market gains and losses due on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the Bank's Asset and Liability Committee (ALCO).



		Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
<b>22. MARK-UP / RETURN / INTEREST EARNED</b>			
On:			
Loans and advances		9,804,434	13,865,485
Investments		24,706,206	25,194,409
Lending to financial institutions		592,536	1,377,947
Balance with other banks		1,183	19,559
		<u>35,104,359</u>	<u>40,457,400</u>
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On:			
Deposits		13,148,453	19,795,493
Borrowings		5,342,339	6,818,060
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,908,915	2,861,721
Lease liability against right-of-use assets		301,489	264,457
		<u>20,701,196</u>	<u>29,739,731</u>
<b>24. FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		266,266	258,880
Credit related fees		20,366	19,276
Card related fees		265,556	108,141
Commission on trade		2,276,865	1,745,303
Commission on guarantees		339,859	225,497
Commission on remittances including home remittances		20,232	20,932
Commission on bancassurance		85,291	56,854
Others		46,338	36,992
		<u>3,320,773</u>	<u>2,471,875</u>
<b>25. GAIN / (LOSS) ON SECURITIES</b>			
Realised			
Federal government securities		9,050	(71,090)
Mutual funds		27,633	167,734
Shares		3,847	7,488
Non-government debt securities		-	4,952
Unrealised - held-for-trading			
Federal government securities	9.1	4,604	40,038
		<u>45,134</u>	<u>149,122</u>
<b>26. OTHER INCOME</b>			
Rent on properties		5,577	7,141
Gain on sale of fixed assets - net		7,543	9,046
Gain on sale of non-banking assets		163,220	-
Gain on sale of ijarah assets - net		219	185
Staff notice period and other recoveries		447	823
		<u>177,006</u>	<u>17,195</u>

## 27. OPERATING EXPENSES

	Half year ended	
	30 June 2021	30 June 2020
	(Un-Audited)	
	Rupees in '000	
Total compensation expense	3,549,958	3,168,000
Property expense		
Rent and taxes	112,584	201,495
Insurance	2,032	2,640
Utilities cost	209,166	184,344
Security	227,242	226,644
Repair and maintenance	190,401	161,037
Depreciation	212,213	208,330
Depreciation on right-of-use assets	460,333	382,749
	1,413,971	1,367,239
Information technology expenses		
Software maintenance	106,086	67,256
Hardware maintenance	80,718	82,023
Depreciation	104,183	94,320
Amortisation	33,941	35,847
Network charges	121,263	112,770
	446,191	392,216
Other operating expenses		
Directors' fees and allowances	6,903	5,443
Fees and allowances to Shariah Board	5,626	5,264
Legal and professional charges	62,039	49,173
Outsourced services costs	144,964	148,438
Travelling and conveyance	120,702	99,344
NIFT clearing charges	35,226	30,424
Depreciation	230,861	228,659
Depreciation - non-banking assets	18,004	5,731
Training and development	18,176	7,865
Postage and courier charges	56,183	41,325
Communication	63,276	51,187
Subscription	101,041	97,458
Repair and maintenance	48,502	55,005
Brokerage and commission	100,719	98,742
Stationery and printing	119,714	111,624
Marketing, advertisement and publicity	56,662	51,122
Management fee	242,127	247,272
Insurance	361,151	279,846
Donations	100,200	64,376
Auditors' Remuneration	4,800	6,043
Others	273,541	229,120
	2,170,417	1,913,461
	7,580,537	6,840,916

	Note	Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
<b>28. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		14,556	29,240
<b>29. PROVISIONS AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	9.2.1	(1,230)	180,074
Provision against loan and advances - net	10.3	2,081,798	1,431,024
Provision against other assets / off-balance sheet obligations	14.2 & 18.1	(305,133)	-
Recovery of written off bad debts		1,500	(10,751)
		1,776,935	1,600,347
<b>30. TAXATION</b>			
Current		3,962,948	2,822,618
Prior year		-	-
Deferred		(506,037)	(93,223)
		3,456,911	2,729,395
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation for the period		6,228,082	4,118,939
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		5.94	3.93

## 32. FAIR VALUE MEASUREMENTS

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

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

### 32.1 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 instruments measured by the level in the fair value hierarchy into which the fair value measurement is categorised:

## On balance sheet financial instruments

		30 June 2021 (Un-Audited)			
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities	30,948,977	-	30,948,977	-	30,948,977
- Federal government securities					
- Available-for-sale securities					
- Federal government securities	575,910,408	-	575,910,408	-	575,910,408
- Sukuk certificates and bonds	7,215,420	-	7,215,420	-	7,215,420
- Ordinary shares of listed companies	972,390	972,390	-	-	972,390
- Mutual funds - open end	19,782	-	19,782	-	19,782
- - close end	8,081	8,081	-	-	8,081
- Real estate investment trust	591,961	591,961	-	-	591,961
- Listed term finance certificates	1,587,285	-	1,587,285	-	1,587,285
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
- Federal government securities	35,150,381	-	-	-	-
- Certificates of investments	2,225,000	-	-	-	-
- Subsidiaries					
- Ordinary shares of listed companies	180,000	-	-	-	-
- Ordinary shares of unlisted companies	650,000	-	-	-	-
- Available-for-sale securities					
- Ordinary shares of unlisted companies	52,657	-	-	-	-
	655,512,342	1,572,432	615,681,872	-	617,254,304
Off-balance sheet financial instruments - measured at fair value					
- Forward purchase of foreign exchange contracts	222,987,206	-	224,211,393	-	224,211,393
- Forward sale of foreign exchange contracts	175,227,653	-	174,333,836	-	174,333,836
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	2,530,126	-	-	2,804,142	2,804,142

## On balance sheet financial instruments

	31 December 2020 (Audited)				
	Carrying / notional value	Fair value			Total
		Level 1	Level 2	Level 3	
	Rupees in '000				
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	534,252,336	-	534,252,336	-	534,252,336
Sukuk certificates and bonds	7,269,073	-	7,269,073	-	7,269,073
Ordinary shares of listed companies	862,669	862,669	-	-	862,669
Mutual funds - open end	18,304	-	18,304	-	18,304
- close end	8,275	8,275	-	-	8,275
Real estate investment trust	375,429	375,429	-	-	375,429
Listed term finance certificates	2,826,707	-	2,826,707	-	2,826,707
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	34,358,396	-	-	-	-
Certificates of investments	3,675,000	-	-	-	-
- Subsidiaries					
Ordinary shares of listed companies	180,000	-	-	-	-
Ordinary shares of unlisted companies	650,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
	584,531,633	1,246,373	544,366,420	-	545,612,793
Off-balance sheet financial instruments - measured at fair value					
- Forward purchase of foreign exchange contracts	245,157,873	-	241,170,544	-	241,170,544
- Forward sale of foreign exchange contracts	190,640,128	-	187,884,199	-	187,884,199
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	2,982,632	-	-	3,249,798	3,249,798

**32.2 Valuation techniques used in determination of fair valuation of financial instruments within level 2.**

Federal government debt securities	The fair value of government securities are valued using PKRV rates.
Debt securities other than federal government securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

**32.3 Valuation techniques used in determination of fair values of non-financial assets within level 3.**

Non-banking assets acquired in satisfaction of claim	These are valued by professionally valuers. The valuation is based on their assessment of the market value. The effect of changes in the unobservable inputs used cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented.
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**33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	<b>30 June 2021 (Un-Audited)</b>			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	20,798,591	(5,791,058)	(604,370)	14,403,163
Inter segment revenue - net	(15,404,058)	10,368,721	5,035,337	-
Non mark-up / return / interest income	(207,109)	247,064	4,825,903	4,865,858
Total Income	5,187,424	4,824,727	9,256,870	19,269,021
Segment direct expenses	(133,923)	-	-	(133,923)
Inter segment expense allocation	-	(2,108,625)	(5,564,545)	(7,673,170)
Total expenses	(133,923)	(2,108,625)	(5,564,545)	(7,807,093)
Provisions	1,230	3,059	(1,781,224)	(1,776,935)
Profit before tax	5,054,731	2,719,161	1,911,101	9,684,993
<b>Balance Sheet</b>				
Cash and bank balances	4,068,133	34,576,034	52,017,262	90,661,429
Investments	655,512,342	-	-	655,512,342
Lendings to financial institutions	4,000,000	-	-	4,000,000
Advances - performing	-	4,667,184	347,731,777	352,398,961
Advances - non-performing	-	28,947	18,955,179	18,984,126
Provision against advances	-	(34,921)	(21,288,782)	(21,323,703)
Net inter segment lending	-	291,713,982	208,381,553	500,095,535
Others	9,659,046	2,851,563	44,926,803	57,437,412
Total Assets	673,239,521	333,802,789	650,723,792	1,657,766,102
Borrowings	138,054,447	-	122,386,564	260,441,011
Subordinated debt	-	-	-	-
Deposits and other accounts	-	306,072,770	458,000,814	764,073,584
Net inter segment borrowing	500,095,535	-	-	500,095,535
Others	3,150,004	11,209,402	58,535,156	72,894,562
Total liabilities	641,299,986	317,282,172	638,922,534	1,597,504,692
Equity	31,939,535	16,520,617	11,801,258	60,261,410
Total Equity & liabilities	673,239,521	333,802,789	650,723,792	1,657,766,102
Contingencies & Commitments	398,214,859	6,649,883	326,051,267	730,916,009

	30 June 2020 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	17,612,818	(8,730,404)	1,835,255	10,717,669
Inter segment revenue - net	(14,547,128)	11,002,759	3,544,369	-
Non mark-up / return / interest income	(5,965)	111,962	4,643,171	4,749,168
Total income	3,059,725	2,384,317	10,022,795	15,466,837
Segment direct expenses	(171,246)	-	-	(171,246)
Inter segment expense allocation	-	(2,025,193)	(4,821,717)	(6,846,910)
Total expenses	(171,246)	(2,025,193)	(4,821,717)	(7,018,156)
Provisions	(180,074)	3,868	(1,424,141)	(1,600,347)
Profit before tax	2,708,405	362,992	3,776,937	6,848,334
	31 December 2020 (Audited)			
<b>Balance Sheet</b>				
Cash and bank balances	1,815,058	23,136,227	31,734,180	56,685,465
Investments	584,531,633	-	-	584,531,633
Lendings to financial institutions	1,000,000	-	-	1,000,000
Advances - performing	-	3,625,775	308,554,749	312,180,524
Advances - non-performing	-	27,203	19,274,853	19,302,056
Provision against advances	-	(16,089)	(19,299,686)	(19,315,775)
Net inter segment lending	-	284,961,421	179,393,498	464,354,919
Others	9,743,974	2,650,754	50,793,552	63,188,280
Total assets	597,090,665	314,385,291	570,451,146	1,481,927,102
Borrowings	95,962,712	-	105,760,137	201,722,849
Subordinated debt	-	-	-	-
Deposits & other accounts	-	288,049,370	392,906,342	680,955,712
Net inter segment borrowing	464,354,919	-	-	464,354,919
Others	6,170,146	9,742,895	61,332,370	77,245,411
Total liabilities	566,487,777	297,792,265	559,998,849	1,424,278,891
Equity	30,602,888	16,593,026	10,452,297	57,648,211
Total equity & liabilities	597,090,665	314,385,291	570,451,146	1,481,927,102
Contingencies & commitments	435,798,001	-	254,931,857	690,729,858

### 34. RELATED PARTIES TRANSACTIONS

The Bank has related party transactions with its holding company, subsidiaries, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of charge for employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

The details of transactions with related parties during the year are as follows:

	30 June 2021 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Balances with other banks						
In current accounts	100,365	-	117,681	-	-	218,046
Investments						
Opening balance	-	2,505,000	-	-	-	2,505,000
Investment made during the period	-	5,300,000	-	-	-	5,300,000
Investment redeemed / disposed off during the period	-	(4,750,000)	-	-	-	(4,750,000)
Closing balance	-	3,055,000	-	-	-	3,055,000
Advances						
Opening balance	-	-	4,636,346	195,938	-	4,832,284
Addition during the period	-	-	34,899,995	15,158	-	34,915,153
Repaid during the period	-	-	(35,707,266)	(13,722)	-	(35,720,988)
Closing balance	-	-	3,829,075	197,374	-	4,026,449
Other Assets						
Mark-up / return / interest accrued	-	25,010	5,961	-	-	30,971
Dividend Receivable	-	-	-	-	-	-
Prepayments / advance deposits / other receivable	468	1,783	6,988	-	-	9,239
	468	26,793	12,949	-	-	40,210
Deposits and other accounts						
Opening balance	213,306	761,695	9,659,120	282,595	661,230	13,161,897
Received during the period	12,198,470	60,699,183	1,163,904,541	1,245,310	2,173,299	1,245,681,794
Withdrawn during the period	(12,239,954)	(60,695,693)	(1,147,745,930)	(1,276,018)	(2,220,335)	(1,229,459,140)
Closing balance	171,822	765,185	25,817,731	251,887	614,194	29,384,551
Other Liabilities						
Mark-up / return / interest payable	-	4,087	132,892	484	2,479	152,104
Management fee payable for technical and consultancy services*	73,143	-	-	-	-	73,143
Other liabilities	-	171	8,174	-	670	179,599
	73,143	4,258	141,066	484	3,149	404,846
Contingencies & commitments						
Guarantees	-	-	7,636,880	-	-	7,636,880
Letter of credit	-	-	5,296,644	-	-	5,296,644
	-	-	12,933,524	-	-	12,933,524

\* Management fee is as per the agreement with the holding company .



31 December 2020 (Audited)

	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Balances with other banks</b>							
In current accounts	98,181	–	112,889	–	–	–	211,070
<b>Investments</b>							
Opening balance	–	5,830,000	–	–	–	–	5,830,000
Investment made during the year	–	5,425,000	–	–	–	–	5,425,000
Investment redeemed / disposed off during the year	–	(8,750,000)	–	–	–	–	(8,750,000)
Closing balance	–	2,505,000	–	–	–	–	2,505,000
<b>Advances</b>							
Opening balance	–	–	4,097,808	222,737	–	–	4,320,545
Addition during the year	–	–	37,290,389	14,326	–	–	37,304,715
Repaid during the year	–	–	(36,751,851)	(41,125)	–	–	(36,792,976)
Closing balance	–	–	4,636,346	195,938	–	–	4,832,284
<b>Other Assets</b>							
Mark-up / return / interest accrued	–	16,386	6,592	–	–	–	22,978
Prepayments / advance deposits / other receivable	468	–	2,872	–	–	–	3,340
	468	16,386	9,464	–	–	–	26,318
<b>Deposits and other accounts</b>							
Opening balance	529,172	577,491	11,263,025	262,708	785,494	911,553	14,329,443
Received during the year	18,649,846	130,889,225	1,656,353,576	1,339,687	2,195,407	3,443,908	1,812,871,649
Withdrawn during the year	(18,965,712)	(130,705,021)	(1,657,957,481)	(1,319,800)	(2,319,671)	(2,771,510)	(1,814,039,195)
Closing balance	213,306	761,695	659,120	282,595	661,230	1,583,951	13,161,897
<b>Other Liabilities</b>							
Mark-up / return / interest payable	–	3,210	140,921	1,241	3,844	18,043	167,259
Management fee payable for technical and consultancy services*	204,497	–	–	–	–	–	204,497
Other liabilities	–	–	11,821	–	730	13,568	26,119
	204,497	3,210	152,742	1,241	4,574	31,611	397,875
<b>Contingencies and commitments</b>							
Guarantees	–	–	8,729,159	–	–	–	8,729,159
Letter of credit	–	–	2,027,205	–	–	–	2,027,205
	–	–	10,756,364	–	–	–	10,756,364

\* Management fee is as per the agreement with the holding company.

## Transactions during the period

	For the period ended 30 June 2021 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	74,779	24,195	5,263	–	–
Fee and commission income	1,205	385	124,240	–	52	–
Rent income	2,808	2,674	–	–	–	–
Expense						
Mark-up / return / interest expensed	–	20,476	439,287	8,086	16,567	72,429
Commission / brokerage / bank charges paid	746	150	498	–	–	–
Salaries and allowances	–	–	–	330,791	–	–
Directors' fees and allowances	–	–	–	–	6,903	–
Charge to defined benefit plan	–	–	–	–	–	88,430
Contribution to defined contribution plan	–	–	–	–	–	122,990
Rent expenses	–	–	7,613	–	–	–
Insurance premium expenses	–	–	6,473	–	–	–
Maintenance, electricity, stationery and entertainment	–	–	44,859	–	–	–
Management fee expense for technical and consultancy services *	242,127	–	–	–	–	–
Donation	–	–	10,960	–	–	–
Professional / other charges	–	–	1,025	–	–	–

\* Management fee is as per the agreement with the holding company .

## Transactions during the period

	For the period ended 30 June 2020 (Un-Audited)					
	Holding company	Subsidiaries	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
Income						
Mark-up / return / interest earned	–	149,152	68,155	6,489	–	–
Fee and commission income	1,741	333	162,882	–	16	–
Rent income	2,808	2,162	–	–	–	–
Expenses						
Mark-up / return / interest expensed	–	34,949	474,620	11,127	33,885	62,599
Commission / brokerage / bank charges paid	425	–	702	–	–	–
Salaries and allowances	–	–	–	261,553	–	–
Directors' fees and allowances	–	–	–	–	5,443	–
Charge to defined benefit plan	–	–	–	–	–	86,655
Contribution to defined contribution plan	–	–	–	–	–	105,798
Rent expenses	–	–	7,344	–	–	–
Insurance premium expenses	–	–	6,066	–	–	–
Maintenance, electricity, stationery and entertainment	–	–	50,240	–	–	–
Management fee expense for technical and consultancy services *	247,272	–	–	–	–	–
Donation	–	–	11,960	–	–	–
Professional / Other charges	–	–	1,842	–	–	–

\* Management fee is as per the agreement with the holding company.

**35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS**

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,478,315	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) capital	57,882,927	54,230,203
Eligible Additional Tier 1 (ADT 1) capital	–	–
Total Eligible Tier 1 capital	57,882,927	54,230,203
Eligible Tier 2 capital	5,176,751	5,841,005
Total eligible capital (Tier 1 + Tier 2)	63,059,678	60,071,208
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	351,962,500	302,514,003
Market risk	3,505,262	1,202,170
Operational risk	54,096,766	54,096,766
Total	409,564,528	357,812,939
CET 1 capital adequacy ratio	14.13%	15.16%
Tier 1 capital adequacy ratio	14.13%	15.16%
Total capital adequacy ratio	15.40%	16.79%
<b>Minimum capital requirements prescribed by SBP</b>		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%
The Bank uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 capital	57,882,927	54,230,203
Total exposures	1,484,997,040	1,300,017,087
Leverage ratio	3.90%	4.17%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	513,729,605	417,225,257
Total net cash outflow	225,264,863	184,000,188
Liquidity coverage ratio	228%	227%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	667,941,999	611,485,655
Total required stable funding	318,804,852	303,443,125
Net stable funding ratio	210%	202%

### 36. ISLAMIC BANKING BUSINESS

The bank is operating 34 Islamic banking branches (31 December 2020: 32) and 218 Islamic banking windows (31 December 2020: 218) at the end of the period.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		8,069,547	4,970,404
Balances with other banks		–	–
Due from financial institutions	36.1	4,000,000	1,000,000
Investments	36.2	28,638,797	27,627,085
Islamic financing and related assets - net	36.3	81,209,773	56,672,907
Fixed assets	36.4	516,214	481,094
Intangible assets		–	–
Due from head office		5,481,017	204,715
Other assets		3,641,936	3,345,634
Total Assets		131,557,284	94,301,839
<b>LIABILITIES</b>			
Bills payable		1,023,823	786,085
Due to financial institutions		29,912,541	16,609,708
Deposits and other accounts	36.5	91,200,227	68,493,450
Due to head office		–	–
Subordinated debt		–	–
Other liabilities	36.4	2,217,809	2,615,582
		124,354,400	88,504,825
<b>NET ASSETS</b>			
		7,202,884	5,797,014
<b>REPRESENTED BY</b>			
Islamic banking fund		7,003,939	5,503,996
Reserves		–	–
Deficit on revaluation of assets		(817,775)	(1,085,694)
Unappropriated profit	36.9	1,016,720	1,378,712
		7,202,884	5,797,014
<b>CONTINGENCIES AND COMMITMENTS</b>			
	36.6		

The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2021 is as follows:

	Note	Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
Profit / return earned	36.7	3,118,996	2,794,517
Profit / return expensed	36.8	(1,938,462)	(2,078,558)
<b>Net Profit / return</b>		<b>1,180,534</b>	<b>715,959</b>
<b>Other income</b>			
Fee and commission income		159,324	92,458
Dividend income		279	23,400
Foreign exchange income		46,566	46,933
Gain on securities		12,050	166,814
Other income		357	13,848
<b>Total other income</b>		<b>218,576</b>	<b>343,453</b>
<b>Total Income</b>		<b>1,399,110</b>	<b>1,059,412</b>
<b>Other expenses</b>			
Operating expenses		416,847	356,270
Workers' welfare fund		—	—
Other charges		609	—
<b>Total other expenses</b>		<b>417,456</b>	<b>356,270</b>
Profit before provisions		981,654	703,142
Provisions and write offs - net		35,066	(198,766)
<b>Profit before taxation</b>		<b>1,016,720</b>	<b>504,376</b>

### 36.1 Due from Financial Institutions

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
Musharaka	1,500,000	–	1,500,000	1,000,000	–	1,000,000
Modaraba	2,500,000	–	2,500,000	–	–	–
	<u>4,000,000</u>	<u>–</u>	<u>4,000,000</u>	<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>

### 36.2 Investments by segments:

	30 June 2021 (Unaudited)				31 December 2020 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal Government Securities:								
Ijarah Sukuks	15,249,204	–	(439,368)	14,809,836	15,750,214	–	(675,889)	15,074,325
Bai-muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
INPCCCL modaraba investment pool	779,852	–	–	779,852	–	–	–	–
	<u>19,637,744</u>	<u>–</u>	<u>(439,368)</u>	<u>19,198,376</u>	<u>19,358,902</u>	<u>–</u>	<u>(675,889)</u>	<u>18,683,013</u>
Non-Government Debt Securities								
Listed	7,093,828	–	(369,936)	6,723,892	7,178,877	–	(393,601)	6,785,276
Unlisted	2,725,000	–	(8,471)	2,716,529	2,175,000	–	(16,204)	2,158,796
	<u>9,818,828</u>	<u>–</u>	<u>(378,407)</u>	<u>9,440,421</u>	<u>9,353,877</u>	<u>–</u>	<u>(409,805)</u>	<u>8,944,072</u>
Total investments	<u>29,456,572</u>	<u>–</u>	<u>(817,775)</u>	<u>28,638,797</u>	<u>28,712,779</u>	<u>–</u>	<u>(1,085,694)</u>	<u>27,627,085</u>

### 36.3 Islamic financing and related assets - net

	30 June 2021 (Un-Audited)				31 December 2020 (Audited)			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	132,609	3,788	–	136,397	189,891	4,772	–	194,663
Ijarah - islamic long term financing facility	74,207	–	–	74,207	74,207	–	–	74,207
Murabaha	6,115,328	111,918	–	6,227,246	5,111,746	207,331	–	5,319,077
Working capital musharaka	29,764,237	–	–	29,764,237	25,581,844	–	–	25,581,844
Diminishing musharaka	6,118,378	1,807,836	–	7,926,214	5,328,366	217,013	–	5,545,379
Salam	86,500	88,079	–	174,579	16,874	128,500	54,000	199,374
Istisna	3,553,935	3,693,274	58,565	7,305,774	1,642,581	2,152,364	8,820	3,803,765
Diminishing musharaka - islamic long term financing facility	823,794	748,957	–	1,572,751	764,708	504,848	–	1,269,556
Diminishing musharaka - islamic refinance scheme for payment of wages and salaries	1,496,965	93,534	–	1,590,499	–	1,683,416	–	1,683,416
Diminishing musharaka - islamic financing facility for storage of agricultural produce	–	544,634	–	544,634	–	267,878	–	267,878
Diminishing musharaka - islamic temporary economic refinance facility	–	11,720,410	–	11,720,410	–	1,931,320	–	1,931,320
Diminishing musharaka - islamic financing facility for renewable energy	–	38,355	–	38,355	–	–	–	–
Export refinance working capital musharaka	9,374,600	–	–	9,374,600	3,191,540	–	–	3,191,540
Export refinance murabaha	533,301	6,692	–	539,993	1,137,138	43,565	–	1,180,703
Export refinance istisna	2,044,331	2,475,000	–	4,519,331	1,149,500	5,748,195	–	6,897,695
Export refinance salam	–	60,000	–	60,000	–	150,000	–	150,000
Al-bai financing	252,444	–	87,489	339,933	136,797	–	25,577	162,374
Al-bai - islamic export refinance facility	4,047	–	73,158	77,205	–	–	31,773	31,773
Gross islamic financing and related assets	60,374,676	21,392,477	219,212	81,986,365	44,325,192	13,039,202	120,170	57,484,564
Provision against non-performing islamic financings	(776,592)	–	–	(776,592)	(811,657)	–	–	(811,657)
Islamic financing and related assets - net of provision	59,598,084	21,392,477	219,212	81,209,773	43,513,535	13,039,202	120,170	56,672,907



### 36.4 Fixed assets and other liabilities

At 30 June 2021, fixed assets included right-of-use assets of Rs. 465,428 thousand (31 December 2020: 426,383 thousand) and other liabilities included related lease liability of Rs. 506,358 thousand (31 December 2020: 480,505 thousand).

### 36.5 Deposits and other accounts

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Customers	Financial Institutions	Total	Customers	Financial Institutions	Total
	Rupees in '000					
Current deposits	26,608,857	42,530	26,651,387	17,621,062	138,324	17,759,386
Savings deposits	38,169,121	3,965,622	42,134,743	21,397,482	3,104,956	24,502,438
Term deposits	22,414,097	–	22,414,097	26,231,626	–	26,231,626
	<u>87,192,075</u>	<u>4,008,152</u>	<u>91,200,227</u>	<u>65,250,170</u>	<u>3,243,280</u>	<u>68,493,450</u>

### 36.6 Contingencies and commitments

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
Guarantees	8,372,560	6,333,142
Commitments	<u>21,261,656</u>	<u>18,237,313</u>
	<u>29,634,216</u>	<u>24,570,455</u>

### 36.7 Profit / return earned of financing, investments and placement

Profit earned on:	30 June 2021 (Un-Audited)	30 June 2020
	Rupees in '000	
Financing	1,971,836	1,169,537
Investments	1,029,517	1,194,691
Placements	<u>117,643</u>	<u>430,289</u>
	<u>3,118,996</u>	<u>2,794,517</u>

### 36.8 Profit on deposits and other dues expensed

Deposits and other accounts	1,741,953	1,978,957
Due to financial institutions	169,173	70,384
Discount expense on lease liability against right-of-use assets	<u>27,336</u>	<u>29,217</u>
	<u>1,938,462</u>	<u>2,078,558</u>

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
36.9 Islamic banking business unappropriated profits		
Opening balance	1,378,712	1,088,033
Add: Islamic banking profit for the period / year	1,016,720	1,378,712
Less: Transferred to head office	(1,378,712)	(1,088,033)
Closing balance	<u>1,016,720</u>	<u>1,378,712</u>

## 37. GENERAL

37.1 The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

37.2 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation.

## 38. NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE / DATE OF AUTHORISATION FOR ISSUE

38.1 The Board of Directors in its meeting held on 24 August 2021 has approved an interim cash dividend of Rs. 2 per share (2020: interim cash dividend of Rs. 2 per share).

38.2 These unconsolidated condensed interim financial statements were authorised for issue on 24 August 2021 by the Board of Directors of the Bank.

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

TAHIRA RAZA  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman



[ Subsidiary of Habib Bank AG Zurich ]

# Habib Metropolitan Bank Ltd.

[ Subsidiary of Habib Bank AG Zurich ]

Consolidated Accounts for the half year  
and quarter ended 30 June 2021  
(Un-audited)

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	86,315,121	54,694,826
Balances with other banks	7	4,878,790	2,272,896
Lendings to financial institutions	8	4,000,000	1,000,000
Investments	9	652,974,546	582,508,836
Advances	10	361,102,403	321,655,831
Fixed assets	11	10,024,804	9,100,177
Intangible assets	12	169,057	131,331
Deferred tax assets	13	1,981,534	1,153,598
Other assets	14	45,512,502	53,100,970
		<u>1,166,958,757</u>	<u>1,025,618,465</u>

### LIABILITIES

Bills payable	15	21,794,558	15,421,002
Borrowings	16	265,556,549	205,811,905
Deposits and other accounts	17	763,428,688	680,390,688
Liabilities against assets subject to finance lease		—	—
Sub-ordinated debts		—	—
Deferred tax liabilities		—	—
Other liabilities	18	51,969,815	62,657,119
		<u>1,102,749,610</u>	<u>964,280,714</u>
<b>NET ASSETS</b>		<u>64,209,147</u>	<u>61,337,751</u>

### REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		21,375,188	20,129,515
Surplus on revaluation of assets - net of tax	19	2,122,350	3,183,141
Unappropriated profit		26,691,752	24,207,141
		<u>60,667,605</u>	<u>57,998,112</u>
Non-controlling interest		3,541,542	3,339,639
		<u>64,209,147</u>	<u>61,337,751</u>

### CONTINGENCIES AND COMMITMENTS

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

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

TAHIRA RAZA  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman

**CONSOLIDATED CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2021**

	Note	30 June 2021		30 June 2020	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned	22	18,031,218	35,572,174	20,035,537	40,908,249
Mark-up / return / interest expensed	23	(10,808,191)	(20,834,404)	(13,534,569)	(29,925,237)
Net mark-up / interest income		7,223,027	14,737,770	6,500,968	10,983,012
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	24	1,698,438	3,355,162	1,142,197	2,496,970
Dividend income		31,425	70,948	75,768	112,669
Foreign exchange income		784,000	1,263,646	1,224,531	2,006,532
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	43,603	45,134	44,417	149,122
Other income	26	169,252	175,729	12,075	22,552
Total non mark-up / interest income		2,726,718	4,910,619	2,498,988	4,787,845
Total Income		9,949,745	19,648,389	8,999,956	15,770,857
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	27	3,982,098	7,706,723	3,397,793	6,960,093
Workers' welfare fund		107,306	216,335	83,289	151,473
Other charges	28	6,075	14,556	22,836	29,240
Total non mark-up / interest expenses		(4,095,479)	(7,937,614)	(3,503,918)	(7,140,806)
Profit before provisions		5,854,266	11,710,775	5,496,038	8,630,051
Provisions and write offs - net	29	(807,569)	(1,797,492)	(1,118,963)	(1,603,089)
Extra ordinary / unusual items		—	—	—	—
<b>PROFIT BEFORE TAXATION</b>		5,046,697	9,913,283	4,377,075	7,026,962
Taxation	30	(1,924,556)	(3,461,695)	(1,724,987)	(2,736,367)
<b>PROFIT AFTER TAXATION</b>		3,122,141	6,451,588	2,652,088	4,290,595
<b>PROFIT ATTRIBUTABLE TO:</b>					
Equity shareholders of the holding company		3,026,037	6,270,186	2,603,513	4,156,722
Non-controlling interest		96,104	181,402	48,575	133,873
		3,122,141	6,451,588	2,652,088	4,290,595
Rupees					
Basic and diluted earnings per share	31	2.89	5.98	2.48	3.97

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

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**TAHIRA RAZA**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

**CONSOLIDATED CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2021**

	30 June 2021		30 June 2020	
	Quarter ended	Half year ended	Quarter ended	Half year ended
	Rupees in '000			
Profit after taxation for the period	3,122,141	6,451,588	2,652,088	4,290,595
Other comprehensive income				
Items that may be reclassified to profit and loss in subsequent periods:				
Effect of translation of net investment in an offshore branch	173	57	136	(67)
Movement in surplus / (deficit) on revaluation of investments - net of tax	712,673	(905,732)	5,010,283	11,806,040
Movement in surplus / (deficit) on non-banking asset due to change in tax rate	–	(13,661)	–	–
Items that will not be reclassified to profit and loss in subsequent periods:				
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(2,071)	(41,277)	5,142	(20,475)
<b>Total comprehensive income</b>	<b>3,832,916</b>	<b>5,490,975</b>	<b>7,667,649</b>	<b>16,076,093</b>
Equity share holders of the holding company	3,727,999	5,289,072	7,686,928	16,000,869
Non-controlling interest	104,917	201,903	(19,279)	75,224
	<b>3,832,916</b>	<b>5,490,975</b>	<b>7,667,649</b>	<b>16,076,093</b>

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

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Chief Financial Officer

MOHSIN A. NATHANI  
President &  
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TAHIRA RAZA  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman

**CONSOLIDATED CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED 30 JUNE 2021**

	Reserves					Surplus / (deficit) on revaluation		Un-appropriated profit	Sub total	Non-controlling interest	Total	
	Share capital	Share premium	Special reserve	Revenue reserve	Statutory reserve	Exchange translation reserve	Investments					Non-banking assets
	Rupees in '000											
Balance as at 1 January 2020	10,478,315	2,550,985	240,361	1,500,000	13,414,980	28	(3,098,365)	225,431	19,224,491	44,536,026	3,293,578	47,829,604
Profit after taxation	-	-	-	-	-	-	-	-	4,156,722	4,156,722	133,873	4,290,595
Other comprehensive income - net of tax	-	-	-	-	-	(67)	11,864,689	-	(20,475)	11,844,147	(58,649)	11,785,498
Total comprehensive income for the period	-	-	-	-	-	(67)	11,864,689	-	4,136,247	16,000,869	75,224	16,076,093
Transfer to statutory reserve	-	-	-	-	823,788	-	-	-	(823,788)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(1,722)	1,722	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend (Rs 2.50 per share) for the year ended 31 December 2019	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)	-	(2,619,579)
Balance as at 30 June 2020	10,478,315	2,550,985	240,361	1,500,000	14,238,768	(39)	8,766,124	223,709	19,919,093	57,917,316	3,368,802	61,286,118
Profit after taxation	-	-	-	-	-	-	-	-	7,896,350	7,896,350	148,503	8,044,853
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	152	(5,804,953)	-	84,910	(5,719,891)	82,650	(5,637,241)
Total comprehensive income for the period	-	-	-	-	-	152	(5,804,953)	-	7,981,260	2,176,459	231,153	2,407,612
Transfer to statutory reserve	-	-	-	-	1,599,288	-	-	-	(1,599,288)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(1,739)	1,739	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividend (Rs 2.00 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)	-	(2,095,663)
Profit distribution by First Habib Modaraba (Rs 1.40 per certificate) for the period ended 30 June 2020	-	-	-	-	-	-	-	-	-	-	(254,016)	(254,016)
Profit distribution by Habib Metropolitan Modaraba (Rs 0.70 per certificate) for the period ended 30 June 2020	-	-	-	-	-	-	-	-	-	-	(6,300)	(6,300)
Balance as at 31 December 2020	10,478,315	2,550,985	240,361	1,500,000	15,838,056	113	2,961,171	221,970	24,207,141	57,998,112	3,339,639	61,337,751
Profit after taxation	-	-	-	-	-	-	-	-	6,270,186	6,270,186	181,402	6,451,588
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	57	(926,233)	(13,661)	(41,277)	(981,114)	20,501	(960,613)
Total comprehensive income for the period	-	-	-	-	-	57	(926,233)	(13,661)	6,228,909	5,289,072	201,903	5,490,975
Transfer to statutory reserve	-	-	-	-	1,245,616	-	-	-	(1,245,616)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(120,897)	120,897	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend (Rs 2.50 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)	-	(2,619,579)
Balance as at 30 June 2021	10,478,315	2,550,985	240,361	1,500,000	17,083,672	170	2,034,938	87,412	26,691,752	60,667,605	3,541,542	64,209,147

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

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**TAHIRA RAZA**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	30 June 2021	30 June 2020
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		9,913,283	7,026,962
Less: Dividend income		(70,948)	(112,669)
		<u>9,842,335</u>	<u>6,914,293</u>
<b>Adjustments</b>			
Depreciation on operating fixed assets		554,754	538,592
Depreciation on right-of-use assets		462,665	385,369
Depreciation on non-banking assets		18,004	5,731
Amortization		33,980	35,981
Mark-up / return / interest expensed on lease liability against right-of-use assets		302,731	265,639
Provisions and write offs excluding recovery of written off bad debts	29	1,795,992	1,613,840
Unrealised gain on securities-held-for-trading		(4,604)	(40,038)
Gain on sale of fixed assets - net		(7,950)	(9,114)
Net gain on sale of non-banking assets		(163,220)	-
Provision against workers' welfare fund		216,335	151,473
Provision against compensated absences		17,350	23,757
Provision against defined benefit plan		90,541	88,616
		<u>3,316,578</u>	<u>3,059,846</u>
		13,158,913	9,974,139
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(3,000,000)	20,497,303
Held-for-trading securities		(30,944,373)	(7,187,303)
Advances		(41,549,898)	(29,176,079)
Other assets (excluding current taxation and non-banking assets)		(820,685)	(2,410,401)
		<u>(76,314,956)</u>	<u>(18,276,480)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		6,373,556	5,249,588
Borrowings from financial institutions		61,215,700	42,990,719
Deposits and other accounts		83,038,000	(13,493,196)
Other liabilities (excluding current taxation)		(4,066,914)	(2,032,040)
		<u>146,560,342</u>	<u>32,715,071</u>
		83,404,299	24,412,730
Payment against compensated absences		(6,828)	(7,218)
Payment against workers' welfare fund		-	(13,998)
Contribution paid to defined benefit plan		(2,300)	(776)
Income tax paid		(3,493,732)	(1,906,950)
<b>Net cash flow (used in) / generated from operating activities</b>		<u>79,901,439</u>	<u>22,483,788</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(41,933,684)	(21,725,400)
Net investments in held-to-maturity securities		1,208,015	(1,017,521)
Dividend received		70,604	111,691
Investments in fixed assets		(830,549)	(718,852)
Proceeds from sale of non-banking assets		597,723	-
Investments in intangibles assets		(71,706)	(60,391)
Proceeds from sale of fixed assets		10,173	12,107
Effect of translation of net investment in an offshore branch		57	(67)
<b>Net cash flow generated from / (used in) investing activities</b>		<u>(40,949,367)</u>	<u>(23,398,433)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(2,602,949)	(2,605,407)
Payment of lease against right-of-use assets		(651,878)	(361,390)
<b>Net cash used in financing activities</b>		<u>(3,254,827)</u>	<u>(2,966,797)</u>
<b>Increase in cash and cash equivalents</b>		<u>35,697,245</u>	<u>(3,881,442)</u>
Cash and cash equivalents at beginning of the period / year		52,649,776	69,298,085
<b>Cash and cash equivalents at end of the period / year</b>		<u><u>88,347,021</u></u>	<u><u>65,416,643</u></u>

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

FUZAIL ABBAS Chief Financial Officer	MOHSIN A. NATHANI President & Chief Executive Officer	TAHIRA RAZA Director	RASHID AHMED JAFER Director	MOHAMEDALI R. HABIB Chairman
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## **NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 30 JUNE 2021**

### **1. STATUS AND NATURE OF BUSINESS**

The Group comprises of Habib Metropolitan Bank Limited (the holding company), Habib Metropolitan Financial Services Limited and Habib Metropolitan Modaraba Management Company (Private) Limited (wholly owned subsidiary companies) and First Habib Modaraba and Habib Metro Modaraba (Managed by Habib Metropolitan Modaraba Management Company (Private) Limited).

#### **Holding Company**

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. Its shares are listed on the Pakistan Stock Exchange. The holding company operates 447 (31 December 2020: 406) branches, including 34 (31 December 2020: 32) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) (31 December 2020: 1) and 30 (31 December 2020: 30) sub branches in Pakistan. The holding company is a subsidiary of Habib Bank AG Zurich - Switzerland (the ultimate parent company with 51% shares in the holding company) which is incorporated in Switzerland.

The registered office of the holding company is situated at HabibMetro Head Office, II Chundrigar Road, Karachi.

#### **Subsidiary Companies**

##### **Habib Metropolitan Financial Services Limited - 100% holding**

Habib Metropolitan Financial Services Limited was incorporated in Pakistan on 28 September 2007 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the subsidiary company is located at 1st Floor, GPC 2, Block 5, Khekashan Clifton, Karachi. The subsidiary company is a corporate member of the Pakistan Stock Exchange Limited and engaged in equity brokerage services.

##### **Habib Metropolitan Modaraba Management Company (Private) Limited - 100% holding**

Habib Metropolitan Modaraba Management Company (Private) Limited (Modaraba management company) was incorporated in Pakistan on 01 June 2015 as a private limited under the Companies Ordinance, 1984 (now Companies Act, 2017) and Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. The registered office of the subsidiary company is located at 6th Floor, HBZ Plaza, II Chundrigar Road, Karachi.

##### **First Habib Modaraba - 10% holding**

First Habib Modaraba is a perpetual, multi-purpose modaraba having its registered office at 6th Floor, HBZ Plaza, II Chundrigar Road, Karachi. It is listed on the Pakistan Stock Exchange and engaged in the business of leasing (Ijarah), Musharaka, Murabaha financing and other related business.

##### **Habib Metro Modaraba - 70% holding**

Habib Metro Modaraba (HMM) which is a perpetual, multi-purpose modaraba having its registered office at 3rd floor Al-Manzoor Building, II Chundrigar Road, Karachi. HMM's primary business activities are residual value car financing and provision of finance for solar power solutions on the basis of Ijarah / rental / musharaka or any other approved modes of financing. The holding company and the Modaraba Management Company own 60% and 10% of the certificates of HMM respectively.

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## 2. BASIS OF PRESENTATION

### 2.1 Statement of Compliance

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

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

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

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. The SBP through BPRD Circular Letter No. 4 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular 2 of 2018, as amended from time to time.

The disclosures and presentations made in these consolidated condensed interim financial statements have been based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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

- 2.3 The financial results of all Islamic banking branches of the Bank have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of all Islamic banking branches are disclosed in note 36 to these consolidated condensed interim financial statements.
- 2.4 These consolidated condensed interim financial statements comprise the financial statements of the holding company and its subsidiary companies. The financial statements of the subsidiary companies have been prepared for the same reporting period as the holding company using consistent accounting policies.

### 3. SIGNIFICANT ACCOUNTING POLICY

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

#### 3.1 Standards, interpretations and amendments to accounting and reporting standards that are effective in current period

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

#### 3.2 Standards, interpretations and amendments to accounting and reporting standards that are not yet effective

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current period. These are not likely to have material effect on the Group's financial statements except for the following:

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – the effective date of the standard had been extended to annual periods beginning on or after 1 January 2022 vide SBP BPRD Circular Letter no. 5 dated 5 July 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The holding company has estimated the impact of adoption of IFRS 9 on the financial statements of the holding company on the date of initial application, which shall be finalized post issuance of guidelines by the State Bank of Pakistan.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the audited consolidated financial statements for the year ended 31 December 2020.

### 5. RISK MANAGEMENT

The risk management policies adopted by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2020.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		7,848,722	7,695,676
Foreign currencies		690,891	1,039,893
		<u>8,539,613</u>	<u>8,735,569</u>
<b>With State Bank of Pakistan in</b>			
Local currency current accounts		55,837,286	27,378,599
Foreign currency current accounts		971,852	83,730
Foreign currency deposit accounts			
- cash reserve account		5,164,215	5,306,457
- special cash reserve account		9,529,748	10,176,561
		<u>71,503,101</u>	<u>42,945,347</u>
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		5,775,319	2,613,310
<b>Prize Bonds</b>		497,088	400,600
		<u>86,315,121</u>	<u>54,694,826</u>
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		368,460	172,279
In deposit accounts		569,580	285,559
		<u>938,040</u>	<u>457,838</u>
<b>Outside Pakistan</b>			
In current accounts		3,940,750	1,815,058
		<u>4,878,790</u>	<u>2,272,896</u>
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Musharaka placements	8.1	1,500,000	1,000,000
Modaraba placements	8.2	2,500,000	-
		<u>4,000,000</u>	<u>1,000,000</u>

8.1 These carry profit / return rate ranging from 7% to 7.10% (31 December 2020: 7.50%) per annum with maturity upto 6 July 2021 (31 December 2020: 5 January 2021).

8.2 These carry profit / return rate ranging from 6.70% to 7% (31 December 2020: Nil) per annum with maturity upto 9 July 2021.

## 9. INVESTMENTS

### 9.1 Investments by types

	30 June 2021 (Un-Audited)				31 December 2020 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Held-for-trading securities								
Federal government securities	30,944,373	-	4,604	30,948,977	-	-	-	-
Available-for-sale securities								
Federal government securities	572,654,107	-	3,354,928	576,009,035	529,624,204	-	4,726,542	534,350,746
Shares	1,319,718	(378,463)	422,369	1,363,624	1,259,061	(377,389)	340,234	1,221,906
Non-government debt securities	9,379,360	(118,247)	(378,408)	8,882,705	10,734,678	(120,551)	(438,347)	10,175,780
Mutual funds	30,140	(9,647)	7,370	27,863	30,140	(9,647)	6,086	26,579
Real estate investment trust	586,311	-	5,650	591,961	387,869	-	(12,440)	375,429
	583,969,636	(506,357)	3,411,909	586,875,188	542,035,952	(507,587)	4,622,075	546,150,440
Held-to-maturity securities								
Federal government securities	35,150,381	-	-	35,150,381	34,358,396	-	-	34,358,396
Non-government debt securities	-	-	-	-	2,000,000	-	-	2,000,000
	35,150,381	-	-	35,150,381	36,358,396	-	-	36,358,396
Total investments	650,064,390	(506,357)	3,416,513	652,974,546	578,394,348	(507,587)	4,622,075	582,508,836

30 June  
2021  
(Un-Audited)

31 December  
2020  
(Audited)

Rupees in '000

#### 9.1.1 Investments given as collateral against repo borrowing

##### Federal government securities

Market treasury bills	1,764,934	9,217,825
Pakistan investment bonds	134,194,183	82,695,225
	135,959,117	91,913,050

### 9.2 Provision for diminution in value of investments

9.2.1 Opening balance	507,587	473,990
Charge for the period / year	1,074	183,314
Reversal for the period / year	(2,304)	(10,008)
(Reversal) / charge for the period / year - net	(1,230)	173,306
Reversal on disposal for the period / year	-	(139,709)
Closing balance	506,357	507,587

### 9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2021 (Un-Audited)		31 December 2020 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Loss	118,247	118,247	120,551	120,551
	<u>118,247</u>	<u>118,247</u>	<u>120,551</u>	<u>120,551</u>

9.3 The market value of securities classified as held-to-maturity as at June 30, 2021 amounted to Rs. 34.72 billion (31 December 2020: Rs. 36.31 billion).

## 10. ADVANCES

Note	Performing		Non-Performing		Total	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)	(Un-Audited)	(Audited)
Rupees in '000						
Loans, cash credits, running finances, etc.	227,305,432	215,387,833	12,937,309	13,444,761	240,242,741	228,832,594
Islamic financing and related assets 10.1	92,403,983	66,280,436	776,440	822,665	93,180,423	67,103,101
Bills discounted and purchased	43,883,604	40,130,792	5,270,377	5,034,630	49,153,981	45,165,422
Advances - gross 10.2 & 10.3	363,593,019	321,799,061	18,984,126	19,302,056	382,577,145	341,101,117
Provision against non-performing advances						
- specific	-	-	(18,149,435)	(16,417,607)	(18,149,435)	(16,417,607)
- general	(3,325,307)	(3,027,679)	-	-	(3,325,307)	(3,027,679)
	<u>(3,325,307)</u>	<u>(3,027,679)</u>	<u>(18,149,435)</u>	<u>(16,417,607)</u>	<u>(21,474,742)</u>	<u>(19,445,286)</u>
Advances - net of provisions	<u>360,267,712</u>	<u>318,771,382</u>	<u>834,691</u>	<u>2,884,449</u>	<u>361,102,403</u>	<u>321,655,831</u>

10.1 It includes loans and advances of First Habib Modaraba and Habib Metro Modaraba amounting to Rs. 10.909 billion and Rs. 284.993 million respectively. Furthermore, it includes the Islamic banking operations of the holding company amounting to Rs. 81.986 billion as disclosed in note 36.3 to these consolidated condensed interim financial statements.

### 10.2 Particulars of advances - gross

	30 June 2021	31 December 2020
	(Un-Audited)	(Audited)
	Rupees in '000	
In local currency	344,545,944	305,931,738
In foreign currencies	38,031,201	35,169,379
	<u>382,577,145</u>	<u>341,101,117</u>

10.3 Advances include Rs. 18,984 billion (31 December 2020: Rs. 19,302 billion) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2021 (Un-Audited)		31 December 2020 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Substandard	62,785	–	14,200	–
Doubtful	1,042,179	521,089	5,386,811	2,539,062
Loss	17,879,162	17,628,346	13,901,045	13,878,545
	<u>18,984,126</u>	<u>18,149,435</u>	<u>19,302,056</u>	<u>16,417,607</u>

10.4 Particulars of provision against advances

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	16,417,607	3,027,679	19,445,286	15,294,415	1,634,410	16,928,825
Charge for the period / year	2,347,697	297,628	2,645,325	4,413,921	1,393,269	5,807,190
Reversals for the period / year	(541,999)	–	(541,999)	(2,594,580)	–	(2,594,580)
Net charge for the period / year	1,805,698	297,628	2,103,326	1,819,341	1,393,269	3,212,610
Amount written off	(73,870)	–	(73,870)	(696,149)	–	(696,149)
Closing balance	<u>18,149,435</u>	<u>3,325,307</u>	<u>21,474,742</u>	<u>16,417,607</u>	<u>3,027,679</u>	<u>19,445,286</u>

10.4.1 General provision includes provision of Rs. 3,022 million (31 December 2020: Rs. 2,915 million) made against consumer portfolio and Rs. 7 thousand (31 December 2020: Rs. 17 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulation issued by the SBP.

10.4.2 Particulars of provision against advances

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	17,709,966	3,325,307	21,035,273	15,968,899	3,027,679	18,996,578
In foreign currencies	439,469	–	439,469	448,708	–	448,708
	<u>18,149,435</u>	<u>3,325,307</u>	<u>21,474,742</u>	<u>16,417,607</u>	<u>3,027,679</u>	<u>19,445,286</u>

#### 10.4.3 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

The holding company has availed forced sale value (FSV) benefit under BSD Circular No. 1 of 21 October 2011. Had the benefit of FSVs (including those availed in prior years) not been taken by the holding company, the specific provision against non-performing advances would have been higher by Rs. 242.012 million (31 December 2020: Rs. 156.904 million) and accumulated profit would have been lower by Rs. 147.627 million (31 December 2020: Rs. 101.988 million). This amount of Rs. 147.627 million (31 December 2020: Rs. 101.988 million) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	337,689	684,852
Property and equipment - book value		9,687,115	8,415,325
		<u>10,024,804</u>	<u>9,100,177</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		288,731	481,194
Advance to suppliers		48,958	203,658
		<u>337,689</u>	<u>684,852</u>

#### Half year ended

30 June 2021 (Un-Audited)	30 June 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 additions / (transfer to fixed assets) - net	(347,163)	70,969
<b>Property and equipment</b>		
Furniture and fixtures	133,738	62,474
Electrical, office and computer equipments	395,087	355,483
Vehicles	41,566	21,377
Lease hold improvement	607,321	211,542
Right-of-use assets	1,113,722	528,975
	<u>2,291,434</u>	<u>1,179,851</u>
	<u>1,944,271</u>	<u>1,250,820</u>

#### 11.3 Disposal of fixed assets

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

Furniture and fixtures	197	152
Electrical, office and computer equipments	164	519
Vehicles	1,862	2,322
Total	<u>2,223</u>	<u>2,993</u>



	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>12. INTANGIBLE ASSETS</b>		
Computer software	127,457	89,731
Management rights	41,600	41,600
	<u>169,057</u>	<u>131,331</u>
	Half year ended	
	30 June 2021 (Un-Audited)	30 June 2020
	Rupees in '000	
<b>12.1</b> The following additions have been made to intangible assets during the period:		
- directly purchased	<u>71,706</u>	<u>60,391</u>
	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>13. DEFERRED TAX LIABILITIES / (ASSETS)</b>		
<b>Deductible temporary differences</b>		
Provision for diminution in value of investments	197,479	177,655
Provision for non-performing and off-balance sheet obligations	2,965,741	2,555,455
Provision against other assets	—	87,150
Accelerated tax depreciation and amortisation	120,288	30,341
Deferred liability on defined benefit plan	33,584	6,054
Others	499	1,069
	<u>3,317,591</u>	<u>2,857,724</u>
<b>Taxable temporary differences</b>		
Surplus on revaluation of investments	(1,280,171)	(1,584,605)
Surplus on revaluation of non-banking assets	(55,886)	(119,521)
	<u>(1,336,057)</u>	<u>(1,704,126)</u>
<b>Deferred tax asset - net</b>	<u>1,981,534</u>	<u>1,153,598</u>

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
14. OTHER ASSETS			
Income / mark-up / profit accrued in local currency - net of provision		11,711,375	10,036,321
Income / mark-up / profit accrued in foreign currencies - net of provision		15,928	11,630
Advances, deposits and other prepayments		483,481	406,169
Non-banking assets acquired in satisfaction of claims		2,386,828	2,641,141
Branch adjustment account		–	41
Mark-to-market gain on forward foreign exchange contracts		3,318,616	4,718,094
Acceptances		26,816,913	34,998,772
Receivable from the SBP against encashment of government securities		76,420	11,990
Stationery and stamps on hand		89,326	101,857
Dividend receivable		2,950	2,606
Others		704,091	293,738
		45,605,928	53,222,359
Provision against other assets	14.1 & 14.2	(236,724)	(462,880)
Other assets (net of provision)		45,369,204	52,759,479
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	143,298	341,491
		45,512,502	53,100,970
14.1 Provision held against other assets			
Acceptances		–	249,000
Others		235,000	210,000
Other receivable		1,724	3,880
		236,724	462,880
14.2 Movement in provision held against other assets			
Opening balance		462,880	211,182
Charge for the period / year		25,000	251,698
Reversal for the period / year		(249,971)	–
		(224,971)	251,698
Amount written off		(1,185)	–
Closing balance		236,724	462,880

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>15. BILLS PAYABLE</b>		
In Pakistan	21,715,390	15,337,849
Outside Pakistan	79,168	83,153
	<u>21,794,558</u>	<u>15,421,002</u>
<b>16. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	67,703,917	64,704,959
Under long term financing facility - renewable energy scheme	1,046,614	982,960
Under long term financing facility - locally manufactured plant and machinery scheme	16,455,721	14,832,149
Under refinance for payment of wages and salaries	17,929,909	20,810,171
Under temporary economic refinance facility	18,634,412	4,173,416
Under refinance facility for combating COVID-19	50,000	-
Under refinance facility for modernization of SME	23,586	-
Under long term financing facility for storage of agricultural produce scheme	542,405	256,481
	<u>122,386,564</u>	<u>105,760,136</u>
Repurchase agreement borrowings (Repo)	135,207,557	91,644,767
	<u>257,594,121</u>	<u>197,404,903</u>
<b>Unsecured</b>		
Certificate of investment	5,065,539	4,089,056
Murhabaha financing	49,999	-
Overdrawn nostro accounts	2,846,890	4,317,946
	<u>7,962,428</u>	<u>8,407,002</u>
	<u>265,556,549</u>	<u>205,811,905</u>

## 17. DEPOSITS AND OTHER ACCOUNTS

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	228,571,644	33,092,500	261,664,144	185,076,754	32,854,065	217,930,819
Savings deposits	182,816,641	19,365,429	202,182,070	158,741,477	23,866,671	182,608,148
Term deposits	203,043,793	46,935,617	249,979,410	211,496,123	41,495,660	252,991,783
Others - margin deposits	21,801,315	4,886	21,806,201	13,702,059	1,791	13,703,850
	<u>636,233,393</u>	<u>99,398,432</u>	<u>735,631,825</u>	<u>569,016,413</u>	<u>98,218,187</u>	<u>667,234,600</u>
<b>Financial institutions</b>						
Current deposits	1,062,486	1,325,986	2,388,472	1,527,105	1,058,671	2,585,776
Savings deposits	24,274,951	-	24,274,951	6,988,102	-	6,988,102
Term deposits	1,133,440	-	1,133,440	3,577,307	4,903	3,582,210
	<u>26,470,877</u>	<u>1,325,986</u>	<u>27,796,863</u>	<u>12,092,514</u>	<u>1,063,574</u>	<u>13,156,088</u>
	<u>662,704,270</u>	<u>100,724,418</u>	<u>763,428,688</u>	<u>581,108,927</u>	<u>99,281,761</u>	<u>680,390,688</u>

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		6,596,773	7,863,001
Mark-up / return / interest payable in foreign currencies		233,427	348,217
Unearned commission and income on bills discounted		297,729	307,572
Accrued expenses		1,153,816	1,348,381
Current taxation (provision less payments)		2,503,019	2,025,424
Acceptances		26,816,913	34,998,772
Unclaimed dividend		154,535	137,905
Branch adjustment account		71	-
Mark-to-market loss on forward foreign exchange contracts		2,988,245	5,949,494
Provision for compensated absences		258,121	247,599
Deferred liability on defined benefit plan		174,797	17,852
Provision against off-balance sheet obligations	18.1	32,583	113,716
Workers' welfare fund	18.2	1,860,366	1,644,055
Charity fund balance		5,807	5,227
Excise duty payable		1,624	1,575
Locker deposits		905,857	875,074
Advance against diminishing musharakah		184,376	55,542
Advance rental for ijarah		5,417	4,759
Security deposits against leases / ijarah		385,940	462,414
Sundry creditors		1,574,319	1,251,623
Lease liability against right-of-use assets		5,379,682	4,615,107
Withholding tax / duties		385,162	294,799
Others		71,236	89,011
		<u>51,969,815</u>	<u>62,657,119</u>
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		113,716	113,716
Charge for the period / year		<u>(81,133)</u>	<u>-</u>
Closing balance		<u>32,583</u>	<u>113,716</u>

The above represents provision against certain letters of credit and guarantee.

- 18.2** Under the Workers' Welfare Ordinance 1971, the holding company is liable to pay workers' welfare fund (WWF) at 2% of accounting profit before tax or taxable income, whichever is higher. The holding company has made full provision for WWF based on profit for the respective years.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgement may not currently be treated as conclusive. Accordingly the holding company maintains its provision in respect of WWF.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
Rupees in '000			
<b>19. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of			
- Non-banking assets	14	143,298	341,491
- Available-for-sale securities	9.1	3,411,909	4,622,075
		3,555,207	4,963,566
Deferred tax on surplus on revaluation of			
- Non-banking assets		55,886	119,521
- Available-for-sale securities		1,280,171	1,584,605
		(1,336,057)	(1,704,126)
		2,219,150	3,259,440
		(96,800)	(76,299)
Less: Surplus pertaining to non-controlling interest		2,122,350	3,183,141
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	20.1	102,078,114	89,902,458
Commitments	20.2	612,501,050	598,629,956
Other contingent liabilities	20.3	16,905,462	2,733,563
		731,484,626	691,265,977
<b>20.1 Guarantees</b>			
Financial guarantees		49,116,800	42,197,620
Performance guarantees		29,420,729	27,904,956
Other guarantees		23,540,585	19,799,882
		102,078,114	89,902,458
<b>20.2 Commitments</b>			
Documentary credits and short-term trade-related transactions:			
Letters of credit		213,568,051	160,321,521
Commitments in respect of:			
Forward exchange contracts	20.2.1	398,214,859	435,798,001
Forward lendings	20.2.2	568,617	2,217,921
Acquisition of operating fixed assets		149,523	292,513
		612,501,050	598,629,956
<b>20.2.1 Commitments in respect of forward exchange contracts</b>			
Purchase		222,987,206	245,157,873
Sale		175,227,653	190,640,128
		398,214,859	435,798,001

### 20.2.2 Commitments in respect of forward lendings

The Group has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	———— Rupees in '000 ————	————
Commitments in respect of syndicate financing	—	1,681,802
Commitments in respect of financing transaction	<u>568,617</u>	<u>536,119</u>
	<u>568,617</u>	<u>2,217,921</u>

### 20.3 Other contingent liabilities

Claims against bank not acknowledged as debt		16,799,406	2,627,507
Foreign exchange repatriation case	20.3.1	<u>106,056</u>	<u>106,056</u>
		<u>16,905,462</u>	<u>2,733,563</u>

#### 20.3.1 Foreign exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106.056 million, arbitrarily on the holding company. The holding company has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgement. The Honorable High Court has granted relief to holding company by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the holding company and therefore no provision has been made against the impugned penalty.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

The holding company deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business.

As per the holding company's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised mark to market gains and losses on these contracts are recorded on the statement of financial position under "other assets / other liabilities".

These products are offered to the holding company's customers to protect from unfavourable movements in foreign currencies. The holding company hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the holding company's Asset and Liability Committee (ALCO).

	Note	Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
<b>22 MARK-UP / RETURN / INTEREST EARNED</b>			
On:			
Loans and advances		10,330,985	14,407,162
Investments		24,638,667	25,056,523
Lending with financial institutions		592,536	1,377,947
Balance with other banks		9,986	66,617
		<u>35,572,174</u>	<u>40,908,249</u>
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On:			
Deposits		13,127,977	19,761,232
Borrowings		5,494,781	7,036,645
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,908,915	2,861,721
Lease liability against right-of-use assets		302,731	265,639
		<u>20,834,404</u>	<u>29,925,237</u>
<b>24. FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		265,880	258,880
Credit related fees		20,366	19,276
Card related fees		265,556	108,141
Commission on trade		2,276,865	1,745,303
Commission on guarantees		339,859	225,497
Commission on remittances including home remittances		20,232	20,932
Commission on bancassurance		85,291	56,854
Others		81,113	62,087
		<u>3,355,162</u>	<u>2,496,970</u>
<b>25. GAIN / (LOSS) ON SECURITIES</b>			
Realised			
Federal government securities		9,050	(71,090)
Mutual funds		27,633	167,734
Shares		3,847	7,488
Non-government debt securities		-	4,952
Unrealised - held-for-trading			
Federal government securities	9.1	4,604	40,038
		<u>45,134</u>	<u>149,122</u>
<b>26. OTHER INCOME</b>			
Rent on properties		3,905	5,324
Gain on sale of fixed assets - net		7,950	9,114
Gain on sale of non-banking assets		163,220	-
Gain on sale of ijarah assets - net		219	185
Staff notice period and other recoveries		435	7,929
		<u>175,729</u>	<u>22,552</u>

## 27. OPERATING EXPENSES

	Half year ended	
	30 June 2021	30 June 2020
	(Un-Audited)	
	Rupees in '000	
Total compensation expense	3,628,553	3,241,632
Property expense		
Rent and taxes	113,755	201,891
Insurance	2,032	2,640
Utilities cost	211,651	186,669
Security	227,390	226,799
Repair and maintenance	193,233	163,825
Depreciation	212,213	208,330
Depreciation on right-of-use assets	462,665	385,369
	1,422,939	1,375,523
Information technology expenses		
Software maintenance	106,086	67,256
Hardware maintenance	80,718	82,023
Depreciation	104,183	94,320
Amortisation	33,980	35,981
Network charges	121,263	112,770
	446,230	392,350
Other operating expenses		
Directors' fees and allowances	6,903	5,443
Fees and allowances to Shariah Board	5,626	5,264
Legal and professional charges	69,813	57,871
Outsourced services costs	144,964	148,438
Travelling and conveyance	122,489	101,296
NIFT and clearing charges	35,226	30,424
Depreciation	238,358	235,942
Depreciation - non-banking assets	18,004	5,731
Training and development	18,547	7,972
Postage and courier charges	56,739	41,697
Communication	65,908	52,887
Subscription	103,929	99,988
Repair and maintenance	48,502	55,005
Brokerage and commission	101,726	100,051
Stationery and printing	121,141	112,837
Marketing, advertisement and publicity	56,662	51,122
Management fee	242,127	249,415
Insurance	361,301	280,168
Donations	100,200	64,796
Auditors' Remuneration	7,207	8,141
Others	283,629	236,100
	2,209,001	1,950,588
	7,706,723	6,960,093



	Note	Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
<b>28. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		14,556	29,240
<b>29. PROVISIONS AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	9.2.1	(1,230)	180,074
Provision against loan and advances - net	10.4	2,103,326	1,431,024
Provision against other assets / off-balance sheet obligations		(306,104)	2,742
Recovery of written off bad debts		1,500	(10,751)
		1,797,492	1,603,089
<b>30. TAXATION</b>			
Current		3,971,327	2,828,580
Prior year		-	-
Deferred		(509,632)	(92,213)
		3,461,695	2,736,367
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit attributable to equity shareholders of the holding company		6,270,186	4,156,722
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		5.98	3.97

## 32. FAIR VALUE MEASUREMENTS

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

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

### 32.1 Fair value of financial assets

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

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

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

**On balance sheet financial instruments**

		30 June 2021 (Un-Audited)			
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Held-for-trading securities					
Federal government securities	30,948,977	-	30,948,977	-	30,948,977
- Available-for-sale securities					
Federal government securities	576,009,035	-	576,009,035	-	576,009,035
Sukuk certificates and bonds	7,295,420	-	7,295,420	-	7,295,420
Ordinary shares of listed companies	1,310,967	1,310,967	-	-	1,310,967
Mutual funds - open end	19,782	-	19,782	-	19,782
- close end	8,081	8,081	-	-	8,081
Real estate investment trust	591,961	591,961	-	-	591,961
Listed term finance certificates	1,587,285	-	1,587,285	-	1,587,285
Financial assets disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	35,150,381	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	52,657	-	-	-	-
	652,974,546	1,911,009	615,860,499	-	617,771,508
Off-balance sheet financial instruments					
- measured at fair value					
- Forward purchase of foreign exchange contracts	222,987,206	-	224,211,393	-	224,211,393
- Forward sale of foreign exchange contracts	175,227,653	-	174,333,836	-	174,333,836
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	2,530,126	-	-	2,804,142	2,804,142

**On balance sheet financial instruments**

	31 December 2020 (Audited)				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
Held-for-trading securities					
Federal government securities	-	-	-	-	-
Available-for-sale securities					
Federal government securities	534,350,746	-	534,350,746	-	534,350,746
Sukuk certificates and bonds	7,349,073	-	7,349,073	-	7,349,073
Ordinary shares of listed companies	1,166,462	1,166,462	-	-	1,166,462
Mutual funds - open end	18,304	-	18,304	-	18,304
- close end	8,275	8,275	-	-	8,275
Real estate investment trust	375,429	375,429	-	-	375,429
Listed term finance certificates	2,826,707	-	2,826,707	-	2,826,707
Financial assets disclosed but not measured at fair value					
- Investments					
Held-to-maturity securities					
Federal government securities	34,358,396	-	-	-	-
Certificates of investments	2,000,000	-	-	-	-
Available-for-sale securities					
Ordinary shares of unlisted companies	55,444	-	-	-	-
	<u>582,508,836</u>	<u>1,550,166</u>	<u>544,544,830</u>	<u>-</u>	<u>546,094,996</u>
Off-balance sheet financial instruments					
- measured at fair value					
- Forward purchase of foreign exchange contracts	<u>245,157,873</u>	<u>-</u>	<u>241,170,544</u>	<u>-</u>	<u>241,170,544</u>
- Forward sale of foreign exchange contracts	<u>190,640,128</u>	<u>-</u>	<u>187,884,199</u>	<u>-</u>	<u>187,884,199</u>
Non-financial assets measured at fair value					
- Non-banking assets acquired in satisfaction of claim	<u>2,982,632</u>	<u>-</u>	<u>-</u>	<u>3,249,798</u>	<u>3,249,798</u>

### 32.2 Valuation techniques used in determination of fair valuation of financial instruments within level 2.

Federal government debt securities	The fair value of government securities are valued using PKRV rates.
Debt securities other than federal government securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

### 32.3 Valuation techniques used in determination of fair values of non-financial assets within level 3.

Non-banking assets acquired in satisfaction of claim	Non-banking assets are valued by professionally qualified valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented.
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## 33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 June 2021 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	20,806,305	(5,791,058)	(277,477)	14,737,770
Inter segment revenue - net	(15,404,058)	10,368,721	5,035,337	-
Non mark-up / return / interest income	(179,128)	247,064	4,842,683	4,910,619
<b>Total Income</b>	<b>5,223,119</b>	<b>4,824,727</b>	<b>9,600,543</b>	<b>19,648,389</b>
Segment direct expenses	(165,232)	-	(99,212)	(264,444)
Inter segment expense allocation	-	(2,108,625)	(5,564,545)	(7,673,170)
<b>Total expenses</b>	<b>(165,232)</b>	<b>(2,108,625)</b>	<b>(5,663,757)</b>	<b>(7,937,614)</b>
Provisions	2,201	3,059	(1,802,752)	(1,797,492)
<b>Profit before tax</b>	<b>5,060,088</b>	<b>2,719,161</b>	<b>2,134,034</b>	<b>9,913,283</b>
<b>Balance Sheet</b>				
Cash & Bank balances	4,069,749	34,576,034	52,548,128	91,193,911
Investments	652,974,546	-	-	652,974,546
Lendings to financial institutions	4,000,000	-	-	4,000,000
Advances - performing	-	4,667,184	358,925,835	363,593,019
Advances - non-performing	-	28,947	18,955,179	18,984,126
Provision against advances	-	(34,921)	(21,439,821)	(21,474,742)
Net inter segment lending	-	291,713,982	208,381,553	500,095,535
Others	9,774,176	2,851,563	45,062,158	57,687,897
<b>Total Assets</b>	<b>670,818,471</b>	<b>333,802,789</b>	<b>662,433,032</b>	<b>1,667,054,292</b>
Borrowings	138,054,447	-	127,502,102	265,556,549
Deposits & other accounts	-	306,072,770	457,355,918	763,428,688
Net inter segment borrowing	500,095,535	-	-	500,095,535
Others	3,275,971	11,209,402	59,279,000	73,764,373
<b>Total liabilities</b>	<b>641,425,953</b>	<b>317,282,172</b>	<b>644,137,020</b>	<b>1,602,845,145</b>
Equity	29,392,518	16,520,617	18,296,012	64,209,147
<b>Total Equity &amp; liabilities</b>	<b>670,818,471</b>	<b>333,802,789</b>	<b>662,433,032</b>	<b>1,667,054,292</b>
Contingencies & Commitments	398,214,859	6,649,883	326,619,884	731,484,626

## 30 June 2020 (Un-Audited)

	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up / return / profit	17,625,535	(8,730,403)	2,087,880	10,983,012
Inter segment revenue - net	(14,547,128)	11,002,759	3,544,369	-
Non mark-up / return / interest income	18,860	111,962	4,657,023	4,787,845
<b>Total Income</b>	<b>3,097,267</b>	<b>2,384,318</b>	<b>10,289,272</b>	<b>15,770,857</b>
Segment direct expenses	(199,680)	-	(116,180)	(315,860)
Inter segment expense allocation	-	(2,025,193)	(4,799,753)	(6,824,946)
<b>Total expenses</b>	<b>(199,680)</b>	<b>(2,025,193)</b>	<b>(4,915,933)</b>	<b>(7,140,806)</b>
<b>Provisions</b>	<b>(182,816)</b>	<b>3,868</b>	<b>(1,424,141)</b>	<b>(1,603,089)</b>
<b>Profit before tax</b>	<b>2,714,771</b>	<b>362,993</b>	<b>3,949,198</b>	<b>7,026,962</b>

## 31 December 2020 (Audited)

## Balance Sheet

Cash & Bank balances	1,816,675	23,136,227	32,014,820	56,967,722
Investments	582,508,836	-	-	582,508,836
Net inter segment lending	-	284,961,421	177,548,535	462,509,956
Lendings to financial institutions	1,000,000	-	-	1,000,000
Advances - performing	-	3,625,775	318,173,286	321,799,061
Advances - non-performing	-	27,203	19,274,853	19,302,056
Provision against advances	-	(16,089)	(19,429,197)	(19,445,286)
Others	9,937,076	2,650,754	50,898,246	63,486,076
Total Assets	<u>595,262,587</u>	<u>314,385,291</u>	<u>578,480,543</u>	<u>1,488,128,421</u>
Borrowings	95,962,713	-	109,849,192	205,811,905
Deposits & other accounts	-	288,049,370	392,341,318	680,390,688
Net inter segment borrowing	462,509,956	-	-	462,509,956
Others	6,286,606	9,742,895	62,048,620	78,078,121
Total liabilities	<u>564,759,275</u>	<u>297,792,265</u>	<u>564,239,130</u>	<u>1,426,790,670</u>
Equity	30,503,312	16,593,026	14,241,413	61,337,751
Total Equity & liabilities	<u>595,262,587</u>	<u>314,385,291</u>	<u>578,480,543</u>	<u>1,488,128,421</u>
Contingencies & Commitments	435,798,001	-	255,467,976	691,265,977

### 34. RELATED PARTIES TRANSACTIONS

The Group has related party transactions with its ultimate parent company, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions in respect of charge for employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Details of transactions with related parties during the period are as follows:

	30 June 2021 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Balances with other banks						
In current accounts	100,365	117,681	-	-	-	218,046
Advances						
Opening balance	197	4,713,826	195,938	-	-	4,909,961
Addition during the period	-	34,899,995	15,158	-	-	34,915,153
Repaid during the period	(197)	(35,758,404)	(13,722)	-	-	(35,772,323)
Closing balance	-	3,855,417	197,374	-	-	4,052,791
Other Assets						
Mark-up / return / interest accrued	-	5,961	-	-	-	5,961
Prepayments / advance deposits / other receivable	468	6,988	-	-	-	7,456
	468	12,949	-	-	-	13,417
Deposits and other accounts						
Opening balance	213,306	9,616,481	282,595	661,230	1,626,592	12,400,204
Received during the period	12,198,470	1,163,859,149	1,245,310	2,173,299	5,506,383	1,184,982,611
Withdrawn during the period	(12,239,954)	(1,147,726,841)	(1,276,018)	(2,220,335)	(5,300,299)	(1,168,763,447)
Closing balance	171,822	25,748,789	251,887	614,194	1,832,676	28,619,368
Other Liabilities						
Mark-up / return / interest payable	-	132,449	484	2,479	12,605	148,017
Management fee payable for technical and consultancy services*	73,143	-	-	-	-	73,143
Other liabilities	-	8,174	-	670	170,584	179,428
	73,143	140,623	484	3,149	183,189	400,588
Contingencies & commitments						
Guarantees	-	7,636,880	-	-	-	7,636,880
Letters of credit	-	5,296,644	-	-	-	5,296,644
	-	12,933,524	-	-	-	12,933,524

\* Management fee is as per the agreement with the ultimate parent company.

	31 December 2020 (Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
<b>Balances with other banks</b>						
In current accounts	98,181	112,889	–	–	–	211,070
<b>Advances</b>						
Opening balance	366	4,144,390	222,737	–	–	4,367,493
Addition during the year	–	37,321,354	14,326	–	–	37,335,680
Repaid during the year	(169)	(36,751,918)	(41,125)	–	–	(36,793,212)
Closing balance	197	4,713,826	195,938	–	–	4,909,961
<b>Other Assets</b>						
Mark-up / return / interest accrued	–	6,592	–	–	–	6,592
Prepayments / advance deposits / other Receivable	468	2,872	–	–	–	3,340
	468	9,464	–	–	–	9,932
<b>Deposits</b>						
Opening balance	529,172	11,234,004	262,708	785,494	940,576	13,751,954
Received during the year	18,649,846	1,656,267,371	1,339,687	2,195,407	3,530,113	1,681,982,424
Withdrawn during the year	(18,965,712)	(1,657,884,894)	(1,319,800)	(2,319,671)	(2,844,097)	(1,683,334,174)
Closing balance	213,306	9,616,481	282,595	661,230	1,626,592	12,400,204
<b>Other Liabilities</b>						
Mark-up / return / interest payable	–	140,225	3,294	3,844	18,739	166,102
Management fee payable for technical and consultancy services *	204,497	–	–	–	–	204,497
Other liabilities	–	11,821	–	730	13,568	26,119
	204,497	152,046	3,294	4,574	32,307	396,718
<b>Contingencies &amp; commitments</b>						
Guarantees	–	8,729,159	–	–	–	8,729,159
Letters of credit	–	2,027,205	–	–	–	2,027,205
	–	10,756,364	–	–	–	10,756,364

\* Management fee is as per the agreement with the ultimate parent company.

## Transactions during the period

	For the period ended 30 June 2021 (Un-Audited)				
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000				
<b>Income</b>					
Mark-up / return / interest earned	<u>–</u>	<u>31,015</u>	<u>5,263</u>	<u>–</u>	<u>36,278</u>
Fee and commission income	<u>1,205</u>	<u>124,240</u>	<u>–</u>	<u>52</u>	<u>125,497</u>
Rent income	<u>2,808</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,808</u>
<b>Expense</b>					
Mark-up / return / interest expensed	<u>–</u>	<u>437,965</u>	<u>8,086</u>	<u>16,567</u>	<u>536,369</u>
Commission / brokerage / bank charges paid	<u>746</u>	<u>498</u>	<u>–</u>	<u>–</u>	<u>1,244</u>
Salaries and allowances	<u>–</u>	<u>–</u>	<u>330,791</u>	<u>–</u>	<u>330,791</u>
Directors' fees and allowances	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,903</u>	<u>6,903</u>
Charge to defined benefit plan	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>88,430</u>
Contribution to defined contribution plan	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>122,990</u>
Rent expenses	<u>–</u>	<u>7,613</u>	<u>–</u>	<u>–</u>	<u>7,613</u>
Insurance premium expenses	<u>–</u>	<u>6,473</u>	<u>–</u>	<u>–</u>	<u>6,473</u>
Maintenance, electricity, stationery & entertainment	<u>–</u>	<u>44,859</u>	<u>–</u>	<u>–</u>	<u>44,859</u>
Management fee expense for technical and consultancy services *	<u>242,127</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>242,127</u>
Donation	<u>–</u>	<u>10,960</u>	<u>–</u>	<u>–</u>	<u>10,960</u>
Professional / other charges	<u>–</u>	<u>1,025</u>	<u>–</u>	<u>–</u>	<u>1,025</u>

\* Management fee is as per the agreement with the ultimate parent company.



**Transactions during the period**

	For the period ended 30 June 2020 (Un-Audited)					
	Ultimate parent company	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000					
Income						
Mark-up / return / interest earned	86	72,648	6,489	–	–	79,223
Fee and commission income	2,232	162,882	–	16	–	165,130
Rent income	2,808	–	–	–	–	2,808
Expenses						
Mark-up / return / interest expensed	–	472,888	11,127	33,885	64,331	582,231
Commission / brokerage / bank charges paid	425	702	–	–	–	1,127
Salaries and allowances	–	–	261,553	–	–	261,553
Directors' fees and allowances	–	–	–	5,443	–	5,443
Charge to defined benefit plan	–	–	–	–	88,616	88,616
Contribution to defined contribution plan	–	–	–	–	108,594	108,594
Rent expenses	–	7,344	–	–	–	7,344
Insurance premium expenses	–	6,066	–	–	–	6,066
Maintenance, electricity, stationery & entertainment	–	50,240	–	–	–	50,240
Management fee expense for technical and consultancy services *	247,272	–	–	–	–	247,272
Donation	–	11,960	–	–	–	11,960
Professional / other charges	–	1,842	–	–	–	1,842

\* Management fee is as per the agreement with the ultimate parent company.

### 35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,478,315	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) capital	58,877,310	55,152,774
Eligible additional Tier 1 (ADT 1) capital	117,010	111,643
Total eligible Tier 1 capital	58,994,320	55,264,417
Eligible Tier 2 capital	5,555,432	6,174,922
Total eligible capital (Tier 1 + Tier 2)	64,549,752	61,439,339
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	359,029,530	309,393,711
Market risk	3,505,262	1,202,170
Operational risk	55,249,734	55,249,734
Total	417,784,526	365,845,615
CET 1 capital adequacy ratio	14.09%	15.08%
Tier 1 capital adequacy ratio	14.12%	15.11%
Total capital adequacy ratio	15.45%	16.79%
<b>Minimum capital requirements prescribed by SBP</b>		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%

The Group use simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.

<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 capital	58,994,320	55,264,417
Total exposures	1,494,702,862	1,308,557,849
Leverage ratio	3.95%	4.22%

## 36. ISLAMIC BANKING BUSINESS

The bank is operating 34 (31 December 2020: 32) Islamic banking branches and 218 (2020: 218) Islamic banking windows at the end of the period.

	Note	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		8,069,547	4,970,404
Balances with other banks		–	–
Due from financial institution	36.1	4,000,000	1,000,000
Investments	36.2	28,638,797	27,627,085
Islamic financing and related assets - net	36.3	81,209,773	56,672,907
Fixed assets	36.4	516,214	481,094
Intangible assets		–	–
Due from head office		5,481,017	204,715
Other assets		3,641,936	3,345,634
<b>Total Assets</b>		<b>131,557,284</b>	<b>94,301,839</b>
<b>LIABILITIES</b>			
Bills payable		1,023,823	786,085
Due to financial institutions		29,912,541	16,609,708
Deposits and other accounts	36.5	91,200,227	68,493,450
Due to head office		–	–
Subordinated debt		–	–
Other liabilities	36.4	2,217,809	2,615,582
		<u>124,354,400</u>	<u>88,504,825</u>
<b>NET ASSETS</b>		<b><u>7,202,884</u></b>	<b><u>5,797,014</u></b>
<b>REPRESENTED BY</b>			
Islamic banking fund		7,003,939	5,503,996
Reserves		–	–
Deficit on revaluation of assets		(817,775)	(1,085,694)
Unappropriated profit	36.9	1,016,720	1,378,712
		<u>7,202,884</u>	<u>5,797,014</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	36.6		

The profit and loss account of the Bank's islamic banking branches for the period ended 30 June 2021 is as follows:

	Note	Half year ended	
		30 June 2021	30 June 2020
		(Un-Audited)	
		Rupees in '000	
Profit / return earned	36.7	3,118,996	2,794,517
Profit / return expensed	36.8	(1,938,462)	(2,078,558)
<b>Net Profit / return</b>		<b>1,180,534</b>	<b>715,959</b>
<b>Other income</b>			
Fee and commission income		159,324	92,458
Dividend income		279	23,400
Foreign exchange income		46,566	46,933
Gain on securities		12,050	166,814
Other income		357	13,848
<b>Total other income</b>		<b>218,576</b>	<b>343,453</b>
<b>Total Income</b>		<b>1,399,110</b>	<b>1,059,412</b>
<b>Other expenses</b>			
Operating expenses		416,847	356,270
Workers' welfare fund		—	—
Other charges		609	—
<b>Total other expenses</b>		<b>417,456</b>	<b>356,270</b>
Profit before provisions		981,654	703,142
Provisions and write offs - net		35,066	(198,766)
<b>Profit before taxation</b>		<b>1,016,720</b>	<b>504,376</b>

### 36.1 Due from Financial Institutions

	30 June 2021 (Un-Audited)			31 December 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
Musharaka	1,500,000	–	1,500,000	1,000,000	–	1,000,000
Modaraba	2,500,000	–	2,500,000	–	–	–
	<u>4,000,000</u>	<u>–</u>	<u>4,000,000</u>	<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>

### 36.2 Investments by segments:

	30 June 2021 (Unaudited)				31 December 2020 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal Government Securities:								
Ijarah Sukuks	15,249,204	–	(439,368)	14,809,836	15,750,214	–	(675,889)	15,074,325
Bai-muajjal	3,608,688	–	–	3,608,688	3,608,688	–	–	3,608,688
INPCCL modaraba investment pool	779,852	–	–	779,852	–	–	–	–
	<u>19,637,744</u>	<u>–</u>	<u>(439,368)</u>	<u>19,198,376</u>	<u>19,358,902</u>	<u>–</u>	<u>(675,889)</u>	<u>18,683,013</u>
Non-Government Debt Securities								
Listed	7,093,828	–	(369,936)	6,723,892	7,178,877	–	(393,601)	6,785,276
Unlisted	2,725,000	–	(8,471)	2,716,529	2,175,000	–	(16,204)	2,158,796
	<u>9,818,828</u>	<u>–</u>	<u>(378,407)</u>	<u>9,440,421</u>	<u>9,353,877</u>	<u>–</u>	<u>(409,805)</u>	<u>8,944,072</u>
Total investments	<u>29,456,572</u>	<u>–</u>	<u>(817,775)</u>	<u>28,638,797</u>	<u>28,712,779</u>	<u>–</u>	<u>(1,085,694)</u>	<u>27,627,085</u>

### 36.3 Islamic financing and related assets - net

	30 June 2021 (Un-Audited)				31 December 2020 (Audited)			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	132,609	3,788	-	136,397	189,891	4,772	-	194,663
Ijarah Islamic Long Term Financing Facility	74,207	-	-	74,207	74,207	-	-	74,207
Murabaha	6,115,328	111,918	-	6,227,246	5,111,746	207,331	-	5,319,077
Working capital musharaka	29,764,237	-	-	29,764,237	25,581,844	-	-	25,581,844
Diminishing musharaka	6,118,378	1,807,836	-	7,926,214	5,328,366	217,013	-	5,545,379
Salam	86,500	88,079	-	174,579	16,874	128,500	54,000	199,374
Istisna	3,553,935	3,693,274	58,565	7,305,774	1,642,581	2,152,364	8,820	3,803,765
Diminishing musharaka - islamic long term financing facility	823,794	748,957	-	1,572,751	764,708	504,848	-	1,269,556
Diminishing musharaka - islamic refinance scheme for payment of wages and salaries	1,496,965	93,534	-	1,590,499	-	1,683,416	-	1,683,416
Diminishing musharaka - islamic financing facility for storage of agricultural produce	-	544,634	-	544,634	-	267,878	-	267,878
Diminishing musharaka - islamic temporary economic refinance facility	-	11,720,410	-	11,720,410	-	1,931,320	-	1,931,320
Diminishing musharaka - islamic financing facility for renewable energy	-	38,355	-	38,355	-	-	-	-
Export refinance working capital musharaka	9,374,600	-	-	9,374,600	3,191,540	-	-	3,191,540
Export refinance murabaha	533,301	6,692	-	539,993	1,137,138	43,565	-	1,180,703
Export refinance istisna	2,044,331	2,475,000	-	4,519,331	1,149,500	5,748,195	-	6,897,695
Export refinance salam	-	60,000	-	60,000	-	150,000	-	150,000
Al-bai	252,444	-	87,489	339,933	136,797	-	25,577	162,374
Al-bai - Islamic Export Refinance Facility	4,047	-	73,158	77,205	-	-	31,773	31,773
Gross islamic financing and related assets	60,374,676	21,392,477	219,212	81,986,365	44,325,192	13,039,202	120,170	57,484,564
Provision against non-performing islamic financings	(776,592)	-	-	(776,592)	(811,657)	-	-	(811,657)
Islamic financing and related assets - net of provision	59,598,084	21,392,477	219,212	81,209,773	43,513,535	13,039,202	120,170	56,672,907

## 36.4 Fixed Assets and Other Liabilities

At 30 June 2021, fixed asset included right-of-use assets of Rs. 465,428 thousand (31 December 2020: 426,383 thousand) and other liabilities included related lease liability of Rs. 506,358 thousand (31 December 2020: 480,505 thousand).

## 36.5 Deposits

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Customers	Financial Institutions	Total	Customers	Financial Institutions	Total
	Rupees in '000					
Current deposits	26,608,857	42,530	26,651,387	17,621,062	138,324	17,759,386
Savings deposits	38,169,121	3,965,622	42,134,743	21,397,482	3,104,956	24,502,438
Term deposits	22,414,097	–	22,414,097	26,231,626	–	26,231,626
	<u>87,192,075</u>	<u>4,008,152</u>	<u>91,200,227</u>	<u>65,250,170</u>	<u>3,243,280</u>	<u>68,493,450</u>

## 36.6 Contingencies and commitments

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
Guarantees	8,372,560	6,333,142
Commitments	21,261,656	18,237,313
	<u>29,634,216</u>	<u>24,570,455</u>

## 36.7 Profit / return earned of financing, investments and placement

Profit earned on:

	30 June 2021 (Un-Audited)	30 June 2020 (Un-Audited)
	Rupees in '000	
Financing	1,971,836	1,169,537
Investments	1,029,517	1,194,691
Placements	117,643	430,289
	<u>3,118,996</u>	<u>2,794,517</u>

## 36.8 Profit on deposits and other dues expensed

	30 June 2021 (Un-Audited)	30 June 2020 (Un-Audited)
	Rupees in '000	
Deposits and other accounts	1,741,953	1,978,957
Due to financial institutions	169,173	70,384
Discount expense on lease liability against right-of-use assets	27,336	29,217
	<u>1,938,462</u>	<u>2,078,558</u>

	30 June 2021 (Un-Audited)	31 December 2020 (Audited)
	Rupees in '000	
36.9 Islamic banking business unappropriated profit		
Opening balance	1,378,712	1,088,033
Add: Islamic banking profit for the period / year	1,016,720	1,378,712
Less: Transferred to head office	(1,378,712)	(1,088,033)
Closing balance	<u>1,016,720</u>	<u>1,378,712</u>

### 37. GENERAL

37.1 The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

37.2 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation.

### 38. NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE / DATE OF AUTHORISATION FOR ISSUE

38.1 The Board of Directors in its meeting held on 24 August 2021 has approved an interim cash dividend of Rs. 2 per share (2020: interim cash dividend of Rs. 2 per share).

38.2 These consolidated condensed interim financial statements were authorised for issue on 24 August 2021 by the Board of Directors of the Bank.

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

TAHIRA RAZA  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman



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