

ACCOUNTS FOR THE
HALF YEAR ENDED
JUNE 30, 2023



Bank AL Habib Limited

هَذَا مِنْ فَضْلِ رَبِّي



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CORPORATE INFORMATION

Board of Directors	Abbas D. Habib Adnan Afridi Anwar Haji Karim Arshad Nasar Farhana Mowjee Khan Javed Iqbal Mohammad Rafiquddin Mehkari Murtaza H. Habib Qumail R. Habib Syed Mazhar Abbas	<i>Chairman</i> <i>Executive Director</i>
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Mohammad Rafiquddin Mehkari Anwar Haji Karim Arshad Nasar Farhana Mowjee Khan Syed Mazhar Abbas	<i>Chairman</i> Member Member Member Member
Human Resource & Remuneration Committee	Arshad Nasar Abbas D. Habib Farhana Mowjee Khan Murtaza H. Habib Syed Mazhar Abbas	<i>Chairman</i> Member Member Member Member
Credit Risk Management Committee	Syed Mazhar Abbas Arshad Nasar Mohammad Rafiquddin Mehkari Murtaza H. Habib Qumail R. Habib	<i>Chairman</i> Member Member Member Member
Risk Management Committee	Adnan Afridi Anwar Haji Karim Farhana Mowjee Khan Mohammad Rafiquddin Mehkari Qumail R. Habib	<i>Chairman</i> Member Member Member Member
IT Committee	Abbas D. Habib Arshad Nasar Javed Iqbal Qumail R. Habib Mansoor Ali Khan	<i>Chairman</i> Member Member Member Member
IFRS 9 Committee	Arshad Nasar Farhana Mowjee Khan Qumail R. Habib	<i>Chairman</i> Member Member
Company Secretary	Mohammad Taqi Lakhani	



Chief Financial Officer	Ashar Husain
Statutory Auditors	EY Ford Rhodes Chartered Accountants
Legal Advisor	LMA Ebrahim Hosain Barristers, Advocates & Corporate Legal Consultants
Registered Office	126-C, Old Bahawalpur Road, Multan
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi
Share Registrar	CDC Share Registrar Services Limited CDC House 99-B, Block-B, S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400.
Website	www.bankalhabib.com



DIRECTORS' REVIEW

It is our pleasure to present the un-audited financial statements of Bank AL Habib Limited along with the un-audited consolidated financial statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Asset Management Limited for the half year ended June 30, 2023.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 1,809 billion as compared to Rs. 1,568.1 billion on December 31, 2022. In the same period, advances decreased to Rs. 774.2 billion from Rs. 813.5 billion, while investments increased to Rs. 1,163.2 billion from Rs. 1,158.5 billion. The pre-tax profit of the Bank for the half year ended June 30, 2023 was Rs. 30.95 billion as compared to Rs. 18.42 billion during the corresponding period last year. The profit after tax for the half year ended June 30, 2023 was Rs. 18.09 billion compared with Rs. 9.63 billion during 2022.

The Board of Directors, in its meeting held on August 23, 2023, has declared an interim cash dividend of 45%, i.e., Rs. 4.50 per share for the half year ended June 30, 2023.

By the Grace of Allah, the Bank now has a network of 1,095 offices, comprising 1,062 branches, 29 sub-branches, and 4 Representative Offices. Our branch network includes 181 Islamic Banking Branches and 2 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2023.

Alhamdulillah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term entity and short term entity ratings at **AAA** (Triple A) and **A1+** (A One plus), respectively. This long term credit rating **AAA** (Triple A) denotes the highest credit quality with the lowest expectation of credit risk, and indicates exceptionally strong capacity for timely payment of financial commitments.

The ratings of our unsecured, subordinated Term Finance Certificates (TFCs) are **AAA** (Triple A) for TFC-2018, TFC-2021 and TFC-2022, and **AA+** (Double A plus) for TFC-2017 (perpetual) and TFC-2022 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. Further, the TFC-2022 & the TFC-2022 (perpetual) issued in 2022, were listed on Pakistan Stock Exchange (PSX) pursuant to Chapter 5C of PSX Rule Book.

We wish to thank our customers, for their continued trust and support, local & foreign correspondents for their confidence and cooperation, and the State Bank of Pakistan for their guidance. We also thank all our staff members for their sincerity, dedication and hard work.

Mansoor Ali Khan
Chief Executive

Abbas D. Habib
Chairman
Board of Directors

Karachi: August 23, 2023



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 30 جون 2023 کو ختم ہونے والی ششماہی کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنیز الحیب کسٹیڈیل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب ایسٹ منجمنٹ لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 30 جون 2023 کو ختم ہونے والی ششماہی میں ڈپازٹس بڑھ کر 1,809 بلین روپے ہو گئے، جو کہ 31 دسمبر 2022 کو 1,568.1 بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز 813.5 بلین روپے سے کم ہو کر 774.2 بلین روپے ہو گئے اور سرمایہ کاری 1,158.5 بلین روپے سے بڑھ کر 1,163.2 بلین روپے ہو گئی۔ 30 جون 2023 کو ختم ہونے والی ششماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع 30.95 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 18.42 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 30 جون 2023 کو ختم ہونے والی مدت کے لئے 18.09 بلین روپے رہا جبکہ گزشتہ سال یہ 9.63 بلین روپے تھا۔

بورڈ آف ڈائریکٹرز نے 23 اگست 2023 کو منعقد ہونے والے اجلاس میں 30 جون 2023 کو ختم ہونے والی ششماہی کیلئے 45% عبوری نقد منافع منقسمہ یعنی 4.50 روپے فی شیئر کا اعلان کیا ہے۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 1,095 دفاتر پر مشتمل ہے، جس میں 1,062 برانچز، 29 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب 1181 اسلامی بینکاری برانچز اور 2 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال 2023 میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

الحمد للہ، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے طویل مدت کے لئے بینک کی ریٹنگز AAA (ٹرپل اے) اور مختصر مدت کے لئے A1+ (اے ون پلس) برقرار رکھی ہیں۔ یہ طویل مدتی کریڈٹ ریٹنگ AAA (ٹرپل اے) بینک کے بہترین کریڈٹ کے معیار، کم ترین کریڈٹ رسک کی توقع اور بروقت مالی ذمہ داریوں سے عہدہ براء ہونے کی غیر معمولی صلاحیت کو ظاہر کرتی ہے۔

ہمارے انسیکیورڈ، سبارڈینیڈ ٹرم فنانس سرٹیفکیٹس کی ریٹنگز AAA (ٹرپل اے) برائے TFC-2018، TFC-2021 اور TFC-2022 اور AA+ (ڈبل اے پلس) برائے TFC-2017 (پریچپول) اور TFC-2022 (پریچپول) ہیں۔ یہ ریٹنگز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء ہونے کی بہت مضبوط صلاحیت ہے۔ مزید برآں ٹی ایف سی 2022 اور ٹی ایف سی 2022 (پریچپول) جو کہ 2022 میں ایٹو ہوئے ٹی ایف سی ایکس رول بک کے باب 5C کے مطابق پاکستان اسٹاک ایکسچینج لمیٹڈ پر لسٹڈ کئے گئے۔

ہم اپنے کسٹرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے ان کی رہنمائی پر، بے حد مشکور ہیں۔ ہم اپنے تمام اسٹاف ممبران کا بھی ان کے خلوص، لگن اور انتھک محنت پر ان کا شکریہ ادا کرتے ہیں۔

عباس ڈی۔ حسیب
چیئرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی، ۲۳ اگست ۲۰۲۳ء



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

Report on Review of Unconsolidated Condensed Interim Financial Information

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **Bank AL Habib Limited** (the Bank) as at **30 June 2023**, the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity, and notes to the financial information for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2023 and 30 June 2022 have not been subject to limited scope review by us as we are only required to review the cumulative figures for the six-months period ended 30 June 2023.

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 information 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 information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Arslan Khalid.

Karachi: August 25, 2023

UDIN: AR202310191T30PoBX4L

EY Ford Rhodes
Chartered Accountants



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Note	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
ASSETS			
Cash and balances with treasury banks	6	165,925,144	94,163,585
Balances with other banks	7	25,875,289	15,067,261
Lendings to financial institutions	8	–	15,568,607
Investments	9	1,163,242,422	1,158,520,697
Advances	10	774,245,033	813,534,790
Fixed assets	11	78,054,792	62,075,079
Intangible assets	12	230,085	364,466
Deferred tax assets	13	8,641,746	9,680,840
Other assets	14	134,841,202	103,092,411
		2,351,055,713	2,272,067,736
LIABILITIES			
Bills payable	16	36,572,242	44,855,837
Borrowings	17	243,660,626	418,989,460
Deposits and other accounts	18	1,809,019,508	1,568,138,055
Liabilities against assets subject to finance lease		–	–
Subordinated debt	19	29,988,400	29,991,600
Deferred tax liabilities		–	–
Other liabilities	20	122,954,979	114,850,833
		2,242,195,755	2,176,825,785
NET ASSETS		108,859,958	95,241,951
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		26,481,150	24,391,414
Surplus on revaluation of assets	21	3,866,777	897,685
Unappropriated profit		67,397,777	58,838,598
		108,859,958	95,241,951
CONTINGENCIES AND COMMITMENTS	22		

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Note	Half year ended		Three months period ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
		(Rupees in '000)			
Mark-up / return / interest earned	24	161,217,841	76,821,940	86,412,666	42,626,356
Mark-up / return / interest expensed	25	(110,293,947)	(42,885,262)	(60,113,339)	(24,639,725)
Net mark-up / interest income		50,923,894	33,936,678	26,299,327	17,986,631
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	6,681,881	5,746,513	3,662,613	2,965,771
Dividend income		842,433	613,659	529,069	232,787
Foreign exchange income		3,813,530	3,108,743	1,115,503	2,523,700
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities-net	27	23,770	202,050	(745)	16,500
Other income	28	390,658	420,584	143,508	193,863
Total non mark-up / interest income		11,752,272	10,091,549	5,449,948	5,932,621
Total income		62,676,166	44,028,227	31,749,275	23,919,252
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	(32,226,169)	(24,574,537)	(17,242,019)	(12,971,269)
Workers welfare fund		(631,540)	(383,723)	(293,641)	(216,690)
Other charges	30	(169)	(797)	(99)	(546)
Total non mark-up / interest expenses		(32,857,878)	(24,959,057)	(17,535,759)	(13,188,505)
Profit before provisions		29,818,288	19,069,170	14,213,516	10,730,747
Reversals / (provisions) and write offs-net	31	1,127,165	(648,946)	174,880	(495,161)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		30,945,453	18,420,224	14,388,396	10,235,586
Taxation	32	(12,858,141)	(8,790,754)	(6,840,418)	(5,569,165)
PROFIT AFTER TAXATION		18,087,312	9,629,470	7,547,978	4,666,421
		(Rupees)			
Basic and diluted earnings per share	33	16.27	8.66	6.79	4.20

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Half year ended		Three months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	(Rupees in '000)			
Profit after taxation for the period	18,087,312	9,629,470	7,547,978	4,666,421
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches	281,005	1,173,709	9,659	783,185
Movement in deficit on revaluation of investments-net of tax	(3,477,312)	(4,146,681)	5,125,325	(2,156,334)
	(3,196,307)	(2,972,972)	5,134,984	(1,373,149)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of operating fixed assets-net of tax	6,506,980	(542,802)	6,640,998	(617,434)
Total comprehensive income	21,397,985	6,113,696	19,323,960	2,675,838

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
(Rupees in '000)									
Balance as at 01 January 2022	11,114,254	17,511,051	2,478,915	126,500	540,000	(658,441)	7,104,700	51,798,069	90,015,048
Comprehensive income for the half year ended 30 June 2022:									
Profit after taxation	-	-	-	-	-	-	-	9,629,470	9,629,470
Other comprehensive income	-	-	1,173,709	-	-	(4,146,681)	(542,802)	-	(3,515,774)
Total comprehensive income for the half year	-	-	1,173,709	-	-	(4,146,681)	(542,802)	9,629,470	6,113,696
Transfer to statutory reserve	-	962,947	-	-	-	-	-	(962,947)	-
Transfer from surplus on revaluation of assets to unappropriated profit-net of tax	-	-	-	-	-	-	(56,286)	56,286	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 7 per share)	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)
Balance as at 30 June 2022-unaudited	11,114,254	18,473,998	3,652,624	126,500	540,000	(4,805,122)	6,505,612	52,740,900	88,348,766
Comprehensive income for the half year ended 31 December 2022:									
Profit after taxation	-	-	-	-	-	-	-	6,940,759	6,940,759
Other comprehensive income	-	-	904,216	-	-	(822,448)	75,929	(205,271)	(47,574)
Total comprehensive income for the half year	-	-	904,216	-	-	(822,448)	75,929	6,735,488	6,893,185
Transfer to statutory reserve	-	694,076	-	-	-	-	-	(694,076)	-
Transfer from surplus on revaluation of assets to unappropriated profit-net of tax	-	-	-	-	-	-	(56,286)	56,286	-
Balance as at 31 December 2022-audited	11,114,254	19,168,074	4,556,840	126,500	540,000	(5,627,570)	6,525,255	58,838,598	95,241,951
Comprehensive income for the half year ended 30 June 2023:									
Profit after taxation	-	-	-	-	-	-	-	18,087,312	18,087,312
Other comprehensive income	-	-	281,005	-	-	(3,477,312)	6,506,980	-	3,310,673
Total comprehensive income for the half year	-	-	281,005	-	-	(3,477,312)	6,506,980	18,087,312	21,397,985
Transfer to statutory reserve	-	1,808,731	-	-	-	-	-	(1,808,731)	-
Transfer from surplus on revaluation of assets to unappropriated profit-net of tax	-	-	-	-	-	-	(60,576)	60,576	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 7 per share)	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)
Balance as at 30 June 2023-unaudited	11,114,254	20,976,805	4,837,845	126,500	540,000	(9,104,882)	12,971,659	67,397,777	108,859,958

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	30 June 2023	30 June 2022
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	30,945,453	18,420,224
Less: Dividend income	(842,433)	(613,659)
	30,103,020	17,806,565
Adjustments:		
Depreciation	2,099,204	1,698,311
Depreciation on right-of-use assets	1,124,710	1,056,030
Amortisation	143,639	124,457
(Reversals) / provisions and write-offs-net	(1,127,211)	648,946
Gain on sale of fixed assets-net	(169,550)	(227,963)
Charge for defined benefit plan	414,000	308,500
Gain on securities-net	(23,770)	(202,050)
Charge for compensated absences	121,626	121,064
Mark-up expense on lease liability against right-of-use assets	744,656	600,677
	3,327,304	4,127,972
Decrease / (increase) in operating assets	33,430,324	21,934,537
Lendings to financial institutions	15,568,607	(13,032,300)
Held-for-trading securities	95,631	(9,572)
Advances	39,214,917	(90,725,766)
Other assets (excluding advance taxation)	(31,551,770)	(39,076,289)
	23,327,385	(142,843,927)
Increase / (decrease) in operating liabilities		
Bills payable	(8,283,595)	955,348
Borrowings from financial institutions	(177,399,998)	37,404,517
Deposits	240,881,453	137,913,053
Other liabilities (excluding current taxation)	9,869,487	35,526,678
	65,067,347	211,799,596
	121,825,056	90,890,206
Income tax paid	(17,553,535)	(6,662,491)
Net cash flow generated from operating activities	104,271,521	84,227,715
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	42,152,868	(37,669,530)
Net investments in held-to-maturity securities	(53,652,246)	(10,936,183)
Net investments in associates	-	(1,407,738)
Dividends received	791,936	611,129
Investments in operating fixed assets	(4,082,476)	(4,599,815)
Proceeds from sale of fixed assets	161,243	248,658
Exchange differences on translation of net investment in foreign branches	281,005	1,173,709
Net cash used in investing activities	(14,347,670)	(52,579,770)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payments) / receipts of subordinated debt-net	(3,200)	6,998,200
Dividend paid	(7,658,765)	(7,681,641)
Payment against lease liabilities	(1,763,463)	(1,437,550)
Net cash used in financing activities	(9,425,428)	(2,120,991)
Increase in cash and cash equivalents	80,498,423	29,526,954
Cash and cash equivalents at beginning of the period	108,736,601	124,979,088
Cash and cash equivalents at end of the period	189,235,024	154,506,042

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

1. STATUS AND NATURE OF BUSINESS

Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 1,062 branches (31 December 2022: 1,050 branches), 29 sub - branches (31 December 2022: 29 sub - branches), 04 representative offices (31 December 2022: 04 representative offices) and 09 booths (31 December 2022: 09 booths). The branch network of the Bank includes 02 overseas branches (31 December 2022: 02 overseas branches) and 181 Islamic Banking branches (31 December 2022: 178 Islamic Banking branches).

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale 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 the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.

2.2 Key financial information of the Islamic Banking branches is disclosed in note 39 to these unconsolidated condensed interim financial statements.

2.3 These are separate financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

2.4 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- IFAS issued by ICAP, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by 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 SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by SBP vide BPRD Circular Letter No. 05, dated: 22 March 2019 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. They do not include all the information required in the annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2022. Further, SBP vide its BPRD Circular Letter No. 07 of 2023 dated: 13 April 2023 deferred the applicability of new format of annual and interim financial statement for the banks issued through BPRD Circular No. 02 of 2023 dated: 09 February 2023.

SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated: 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular Letter No. 07 of 2023 dated: 13 April 2023 directed the banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2024. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated: 28 April 2008. 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 prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

SBP vide its BPRD Circular No. 04 dated: 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these unconsolidated condensed interim financial statements.

IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated: 10 July 2014 by SECP. However, SECP has directed through S.R.O 56 (I) / 2016 dated: 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.



3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2022.

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

There are certain new and amended standards that became effective during the period. However, these are considered either not to be relevant or not to have any significant impact on the Bank's unconsolidated condensed interim financial statements.

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

IFRS 9 has been applicable in several overseas jurisdictions from 01 January 2018. Accordingly, the requirements of this standard are incorporated in the Bank's unconsolidated condensed interim financial statements for the jurisdictions where IFRS 9 has been adopted.

As per SBP's BPRD Circular No. 7 dated: 13 April 2023, the effective date of IFRS 9 for banks in Pakistan has been extended from 01 January 2023 to 01 January 2024, and accordingly the Standard will be applied in the Bank's financial statements for accounting periods beginning on or after 01 January 2024. As disclosed in note 2.8.1 to the unconsolidated annual financial statements of the Bank for the year ended 31 December 2022, the Bank had carried out an impact assessment based on the portfolio of financial instruments held at that date. Given the modified effective date of the Standard, the Bank will reassess the impact of the Standard in due course as required under the relevant regulatory requirements.

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that are not effective in the current period. These are considered not to have any significant impact on these unconsolidated condensed interim financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual financial statements of the Bank for the year ended 31 December 2022.



	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	40,540,865	26,172,039
Foreign currencies	3,450,653	1,703,466
	43,991,518	27,875,505
In transit:		
Local currency	112,658	291,878
Foreign currencies	17,260	-
	129,918	291,878
With State Bank of Pakistan in:		
Local currency current accounts	87,957,016	53,502,052
Local currency current accounts-Islamic Banking	8,785,705	6,348,266
Foreign currency deposit accounts		
Cash reserve account	5,290,824	4,641,833
Cash reserve / special cash reserve account		
- Islamic Banking	931,185	612,722
Special cash reserve account	10,618,538	-
Local collection account	541,610	552,306
	114,124,878	65,657,179
With National Bank of Pakistan in:		
Local currency current accounts	7,484,848	189,343
Prize bonds	193,982	149,680
	165,925,144	94,163,585
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current accounts	158,675	91,742
In deposit accounts	379,701	598,867
	538,376	690,609
Outside Pakistan:		
In current accounts	5,516,264	2,692,451
In deposit accounts	19,820,716	11,684,220
	25,336,980	14,376,671
	25,875,356	15,067,280
Less: impairment against IFRS 9 in overseas branches	(67)	(19)
	25,875,289	15,067,261
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
Market Treasury Bills	-	15,568,607



9. INVESTMENTS

Note	30 June 2023 (Un-audited)				31 December 2022 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying Value
	(Rupees in '000)							
9.1 Investments by type:								
Held-for-trading securities								
Shares	-	-	-	-	99,950	-	419	100,369
Available-for-sale securities								
Federal Government Securities	905,181,140	(5,223,285)	(19,646,635)	880,311,220	945,653,158	(4,841,980)	(10,777,066)	930,034,112
Shares	4,471,338	(1,866,561)	262,182	2,866,959	4,579,881	(1,889,990)	419,533	3,109,424
Non Government Debt Securities	30,476,709	(99,920)	(87,317)	30,289,472	30,742,543	-	(87,440)	30,655,103
Foreign Securities	9,006,924	(4,181,324)	592,447	5,418,047	7,476,045	(3,314,354)	(43,536)	4,118,155
Units of Mutual Funds	3,226,022	(368,679)	1,026,614	3,883,957	3,226,022	(365,225)	615,580	3,476,377
	952,362,133	(11,739,769)	(17,852,709)	922,769,655	991,677,649	(10,411,549)	(9,872,929)	971,393,171
Held-to-maturity securities								
Federal Government Securities	235,871,465	(1,734,866)	-	234,136,599	182,266,360	(1,739,320)	-	180,527,040
Foreign Securities	1,860,003	(1,021,738)	-	838,265	1,812,862	(810,648)	-	1,002,214
Other	4,481	(4,481)	-	-	4,481	(4,481)	-	-
	237,735,949	(2,761,085)	-	234,974,864	184,083,703	(2,554,449)	-	181,529,254
Associates	4,614,653	-	-	4,614,653	4,614,653	-	-	4,614,653
Subsidiaries	883,250	-	-	883,250	883,250	-	-	883,250
Total Investments	1,195,595,985	(14,500,854)	(17,852,709)	1,163,242,422	1,181,359,205	(12,965,998)	(9,872,510)	1,158,520,697



	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
9.1.1 Investments given as collateral		
Market Treasury Bills	50,139,173	71,831,084
Pakistan Investment Bonds	–	154,644,300
	<u>50,139,173</u>	<u>226,475,384</u>
9.2 Provision for diminution in the value of investments		
Opening balance	12,965,998	3,502,199
Exchange adjustments against IFRS 9 in overseas branches	2,809,264	512,063
(Reversal) / charge:		
Charge for the period / year	136,966	148,660
(Reversal) / charge of impairment as per IFRS 9 in overseas branches for the period / year	(1,354,354)	8,843,517
Reversal on disposal during the period / year	(57,020)	(40,441)
	<u>(1,274,408)</u>	8,951,736
Closing balance	<u>14,500,854</u>	<u>12,965,998</u>

9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Non Performing Investments	Provision	Non Performing Investments	Provision
Domestic				
Loss	99,920	99,920	–	–

9.3 The market value of securities classified as held to maturity at 30 June 2023 amounted to Rs. 221,985 million (31 December 2022: Rs. 170,599 million).

9.4 Provision against investments includes Expected Credit Losses (ECL) / impairment under the IFRS 9 amounting to Rs. 12,161.212 million (31 December 2022: Rs. 10,706.302 million) on overseas branches.

The Bank has estimated ECL / impairment provisions based on the IFRS 9 requirements in respect of overseas jurisdictions. Under the IFRS 9 model, credit impairment provisions, inter alia, takes into account the credit ratings of the relevant bonds provided by the International rating agencies and the observed Probability of Default information relevant for such credit rating with appropriate adjustments applied by the Bank considering the market conditions.



10. ADVANCES

	Performing		Non Performing		Total	
	(Un-audited) 30 June 2023	(Audited) 31 December 2022	(Un-audited) 30 June 2023	(Audited) 31 December 2022	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	630,364,161	673,560,243	14,812,414	13,102,322	645,176,575	686,662,565
Islamic financing and related assets	100,376,660	100,915,017	771,328	744,942	101,147,988	101,659,959
Bills discounted and purchased	47,196,857	42,148,012	491,875	874,021	47,688,732	43,022,033
Advances - gross	777,937,678	816,623,272	16,075,617	14,721,285	794,013,295	831,344,557
Provision against advances						
- Specific	-	-	13,625,446	11,606,594	13,625,446	11,606,594
- General as per regulations	325,890	410,890	-	-	325,890	410,890
- General	5,750,000	5,750,000	-	-	5,750,000	5,750,000
- As per IFRS 9 in overseas branches	66,926	42,283	-	-	66,926	42,283
	6,142,816	6,203,173	13,625,446	11,606,594	19,768,262	17,809,767
Advances - net of provision	771,794,862	810,420,099	2,450,171	3,114,691	774,245,033	813,534,790

10.1 Particulars of advances (Gross)

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
In local currency	686,853,176	732,956,629
In foreign currencies	107,160,119	98,387,928
	794,013,295	831,344,557



10.2 Advances include Rs. 16,075.617 million (31 December 2022: Rs. 14,721.285 million) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	234,800	9,011	65,333	917
Substandard	975,748	204,647	887,349	211,101
Doubtful	1,341,174	675,025	926,869	463,175
Loss	4,769,966	4,705,103	4,618,496	4,552,653
	7,321,688	5,593,786	6,498,047	5,227,846
Overseas				
Overdue by:				
Upto 90 days	-	-	5,650,414	3,805,924
91 to 180 days	5,529,288	4,807,019	-	-
181 to 365 days	45,837	45,837	43,612	43,612
> 365 days	3,178,804	3,178,804	2,529,212	2,529,212
	8,753,929	8,031,660	8,223,238	6,378,748
Total	16,075,617	13,625,446	14,721,285	11,606,594

10.3 Particulars of provision against advances

	30 June 2023 (Un-audited)			31 December 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	11,606,594	6,203,173	17,809,767	6,494,129	6,596,182	13,090,311
Exchange adjustments	1,874,515	11,087	1,885,602	663,797	99,778	763,575
Charge / (reversal) for the period / year						
- Specific provision	1,119,662	-	1,119,662	7,771,780	-	7,771,780
- General provision as per regulations	-	(85,000)	(85,000)	-	41,500	41,500
- As per IFRS 9 in overseas branches	-	13,556	13,556	-	(534,287)	(534,287)
Reversals	(973,378)	-	(973,378)	(3,275,830)	-	(3,275,830)
	146,284	(71,444)	74,840	4,495,950	(492,787)	4,003,163
Amounts written off	(1,947)	-	(1,947)	(47,282)	-	(47,282)
Closing balance	13,625,446	6,142,816	19,768,262	11,606,594	6,203,173	17,809,767

10.3.1 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 30 June 2023 amounts to Rs. 5,750 million (31 December 2022: Rs. 5,750 million).

10.3.2 For the purposes of determining provision against domestic non-performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against domestic non-performing advances.



	Note	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
11. FIXED ASSETS			
Capital work-in-progress	11.1	3,884,072	3,175,654
Property and equipment		74,170,720	58,899,425
		<u>78,054,792</u>	<u>62,075,079</u>
11.1 Capital work-in-progress			
Civil works		1,490,169	1,173,278
Advance payment for purchase of equipments		487,624	228,417
Advance payment towards suppliers, contractors and property		1,877,064	1,752,554
Consultants' fee and other charges		29,215	21,405
		<u>3,884,072</u>	<u>3,175,654</u>
11.2 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Half year ended	
		30 June 2023	30 June 2022
		(Rupees in '000)	
Capital work-in-progress		3,012,716	2,952,499
Property and equipment			
Leasehold land		2,455	273,280
Building on leasehold land		243,618	613,138
Furniture and fixture		214,437	307,822
Electrical, office and computer equipment		1,349,187	1,301,369
Vehicles		1,079,016	587,096
Improvements to leasehold building		476,087	152,960
Right-of-use assets		1,016,510	1,931,746
		<u>4,381,310</u>	<u>5,167,411</u>
Total		<u>7,394,026</u>	<u>8,119,910</u>
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,117	1,925
Electrical, office and computer equipment		3,221	2,697
Vehicles		12,157	6,805
Improvements to leasehold building		5,245	17,148
Right-of-use assets		107,292	47,126
Total		<u>129,032</u>	<u>75,701</u>



- 11.4** In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2023. The revaluation was carried out by an independent valuer, M/s. Harvester Services (Pvt) Limited on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in an increase amounting to Rs. 14,216.516 million in the net surplus. The total surplus arising against revaluation of leasehold land and buildings on leasehold land as at 30 June 2023 amounts to Rs 22,199.896 million. The carrying value of revalued leasehold land and buildings on leasehold land was Rs. 48,658.483 million as at 30 June 2023. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 June 2023 would have been as follows:

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
Leasehold land	<u>13,066,480</u>	<u>8,730,369</u>
Buildings on leasehold land	<u>13,382,652</u>	<u>6,399,816</u>
12. INTANGIBLE ASSETS		
Computer software	<u>230,085</u>	<u>364,466</u>
	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
12.1 Additions to intangible assets		
Computer software-directly purchased	<u>9,258</u>	<u>81,390</u>
	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
13. DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
Provision against diminution in value of investments	7,103,229	5,573,505
Provision against loans and advances, off-balance sheet, etc.	2,475,799	2,131,285
Workers' welfare fund	2,201,042	1,659,964
Deficit on revaluation of available for sale investments	8,747,827	4,245,359
	<u>20,527,897</u>	<u>13,610,113</u>
Taxable Temporary Differences on		
Accelerated tax depreciation	(1,943,399)	(1,713,566)
Surplus on revaluation of fixed assets / non-banking assets	(9,942,752)	(2,215,527)
Surplus on revaluation of held for trading securities	-	(180)
	<u>(11,886,151)</u>	<u>(3,929,273)</u>
	<u>8,641,746</u>	<u>9,680,840</u>



		(Un-audited) 30 June 2023	(Audited) 31 December 2022
	Note	(Rupees in '000)	
14. OTHER ASSETS			
Income / mark-up accrued in local currency-net of provision		55,923,721	41,885,628
Income / mark-up accrued in foreign currencies-net of provision		1,360,241	1,221,831
Advances, deposits, advance rent and other prepayments		2,019,817	1,552,508
Non-banking assets acquired in satisfaction of claims		3,649,675	3,651,344
Mark to market gain on forward foreign exchange contracts		1,665,265	2,685,804
Acceptances		56,540,622	47,907,675
Stationery and stamps on hand		904,750	710,733
Advance taxation (payments less provisions)		149,987	-
Clearing and settlement account		10,308,693	1,980,400
Others		2,192,659	1,368,981
		<u>134,715,430</u>	<u>102,964,904</u>
Less: Provision held against other assets	14.1	<u>(7,896)</u>	<u>(8,101)</u>
Other Assets (net of provision)		<u>134,707,534</u>	<u>102,956,803</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>133,668</u>	<u>135,608</u>
Other Assets-total		<u><u>134,841,202</u></u>	<u><u>103,092,411</u></u>
14.1 Provision held against other assets			
Receivable against consumer loans	14.1.1	<u>7,896</u>	<u>8,101</u>
14.1.1 Movement in provision held against other assets			
Opening balance		8,101	7,497
Charge for the period / year		1,684	2,620
Reversals for the period / year		(1,604)	(1,672)
		80	948
Amount written off		(285)	(344)
Closing balance		<u>7,896</u>	<u>8,101</u>
15. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 30 June 2023 (31 December 2022: Nil).			
		(Un-audited) 30 June 2023	(Audited) 31 December 2022
		(Rupees in '000)	
16. BILLS PAYABLE			
In Pakistan		<u>36,572,242</u>	<u>44,855,837</u>



(Un-audited) (Audited)
30 June 31 December
2023 2022
(Rupees in '000)

17. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan		
Under export refinance scheme	95,527,633	88,423,421
Under renewable energy	16,330,023	17,089,222
Under long term financing for imported and locally manufactured plant and machinery	33,393,246	35,641,679
Under modernisation of small and medium enterprises	875,647	771,687
Under women entrepreneurship	24,821	29,253
Under financing facility for storage of agricultural produce	948,298	1,009,305
Under refinance scheme for payment of wages and salaries	-	544,994
Under refinance scheme for working capital financing of small enterprises and low-end medium enterprises	30,000	-
Under temporary economic refinance facility	38,726,611	39,132,557
Under refinance facility for combating COVID-19	170,548	188,889
	186,026,827	182,831,007
Repurchase agreement borrowings	50,068,390	230,164,208
Total secured	236,095,217	412,995,215
Unsecured		
Call borrowings	5,000,000	5,500,000
Overdrawn nostro accounts	2,565,409	494,245
Total unsecured	7,565,409	5,994,245
	243,660,626	418,989,460

18. DEPOSITS AND OTHER ACCOUNTS

	30 June 2023 (Un-audited)			31 December 2022 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
			(Rupees in '000)			
Customers						
Current deposits	595,957,172	57,826,514	653,783,686	515,194,125	53,700,013	568,894,138
Savings deposits	521,570,937	52,715,659	574,286,596	402,129,430	51,436,347	453,565,777
Term deposits	248,782,549	73,168,709	321,951,258	225,036,480	48,657,036	273,693,516
Current deposits-remunerative	177,699,086	10,588,137	188,287,223	162,972,729	6,476,707	169,449,436
Others	21,664,424	19,059,128	40,723,552	36,607,996	12,203,992	48,811,988
	1,565,674,168	213,358,147	1,779,032,315	1,341,940,760	172,474,095	1,514,414,855
Financial institutions						
Current deposits	5,973,320	250,383	6,223,703	5,701,409	576,226	6,277,635
Savings deposits	9,456,713	29	9,456,742	21,876,618	22	21,876,640
Term deposits	720,284	444,715	1,164,999	727,223	293,228	1,020,451
Current deposits-remunerative	12,015,475	1,121,239	13,136,714	23,822,116	686,547	24,508,663
Others	5,035	-	5,035	39,811	-	39,811
	28,170,827	1,816,366	29,987,193	52,167,177	1,556,023	53,723,200
	1,593,844,995	215,174,513	1,809,019,508	1,394,107,937	174,030,118	1,568,138,055



		(Un-audited) 30 June 2023	(Audited) 31 December 2022
	Note	(Rupees in '000)	
19. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - VI	19.1	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII	19.2	3,992,800	3,993,600
Term Finance Certificates (TFCs) - VIII	19.3	4,997,000	4,998,000
Term Finance Certificates (TFCs) - IX	19.4	7,000,000	7,000,000
Term Finance Certificates (TFCs) - X	19.5	6,998,600	7,000,000
		<u>29,988,400</u>	<u>29,991,600</u>

19.1 Term Finance Certificates - VI

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



19.2 Term Finance Certificates - VII

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

19.3 Term Finance Certificates - VIII

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



19.4 Term Finance Certificates - IX

Issue amount	Rupees 7,000 million
Issue date	April 2022
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.65% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

19.5 Term Finance Certificates - X

Issue amount	Rupees 7,000 million
Issue date	December 2022
Maturity date	December 2032
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.35% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
Note	(Rupees in '000)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	4,274,104	7,727,692
Mark-up / return / interest payable in foreign currencies	704,880	380,651
Unearned commission income	783,223	692,150
Accrued expenses	4,479,067	3,284,380
Acceptances	56,540,622	47,907,675
Unclaimed / dividend payable	753,944	632,731
Mark to market loss on forward foreign exchange contracts	1,080,366	1,106,213
Branch adjustment account	3,617,190	1,343,949
Payable to defined benefit plan	1,790,804	1,376,805
Charity payable	42,764	23,820
Provision against off-balance sheet items	20.1 107,712	110,059
Security deposits against leases / ijarah	9,178,130	8,899,624
Provision for compensated absences	1,439,677	1,311,882
Other security deposits	1,172,645	878,993
Workers' welfare fund	4,491,922	3,860,382
Payable to SBP / NBP	5,270,388	4,581,075
Insurance payable	612,474	683,385
Lease liability against right-of-use assets	14,096,858	14,213,811
Current taxation (payment less provisions)	-	2,301,542
Clearing and settlement account	6,796,517	10,257,497
Others	5,721,692	3,276,517
	<u>122,954,979</u>	<u>114,850,833</u>
20.1 Provision against off-balance sheet obligations		
Opening balance	110,059	173,319
Exchange adjustment against IFRS 9 in overseas branches	1,265	21,866
Charge for the period / year	26	27,330
Reversal as per IFRS 9 in overseas branches for the period / year	(3,638)	(109,073)
Reversal for the period / year	-	(3,383)
	<u>(3,612)</u>	<u>(85,126)</u>
Closing balance	<u>107,712</u>	<u>110,059</u>
21. SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of:		
- Available for sale securities	9.1 (17,852,709)	(9,872,929)
- Fixed assets	22,851,091	8,675,522
- Non-banking assets acquired in satisfaction of claims	133,668	135,608
	5,132,050	(1,061,799)
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(8,747,827)	(4,245,359)
- Fixed assets	9,952,050	2,226,730
- Non-banking assets acquired in satisfaction of claims	61,050	59,145
	1,265,273	(1,959,484)
	<u>3,866,777</u>	<u>897,685</u>



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
Note	(Rupees in '000)	
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 170,034,182	164,254,110
Commitments	22.2 373,758,823	347,436,086
Other contingent liabilities	22.3 2,945,318	1,887,763
	<u>546,738,323</u>	<u>513,577,959</u>
22.1 Guarantees:		
Financial guarantees	29,198,276	24,753,930
Performance guarantees	140,835,906	139,500,180
	<u>170,034,182</u>	<u>164,254,110</u>
22.2 Commitments:		
Documentary credits and short term trade-related transactions		
- letters of credit	250,147,924	225,453,786
Commitments in respect of:		
- forward foreign exchange contracts	22.2.1 118,205,266	114,512,491
- forward lendings	22.2.2 3,827,055	6,328,518
Commitments for acquisition of:		
- Operating fixed assets	1,578,578	1,141,291
	<u>373,758,823</u>	<u>347,436,086</u>
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	82,641,598	78,111,679
Sale	35,563,668	36,400,812
	<u>118,205,266</u>	<u>114,512,491</u>
The maturities of above contracts are spread over the periods upto one year.		
22.2.2 Commitments in respect of forward lendings	<u>3,827,055</u>	<u>6,328,518</u>
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	<u>2,945,318</u>	<u>1,887,763</u>



22.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2021 (Tax Year 2022) including Azad Kashmir and Gilgit Baltistan operations. The income tax assessments of the Bank (including Azad Kashmir operations) have been finalized upto and including tax year 2021. Tax year 2022 has been finalized for Azad Kashmir operations only.

Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 154.201 million. The resulted aggregate net tax impact stands at Rs. 147.655 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 224.625 million. The resulted aggregate net tax impact stands at Rs. 80.557 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2019 (Accounting Year 2018) by disallowing certain expenses resulting in an impact of Rs. 173.799 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2020 (Accounting Year 2019) by disallowing certain expenses resulting in an impact of Rs. 873.437 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.



Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2021 (Accounting Year 2020) by disallowing certain expenses resulting in an impact of Rs. 1,734.859 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty Levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Deputy Commissioner Inland Revenue (DCIR) has passed order against Federal Excise Duty Levy on certain items for the period from January 2018 to December 2019. The resulted aggregate net tax impact stands at Rs. 17.524 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. Appellate Tribunal – Punjab Revenue Authority has remanded back the order of Commissioner (HQ), Punjab Revenue Authority.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2020 by disallowing certain expenses resulting in an impact of Rs. 6.608 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2021 by disallowing certain expenses resulting in an impact of Rs. 7.031 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2022 by disallowing certain expenses resulting in an impact of Rs. 12.804 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.



23. DERIVATIVE 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 gains and losses on these contracts are recorded in 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.

23.1 Product Analysis

Counter Parties	30 June 2023 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal (Rupees in '000)	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
Banks						
Hedging	5,058,539	(225,170)	75,418,592	(482,561)	80,477,131	(707,731)
Other Entities						
Hedging	37,728,135	1,292,630	–	–	37,728,135	1,292,630
Total						
Hedging	<u>42,786,674</u>	<u>1,067,460</u>	<u>75,418,592</u>	<u>(482,561)</u>	<u>118,205,266</u>	<u>584,899</u>
	31 December 2022 (Audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal (Rupees in '000)	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
Banks						
Hedging	6,657,489	(79,494)	57,727,922	472,630	64,385,411	393,136
Other Entities						
Hedging	50,127,080	1,186,455	–	–	50,127,080	1,186,455
Total						
Hedging	<u>56,784,569</u>	<u>1,106,961</u>	<u>57,727,922</u>	<u>472,630</u>	<u>114,512,491</u>	<u>1,579,591</u>



23.2 Maturity Analysis

	30 June 2023 (Un-audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	288	69,538,301	(164,241)	883,332	719,091
1 to 3 months	274	34,040,899	(876,285)	528,087	(348,198)
3 to 6 months	187	10,705,173	(37,442)	40,932	3,490
6 months to 1 year	31	3,920,893	(2,398)	212,914	210,516
	780	118,205,266	(1,080,366)	1,665,265	584,899

	31 December 2022 (Audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	309	44,674,521	(486,472)	1,246,699	760,227
1 to 3 months	469	50,246,423	(535,680)	904,348	368,668
3 to 6 months	318	16,445,297	(74,497)	420,589	346,092
6 months to 1 year	53	3,146,250	(9,564)	114,168	104,604
	1,149	114,512,491	(1,106,213)	2,685,804	1,579,591

	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
On loans and advances	61,453,721	32,294,788
On investments	96,376,254	43,117,659
On deposits with financial institutions	1,350,753	187,387
On securities purchased under resale agreements	1,946,787	1,222,106
On call money lendings	90,326	–
	161,217,841	76,821,940



		(Un-audited) Half year ended	
		30 June 2023	30 June 2022
		(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		77,725,001	34,679,883
Borrowings from SBP		4,887,936	1,697,594
Subordinated debt		2,842,623	1,244,310
Cost of foreign currency swaps		3,012,082	513,541
Repurchase agreement borrowings		20,249,527	3,710,656
Mark-up expense on lease liability against right-of-use assets		744,656	600,677
Other borrowings		832,122	438,601
		<u>110,293,947</u>	<u>42,885,262</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		994,756	655,113
Investment banking fees		37,625	55,624
Consumer finance related fees		23,074	32,077
Card related fees (debit and credit cards)		2,138,392	1,284,910
Credit related fees		187,034	197,309
Commission on trade		2,526,696	2,905,595
Commission on guarantees		416,065	365,858
Commission on cash management		127,311	127,836
Commission on home remittances		207,951	71,995
Others		22,977	50,196
		<u>6,681,881</u>	<u>5,746,513</u>
27. GAIN / (LOSS) ON SECURITIES-NET			
Realised	27.1	23,770	204,386
Unrealised-held for trading		-	(2,336)
		<u>23,770</u>	<u>202,050</u>
27.1 Realised gain on:			
Federal Government Securities		181	937
Shares		23,589	161,190
Mutual Funds		-	42,259
		<u>23,770</u>	<u>204,386</u>
28. OTHER INCOME			
Rent on property		6,187	5,717
Gain on sale of fixed assets-net		169,550	227,963
Recovery of expenses from customers		201,572	176,542
Lockers rent		11,438	9,739
Others		1,911	623
		<u>390,658</u>	<u>420,584</u>



	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
29. OPERATING EXPENSES		
Total compensation expenses	13,657,660	11,202,769
Property expenses		
Rent and taxes	122,486	155,276
Insurance	14,582	16,709
Utilities cost	1,360,982	906,562
Security (including guards)	862,114	678,298
Repair and maintenance (including janitorial charges)	342,540	198,509
Depreciation	1,782,569	1,632,743
	4,485,273	3,588,097
Information technology expenses		
Software maintenance	973,351	787,888
Hardware maintenance	431,512	398,266
Depreciation	354,780	217,060
Amortisation	143,639	124,457
Network charges	357,488	296,981
	2,260,770	1,824,652
Other operating expenses		
Directors' fees and allowances	22,510	20,260
Fees and allowances to Shariah Board	12,336	9,351
Insurance	439,245	328,138
Legal and professional charges	162,222	189,333
Outsourced services costs	1,595,046	1,135,825
Travelling and conveyance	211,557	189,893
NIFT and other clearing charges	107,064	95,958
Depreciation	1,086,565	904,538
Repair and maintenance	947,338	815,785
Training and development	63,240	34,982
Postage and courier charges	200,572	181,644
Communication	711,990	262,984
Stationery and printing	754,322	550,526
Marketing, advertisement and publicity	616,806	309,017
Donations	254,560	116,100
Auditors remuneration	9,021	4,254
Commission and brokerage	664,712	323,397
Entertainment and staff refreshment	296,371	218,991
Vehicle running expenses	2,128,196	1,182,570
Subscriptions and publications	207,115	167,037
CNIC verification charges	115,421	98,529
Security charges	343,434	312,421
Others	872,823	507,486
	11,822,466	7,959,019
	32,226,169	24,574,537



		(Un-audited)	
		Half year ended	
	Note	30 June 2023	30 June 2022
(Rupees in '000)			
30. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>169</u>	<u>797</u>
31. (REVERSALS) / PROVISIONS AND WRITE OFFS-NET			
(Reversal) / provision for diminution in value of investments-net	9.2	(1,274,408)	828,848
Provision / (reversal) against loans & advances-net	10.3	74,840	(116,952)
Provision against other assets-net	14.1.1	80	384
Reversal against off-balance sheet items-net	20.1	(3,612)	(63,334)
Provision against balance with other banks		46	-
Loss on revaluation of fixed assets		75,889	-
		<u>(1,127,165)</u>	<u>648,946</u>
32. TAXATION			
Current		15,102,006	9,614,026
Deferred		(2,243,865)	(823,272)
		<u>12,858,141</u>	<u>8,790,754</u>

32.1 During the period, rate of super tax was enhanced to 10% for tax years 2024 and onwards. Accordingly, the impact of this change including recognition of deferred tax asset at increased rate has been incorporated in these unconsolidated condensed interim financial statements.

		(Un-audited)	
		Half year ended	
		30 June 2023	30 June 2022
(Rupees in '000)			
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the period		<u>18,087,312</u>	<u>9,629,470</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>16.27</u>	<u>8.66</u>



34. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates (Reuters page)
Non Government Debt Securities	Market prices
Foreign Securities	Market prices / Mashreqbank PSC
Listed Securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual Funds	Net asset values declared by respective funds

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Bank's accounting policies, as disclosed in the annual financial statements for the year ended 31 December 2022.

34.1 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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



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:

	30 June 2023 (Un-audited)			Total
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	-	880,311,220	-	880,311,220
Shares	2,680,457	-	-	2,680,457
Non-Government Debt Securities	25,452,596	4,836,876	-	30,289,472
Foreign Securities	-	5,418,047	-	5,418,047
Mutual Funds	-	3,883,957	-	3,883,957
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	220,952,686	-	220,952,686
Foreign Securities	-	1,032,369	-	1,032,369
Associates				
Mutual Funds	-	4,620,895	-	4,620,895
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	83,893,656	-	83,893,656
Forward sale of foreign exchange contracts	-	34,896,509	-	34,896,509
	31 December 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	-	930,034,112	-	930,034,112
Shares	3,023,291	-	-	3,023,291
Non-Government Debt Securities	25,515,203	5,139,900	-	30,655,103
Foreign Securities	-	4,118,155	-	4,118,155
Mutual Funds	-	3,476,377	-	3,476,377
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	169,562,245	-	169,562,245
Foreign Securities	-	1,037,110	-	1,037,110
Associates				
Mutual Funds	-	4,655,089	-	4,655,089
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	80,387,622	-	80,387,622
Forward sale of foreign exchange contracts	-	35,704,460	-	35,704,460



34.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

34.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.

35. TRUST ACTIVITIES

The Bank is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.

36. SEGMENT INFORMATION

Segment details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

	Half year ended 30 June 2023 (Un-audited)		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	139,011,679	22,206,162	161,217,841
Inter segment revenue-net	-	45,202,084	45,202,084
Non mark-up / return / interest income	2,544,471	9,207,801	11,752,272
Total income	141,556,150	76,616,047	218,172,197
Segment direct expenses	(91,427,178)	(51,724,647)	(143,151,825)
Inter segment expense allocation	(45,202,084)	-	(45,202,084)
Total expenses	(136,629,262)	(51,724,647)	(188,353,909)
Reversal / (provisions)	1,137,076	(9,911)	1,127,165
Profit before tax	6,063,964	24,881,489	30,945,453
	As at 30 June 2023 (Un-audited)		
Statement of financial position			
Cash and bank balances	166,953,593	24,846,840	191,800,433
Investments	1,163,242,422	-	1,163,242,422
Net inter segment lending	-	1,072,598,647	1,072,598,647
Lendings to financial institutions	-	-	-
Advances - performing	671,520,627	100,274,235	771,794,862
- non-performing	2,424,620	25,551	2,450,171
Others	191,905,611	29,862,214	221,767,825
Total assets	2,196,046,873	1,227,607,487	3,423,654,360
Borrowings	243,660,626	-	243,660,626
Subordinated debt	29,988,400	-	29,988,400
Deposits and other accounts	690,363,786	1,118,655,722	1,809,019,508
Net inter segment borrowing	1,072,598,647	-	1,072,598,647
Others	60,879,285	98,647,936	159,527,221
Total liabilities	2,097,490,744	1,217,303,658	3,314,794,402
Equity	98,556,129	10,303,829	108,859,958
Total equity and liabilities	2,196,046,873	1,227,607,487	3,423,654,360
Contingencies and commitments	420,015,358	166,748	420,182,106



Half year ended 30 June 2022 (Un-audited)

	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit and loss account			
Mark-up / return / profit	64,880,754	11,941,186	76,821,940
Inter segment revenue-net	–	29,375,124	29,375,124
Non mark-up / return / interest income	5,092,171	4,999,378	10,091,549
Total income	69,972,925	46,315,688	116,288,613
Segment direct expenses	(32,461,182)	(35,383,137)	(67,844,319)
Inter segment expense allocation	(29,375,124)	–	(29,375,124)
Total expenses	(61,836,306)	(35,383,137)	(97,219,443)
Provisions	(598,943)	(50,003)	(648,946)
Profit before tax	7,537,676	10,882,548	18,420,224

As at 31 December 2022 (Audited)

Statement of financial position			
Cash and bank balances	95,446,058	13,784,788	109,230,846
Investments	1,158,520,697	–	1,158,520,697
Net inter segment lending	–	940,663,885	940,663,885
Lendings to financial institutions	15,568,607	–	15,568,607
Advances - performing	707,798,504	102,621,595	810,420,099
- non-performing	3,069,270	45,421	3,114,691
Others	152,565,414	22,647,382	175,212,796
Total assets	2,132,968,550	1,079,763,071	3,212,731,621
Borrowings	418,989,460	–	418,989,460
Subordinated debt	29,991,600	–	29,991,600
Deposits and other accounts	594,495,846	973,642,209	1,568,138,055
Net inter segment borrowing	940,663,885	–	940,663,885
Others	60,546,297	99,160,373	159,706,670
Total liabilities	2,044,687,088	1,072,802,582	3,117,489,670
Equity	88,281,462	6,960,489	95,241,951
Total equity and liabilities	2,132,968,550	1,079,763,071	3,212,731,621
Contingencies and commitments	389,420,252	287,644	389,707,896

37. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates, directors, key management personnel and other related parties.

Transactions with related parties of the Bank are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Bank are carried out in accordance with the terms of their employment.



Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	30 June 2023 (Un-audited)					31 December 2022 (Audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	883,250	4,614,652	386,597	-	-	883,250	7,764,656	305,998
Investment made during the period / year	-	-	-	-	-	-	-	-	8,200,000	50,000
Investment adjusted / redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	(11,350,004)	-
(Deficit) / surplus on revaluation during the period / year	-	-	-	-	(25,892)	-	-	-	-	30,599
Closing balance	-	-	883,250	4,614,652	360,705	-	-	883,250	4,614,652	386,597
Advances										
Opening balance	1,310	320,774	265,950	-	1,023,207	1,620	195,482	463,425	-	2,417,285
Addition during the period / year	9,237	168,607	10,478,798	-	13,183,456	90,890	328,735	20,685,721	-	40,985,490
Repaid during the period / year	(10,446)	(115,242)	(10,477,567)	-	(13,127,998)	(91,200)	(203,443)	(20,883,196)	-	(42,379,568)
Closing balance	101	374,139	267,181	-	1,078,665	1,310	320,774	265,950	-	1,023,207
Operating fixed assets										
Right of use	-	-	-	-	7,155	-	-	-	-	9,199
Other Assets										
Interest / mark-up accrued	-	481	14,393	-	43,144	-	177	14,837	-	25,879
L/C acceptances	-	-	-	-	79,741	-	-	-	-	323,894
Dividend receivable	-	-	-	56,842	-	-	-	-	6,345	-
Subordinated debt										
Opening balance	-	-	-	-	44,000	-	-	-	-	44,000
Received during the period / year	-	-	-	-	50,000	-	-	-	-	-
Closing balance	-	-	-	-	94,000	-	-	-	-	44,000
Deposits and other account										
Opening balance	569,762	691,575	132,421	1,770,411	5,223,723	769,918	774,436	90,084	59,383	6,936,252
Received during the period / year	2,823,357	3,115,357	5,590,170	299,496,851	78,460,047	4,487,172	5,939,373	11,589,748	582,767,296	174,705,011
Withdrawn during the period / year	(2,540,066)	(3,055,387)	(5,540,082)	(298,198,447)	(76,620,894)	(4,687,328)	(6,022,234)	(11,547,411)	(581,056,268)	(176,417,540)
Closing balance	853,053	751,545	182,509	3,068,815	7,082,876	569,762	691,575	132,421	1,770,411	5,223,723
Other liabilities										
Interest / mark-up payable	116	3,859	-	-	7,957	73	1,598	-	-	24,737
Payable to staff retirement fund	-	-	-	-	1,790,804	-	-	-	-	974,312
Unrealized loss on forward exchange contract	-	-	-	-	953	-	-	-	-	-
Other liabilities	170	28	785	-	-	-	113	836	-	-
Contingencies and commitments	-	-	-	-	1,398,259	-	-	-	-	1,004,215
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	120,000	-	16,314,700	-	-	75,000	-	4,791,800
Increased during the period / year	-	-	-	-	8,880,500	-	-	45,000	-	25,764,700
Decreased during the period / year	-	-	-	-	(7,483,000)	-	-	-	-	(14,241,800)
Closing balance	-	-	120,000	-	17,712,200	-	-	120,000	-	16,314,700



37.1 Related Party Transactions

	30 June 2023 (Un-audited)					30 June 2022 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income										
Mark-up / return / interest earned	–	8,130	24,313	–	70,793	2	6,315	20,281	–	79,169
Fee and commission income	75	357	9	66	8,872	42	98	8	30	4,239
Dividend income	–	–	–	426,902	82,614	–	–	–	357,416	28,246
Net gain on sale / redemption of securities and units of mutual funds	–	–	–	–	–	–	–	–	42,259	332
Rental income	–	–	6,187	–	–	–	–	5,761	–	–
Other income	–	–	392	–	289	–	–	392	–	258
Expense										
Mark-up / return / interest expensed	45,425	46,535	13,674	446,425	510,581	28,054	35,478	6,828	44,796	275,646
Operating expenses	–	–	–	–	2,550	–	–	–	–	29,877
Brokerage expenses	–	–	2,551	–	–	–	–	3,296	–	–
Salaries and allowances	–	525,731	–	–	–	–	363,597	–	–	–
Bonus	–	115,663	–	–	–	–	111,290	–	–	–
Contribution to defined contribution plan	–	24,152	–	–	–	–	17,457	–	–	–
Contribution to defined benefit plan	–	140,455	–	–	–	–	102,708	–	–	–
Staff provident fund	–	–	–	–	515,375	–	–	–	–	427,680
Staff gratuity fund	–	–	–	–	414,000	–	–	–	–	308,500
Directors' fees	21,510	–	–	–	–	19,260	–	–	–	–
Donation	–	–	–	–	18,000	–	–	–	–	12,000
Insurance premium paid	–	–	–	–	267,517	–	–	–	–	93,616
Insurance claims settled	–	–	–	–	19,747	–	–	–	–	28,557

Chief Executive, Executive Director and Key Management Personnel are entitled to Bank's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills, utility bills, medical bills, club and entertainment bills, in accordance with their terms of employment.

Chairman of the Board is entitled to administration facilities / expenses pertaining to the office, staff and security arrangements.



38. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>99,787,004</u>	88,523,529
Eligible Additional Tier 1 (ADT 1) Capital	<u>13,372,210</u>	13,331,030
Total Eligible Tier 1 Capital	<u>113,159,214</u>	101,854,559
Eligible Tier 2 Capital	<u>33,110,279</u>	30,082,013
Total Eligible Capital (Tier 1 + Tier 2)	<u>146,269,493</u>	<u>131,936,572</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>792,619,139</u>	735,957,692
Market Risk	<u>12,053,624</u>	11,889,046
Operational Risk	<u>147,320,337</u>	147,320,337
Total	<u>951,993,100</u>	<u>895,167,075</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>10.482%</u>	<u>9.889%</u>
Tier 1 Capital Adequacy Ratio	<u>11.887%</u>	<u>11.378%</u>
Total Capital Adequacy Ratio	<u>15.365%</u>	<u>14.739%</u>
Leverage Ratio (LR):		
Eligible Tier 1 Capital	<u>113,159,214</u>	101,854,559
Total Exposures	<u>2,849,974,613</u>	2,742,827,763
Leverage Ratio	<u>3.971%</u>	<u>3.713%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>955,681,001</u>	741,159,604
Total Net Cash Outflow	<u>325,890,840</u>	309,591,436
Liquidity Coverage Ratio	<u>293.252%</u>	<u>239.399%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>1,875,226,070</u>	1,651,635,617
Total Required Stable Funding	<u>968,340,922</u>	922,254,251
Net Stable Funding Ratio	<u>193.653%</u>	<u>179.087%</u>



39. ISLAMIC BANKING BUSINESS

The Bank is operating 181 (31 December 2022: 178) Islamic banking branches and 150 (31 December 2022: 150) Islamic banking windows at the end of the period / year.

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	14,348,749	10,129,656
Balances with other banks	7,721	7,087
Due from financial institutions	-	-
Investments	39.1 156,794,531	139,707,651
Islamic financing and related assets-net	39.2 100,407,880	101,266,517
Fixed assets	1,034,669	960,714
Intangible assets	-	-
Due from Head Office	-	-
Other assets	13,247,504	9,004,260
Total Assets	285,841,054	261,075,885
LIABILITIES		
Bills payable	658,020	429,262
Due to financial institutions	38,014,521	38,932,611
Deposits and other accounts	39.3 210,041,846	177,775,602
Due to Head Office	719,366	7,016,160
Subordinated debt	-	-
Other liabilities	8,708,764	15,579,661
	258,142,517	239,733,296
NET ASSETS	27,698,537	21,342,589
REPRESENTED BY		
Islamic Banking Fund	7,600,000	7,600,000
Reserves	-	-
Deficit on revaluation of assets	(597,093)	(463,276)
Unappropriated profit	39.4 20,695,630	14,205,865
	27,698,537	21,342,589
CONTINGENCIES AND COMMITMENTS	39.5	



The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2023 is as follows:

	Note	(Un-audited) Half year ended	
		30 June 2023	30 June 2022
(Rupees in '000)			
Profit / return earned	39.6	18,968,440	9,894,247
Profit / return expensed	39.7	(9,877,524)	(5,224,345)
Net Profit / return		9,090,916	4,669,902
Other income			
Fee and commission income		530,912	393,619
Dividend income		35,801	25,341
Foreign exchange income		84,889	82,316
Income / (loss) from derivatives		-	-
Gain on securities		-	-
Other income		37,694	30,372
Total other income		689,296	531,648
Total income		9,780,212	5,201,550
Other expenses			
Operating expenses		(2,943,483)	(2,044,062)
Other charges		-	(102)
Total other expenses		(2,943,483)	(2,044,164)
Profit before provisions		6,836,729	3,157,386
(Provisions) / reversals and write offs-net		(346,964)	2,273
Profit for the period		6,489,765	3,159,659

	30 June 2023 (Un-audited)				31 December 2022 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
(Rupees in '000)								
39.1 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	121,813,448	-	(613,598)	121,199,850	106,895,687	-	(478,887)	106,416,800
- Neelum Jhelum Hydropower Co Ltd. Sukuk	1,732,500	-	-	1,732,500	2,021,250	-	-	2,021,250
- Islamic Naya Pakistan Certificates	7,585,021	-	-	7,585,021	4,852,292	-	-	4,852,292
	131,130,969	-	(613,598)	130,517,371	113,769,229	-	(478,887)	113,290,342
Shares								
- Listed Companies	30,529	(19,549)	142	11,122	30,529	(19,253)	56	11,332
Non Government Debt Securities								
- Listed	22,231,644	-	(2,144)	22,229,500	21,952,266	-	(2,266)	21,950,000
- Unlisted	3,519,875	-	-	3,519,875	3,940,000	-	-	3,940,000
	25,751,519	-	(2,144)	25,749,375	25,892,266	-	(2,266)	25,890,000
Units of Mutual Funds	351,022	(52,866)	18,507	316,663	351,022	(52,866)	17,821	315,977
Associates								
- AL Habib Islamic Cash Fund	100,000	-	-	100,000	100,000	-	-	100,000
- AL Habib Islamic Savings Fund	100,000	-	-	100,000	100,000	-	-	100,000
	200,000	-	-	200,000	200,000	-	-	200,000
Total Investments	157,464,039	(72,415)	(597,093)	156,794,531	140,243,046	(72,119)	(463,276)	139,707,651



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
39.2 Islamic Financing and Related Assets		
Ijarah	2,832,201	2,452,842
Murabaha	10,850,690	10,598,735
Diminishing Musharaka	17,982,470	15,741,969
Istisna	5,744,829	5,766,719
Musawamah	3,610,399	3,532,923
Running Musharaka	1,629,184	2,073,941
Staff Financing	1,680,544	1,438,084
Financing against Bills - Musawamah	4,307,003	3,916,970
Export Finance Scheme (EFS) - Discounting	6,881,951	5,110,945
Islamic Long Term Financing Facility (ILTFF)	5,548,834	3,835,813
Islamic Refinance for Renewable Energy (IFRE)	2,254,659	2,157,740
Islamic Refinance for Wages and Salaries (IRWS)	-	41,082
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)	6,715,234	5,498,680
Islamic Refinance Facility for Modernization of SMEs (IRFSME)	46,392	49,186
Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP)	142,438	142,438
Islamic Export Refinance - Istisna (IERF)	1,986,963	2,303,561
Islamic Export Refinance - Musawamah	-	303,750
Islamic Export Refinance - Running Musharaka	6,075,426	6,075,426
Musawamah Inventory	3,070,823	3,947,033
Advance against Istisna	10,043,510	9,761,928
Advance against Istisna - IERF	5,564,589	7,922,393
Advance against Ijarah	357,455	444,846
Advance against Diminishing Musharaka	2,022,546	3,102,235
Advance against ILTFF	104,192	2,100,278
Advance against IFRE	232,298	451,733
Advance against ITERF	1,454,300	2,888,709
Advance against IRFSME	9,058	-
Gross Islamic financing and related assets	101,147,988	101,659,959
Less: provision against Islamic financings		
- Specific	690,052	343,385
- General	50,056	50,057
	740,108	393,442
Islamic financing and related assets-net of provision	100,407,880	101,266,517



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
39.3 Deposits and Other Accounts		
Customers		
Current deposits	82,389,798	64,921,780
Savings deposits	94,422,545	64,480,636
Term deposits	27,203,954	27,105,947
	<u>204,016,297</u>	<u>156,508,363</u>
Financial institutions		
Current deposits	37,232	16,506
Savings deposits	5,988,317	21,250,733
	<u>6,025,549</u>	<u>21,267,239</u>
	<u>210,041,846</u>	<u>177,775,602</u>
39.4 Islamic Banking Business Unappropriated Profit		
Opening Balance	14,205,865	6,607,722
Add: Islamic Banking profit for the period / year	6,489,765	7,598,143
Closing Balance	<u>20,695,630</u>	<u>14,205,865</u>
39.5 Contingencies and Commitments		
Guarantees	11,180,947	10,385,298
Commitments	22,880,423	24,096,223
	<u>34,061,370</u>	<u>34,481,521</u>
	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
39.6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	6,492,034	3,621,123
Investments	12,385,448	6,264,371
Placements	90,958	8,753
	<u>18,968,440</u>	<u>9,894,247</u>
39.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	8,187,848	3,060,561
Due to Financial Institutions	1,239,649	495,625
Due to Head Office	450,027	1,668,159
	<u>9,877,524</u>	<u>5,224,345</u>



39.8 Profit and Loss Distribution and Pool Management

39.8.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk and reward characteristics:

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and Investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY General Pool, the loss will be borne by the FCY general pool members.

Special Pool(s) FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidized financing to employees are also financed from equity as per SBP guidelines.

Special Mudaraba Financing Facility (SMFF) Pool – Open Market Operations (OMO) Injections

Special Mudaraba Financing Facility (SMFF) Pool for OMO Injection is created to invest the funds exclusively raised from SBP through Islamic Open Market Operations (OMO) in High Quality Assets including securities that are eligible as approved securities for maintaining Statutory Liquidity Requirement (SLR).

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules and Shariah clearance.



39.8.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuks
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)

39.8.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is accepting Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank with the prior approval of Depositors also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, Shares, Mutual Funds and Sukuks etc.

The Bank calculates the profit of the pool at every month. Profit is distributed at the net income level. Net income is calculated after deducting direct costs such as cost of murabaha, cost of takaful, depreciation on ijarah assets, and amortization of premium on sukuks and loss of investments directly incurred in deriving that Income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the period was 50% (31 December 2022: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2022: 50%) of net income.

After the allocation of Income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.



39.8.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

	30 June 2023 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	10,981,993	4,081,234	37.16%	1,804,607	44.22%
FCY Pool	110,325	79,348	71.92%	12,304	15.51%
	30 June 2022 (Un-audited)				
LCY Pool	5,685,889	1,581,195	27.81%	661,892	41.86%
FCY Pool	60,955	57,285	93.98%	2,305	4.02%

39.8.5 Profit rate earned vs. profit rate distributed to the depositors during the period

	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Percentage)	
Profit rate earned	15.66%	9.27%
Profit rate distributed	8.99%	4.84%

40. GENERAL

40.1 Captions in respect of which there are no amounts, have not been reproduced in these unconsolidated condensed interim financial statements, except for captions of the statement of financial position and profit and loss account.

40.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

40.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation.

40.4 The Board of Directors, in its meeting held on 23 August 2023, has announced an interim cash dividend of Rs 4.50 per share (30 June 2022: NIL).

41. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 23 August 2023.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
Note	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6 165,925,311	94,163,589
Balances with other banks	7 25,892,214	15,105,449
Lendings to financial institutions	8 –	15,568,607
Investments	9 1,163,646,511	1,158,799,988
Advances	10 773,976,805	813,267,817
Fixed assets	11 78,068,617	62,087,777
Intangible assets	12 318,452	452,845
Deferred tax assets	13 8,657,600	9,702,816
Other assets	14 135,323,248	103,533,391
	2,351,808,758	2,272,682,279
LIABILITIES		
Bills payable	16 36,572,242	44,855,837
Borrowings	17 243,660,626	418,989,460
Deposits and other accounts	18 1,808,839,366	1,568,009,274
Liabilities against assets subject to finance lease	–	–
Subordinated debt	19 29,988,400	29,991,600
Deferred tax liabilities	–	–
Other liabilities	20 123,263,727	115,087,502
	2,242,324,361	2,176,933,673
NET ASSETS	109,484,397	95,748,606
REPRESENTED BY		
Share capital	11,114,254	11,114,254
Reserves	26,481,150	24,391,414
Surplus on revaluation of assets	21 3,867,165	899,575
Unappropriated profit	67,915,431	59,229,669
Equity attributable to the shareholders of the Holding company	109,378,000	95,634,912
Non-controlling interest	22 106,397	113,694
Total equity	109,484,397	95,748,606
CONTINGENCIES AND COMMITMENTS	23	

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

Note	Half year ended		Three months period ended		
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	
	(Rupees in '000)				
Mark-up / return / interest earned	25	161,218,500	76,820,349	86,413,227	42,627,284
Mark-up / return / interest expensed	26	(110,289,546)	(42,881,923)	(60,109,831)	(24,638,303)
Net mark-up / interest income		50,928,954	33,938,426	26,303,396	17,988,981
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	6,941,124	5,852,910	3,806,930	3,010,657
Dividend income		421,175	259,904	270,347	55,400
Foreign exchange income		3,813,530	3,108,743	1,115,503	2,523,700
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities-net	28	24,216	167,110	(321)	8,823
Share of profit from associates		474,310	363,659	280,877	189,831
Other income	29	391,690	427,615	143,762	195,602
Total non mark-up / interest income		12,066,045	10,179,941	5,617,098	5,984,013
Total income		62,994,999	44,118,367	31,920,494	23,972,994
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	(32,342,519)	(24,674,753)	(17,301,686)	(13,023,125)
Workers welfare fund		(636,514)	(385,165)	(296,559)	(217,341)
Other charges	31	(169)	(797)	(99)	(546)
Total non mark-up / interest expenses		(32,979,202)	(25,060,715)	(17,598,344)	(13,241,012)
Profit before provisions		30,015,797	19,057,652	14,322,150	10,731,982
Reversals / (provisions) and write offs-net	32	1,122,094	(654,507)	141,824	(498,324)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		31,137,891	18,403,145	14,463,974	10,233,658
Taxation	33	(12,928,810)	(8,811,543)	(6,880,761)	(5,579,927)
PROFIT AFTER TAXATION		18,209,081	9,591,602	7,583,213	4,653,731
Attributable to:					
Shareholders of the Holding Company		18,213,895	9,594,410	7,586,135	4,653,933
Non-controlling interest		(4,814)	(2,808)	(2,922)	(202)
		18,209,081	9,591,602	7,583,213	4,653,731
		(Rupees)			
Basic and diluted earnings per share attributable to the equity holders of the Holding Company	34	16.39	8.63	6.83	4.19

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Half year ended		Three months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	(Rupees in '000)			
Profit after taxation for the period	18,209,081	9,591,602	7,583,213	4,653,731
Other comprehensive income				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
Effect of translation of net investment in foreign branches	281,005	1,173,709	9,659	783,185
Movement in deficit on revaluation of investments-net of tax	(3,481,297)	(4,153,598)	5,154,099	(2,163,248)
	(3,200,292)	(2,979,889)	5,163,758	(1,380,063)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of operating fixed assets-net of tax	6,506,980	(542,802)	6,640,998	(617,434)
Total comprehensive income	21,515,769	6,068,911	19,387,969	2,656,234
Attributable to:				
Shareholders of the Holding Company	21,523,066	6,075,879	19,391,782	2,659,796
Non-controlling interest	(7,297)	(6,968)	(3,813)	(3,562)
	21,515,769	6,068,911	19,387,969	2,656,234

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	Attributable to shareholders of the Holding Company										
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of			Sub total	Non-controlling Interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit			
Balance as at 01 January 2022	11,114,254	17,511,051	2,478,915	126,500	540,000	(650,717)	7,104,700	52,071,442	90,296,145	123,140	90,419,285
Comprehensive income for the half year ended 30 June 2022:											
Profit after taxation	-	-	-	-	-	-	-	9,594,410	9,594,410	(2,808)	9,591,602
Other comprehensive income	-	-	1,173,709	-	-	(4,149,438)	(542,802)	-	(3,518,531)	(4,160)	(3,522,691)
Total comprehensive income for the half year	-	-	1,173,709	-	-	(4,149,438)	(542,802)	9,594,410	6,075,879	(6,968)	6,068,911
Transfer to statutory reserve	-	962,947	-	-	-	-	-	(962,947)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit-net of tax	-	-	-	-	-	-	(56,286)	56,286	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 7 per share)	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)	-	(7,779,978)
Balance as at 30 June 2022-unaudited	11,114,254	18,473,998	3,652,624	126,500	540,000	(4,800,155)	6,505,612	52,979,213	88,592,046	116,172	88,708,218
Comprehensive income for the half year ended 31 December 2022:											
Profit after taxation	-	-	904,216	-	-	(825,525)	75,929	7,093,517	7,093,517	1,185	7,094,702
Other comprehensive income	-	-	-	-	-	-	-	(205,271)	(50,651)	(3,663)	(54,314)
Total comprehensive income for the half year	-	-	904,216	-	-	(825,525)	75,929	6,888,246	7,042,866	(2,478)	7,040,388
Transfer to statutory reserve	-	694,076	-	-	-	-	-	(694,076)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit-net of tax	-	-	-	-	-	-	(56,286)	56,286	-	-	-
Balance as at 31 December 2022-audited	11,114,254	19,168,074	4,556,840	126,500	540,000	(5,625,680)	6,525,255	59,229,669	95,634,912	113,694	95,748,606
Comprehensive income for the half year ended 30 June 2023:											
Profit after taxation	-	-	-	-	-	-	-	18,213,895	18,213,895	(4,814)	18,209,081
Other comprehensive income	-	-	281,005	-	-	(3,478,814)	6,506,980	-	3,309,171	(2,483)	3,306,688
Total comprehensive income for the half year	-	-	281,005	-	-	(3,478,814)	6,506,980	18,213,895	21,523,066	(7,297)	21,515,769
Transfer to statutory reserve	-	1,808,731	-	-	-	-	-	(1,808,731)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit-net of tax	-	-	-	-	-	-	(60,576)	60,576	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 7 per share)	-	-	-	-	-	-	-	(7,779,978)	(7,779,978)	-	(7,779,978)
Balance as at 30 June 2023-unaudited	11,114,254	20,976,805	4,837,845	126,500	540,000	(9,104,494)	12,971,659	67,915,431	109,378,000	106,397	109,484,397

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

MOHAMMAD RAFIQUDDIN MEHKARI
Director

MANSOOR ALI KHAN
Chief Executive

FARHANA MOWJEE KHAN
Director

ASHAR HUSAIN
Chief Financial Officer

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

	30 June 2023	30 June 2022
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	31,137,891	18,403,145
Less: Dividend income	(421,175)	(259,904)
	30,716,716	18,143,241
Adjustments:		
Depreciation	2,101,972	1,699,699
Depreciation on right-of-use assets	1,124,710	1,056,030
Amortisation	144,858	125,118
(Reversals) / provisions and write-offs-net	(1,122,140)	654,507
Gain on sale of fixed assets-net	(169,543)	(231,336)
Charge for defined benefit plan	414,000	308,500
Gain on securities-net	(24,216)	(167,110)
Share of profit from associates	(474,310)	(363,659)
Charge for compensated absences	121,626	121,064
Mark-up expense on lease liability against right-of-use assets	744,656	600,677
	2,861,613	3,803,490
	33,578,329	21,946,731
Decrease / (Increase) in operating assets		
Lendings to financial institutions	15,568,607	(13,032,300)
Held-for-trading securities	93,633	(11,142)
Advances	39,216,172	(90,514,726)
Other assets (excluding advance taxation)	(31,557,185)	(39,164,266)
	23,321,227	(142,722,434)
Increase / (decrease) in operating liabilities		
Bills payable	(8,283,595)	955,348
Borrowings from financial institutions	(177,399,998)	37,404,517
Deposits	240,830,092	137,839,575
Other liabilities (excluding current taxation)	9,931,706	35,585,680
	65,078,205	211,785,120
	121,977,761	91,009,417
	(17,648,102)	(6,681,609)
Income tax paid		
Net cash flow generated from operating activities	104,329,659	84,327,808
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	42,180,505	(37,753,483)
Net investments in held-to-maturity securities	(53,652,246)	(10,936,183)
Net investments in associates	319,494	(1,080,431)
Dividends received	370,678	257,374
Investments in operating fixed assets	(4,087,614)	(4,600,872)
Proceeds from sale of fixed assets	161,270	252,638
Exchange differences on translation of net investment in foreign branches	281,005	1,173,709
Net cash used in investing activities	(14,426,908)	(52,687,248)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payments) / receipts of subordinated debt-net	(3,200)	6,998,200
Dividend paid	(7,658,765)	(7,681,641)
Payment against lease liabilities	(1,763,463)	(1,437,550)
Net cash used in financing activities	(9,425,428)	(2,120,991)
Increase in cash and cash equivalents	80,477,323	29,519,569
Cash and cash equivalents at beginning of the period	108,774,793	125,042,703
Cash and cash equivalents at end of the period	189,252,116	154,562,272

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

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2023**

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

Holding Company

- Bank AL Habib Limited

Subsidiaries

- AL Habib Capital Markets (Private) Limited
- AL Habib Asset Management Limited

- 1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017) having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 1,062 branches (31 December 2022: 1,050 branches), 29 sub - branches (31 December 2022: 29 sub - branches), 04 representative offices (31 December 2022: 04 representative offices) and 09 booths (31 December 2022: 09 booths). The branch network of the Bank includes 02 overseas branches (31 December 2022: 02 overseas branches) and 181 Islamic Banking branches (31 December 2022: 178 Islamic Banking branches).
- 1.3 The Bank has invested in 66.67% shares of AL Habib Capital Markets (Private) Limited. The Company was incorporated in Pakistan on 23 August 2005 as a private limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The company is a corporate member of the Pakistan Stock Exchange Limited and is engaged in equity, money market and foreign exchange brokerage services, equity research, corporate financial advisory and consultancy services.
- 1.4 The Bank has invested in 100% shares of AL Habib Asset Management Limited. The Company was incorporated in Pakistan on 30 September 2005 as an unquoted public limited company under repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has been issued a license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services as a Non-Banking Finance Company. The principal business of the Company is to provide Investment Advisory Services and Asset Management Services.

The Company is managing following funds:

- AL Habib Cash Fund
- AL Habib Money Market Fund
- AL Habib Income Fund
- AL Habib Asset Allocation Fund
- AL Habib Stock Fund
- AL Habib Islamic Cash Fund
- AL Habib Islamic Income Fund
- AL Habib Islamic Stock Fund
- AL Habib Islamic Savings Fund
- AL Habib Pension Fund
- AL Habib Islamic Pension Fund
- AL Habib Islamic Munafa Fund
- AL Habib Fixed Return Funds



2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale 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 the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.
- 2.2 Key financial information of the Islamic Banking branches is disclosed in note 40 to these consolidated condensed interim financial statements.

2.3 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- IFAS issued by ICAP, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by 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 SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by SBP vide BPRD Circular Letter No. 05, dated: 22 March 2019 and International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. They do not include all the information required in the annual consolidated financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022. Further, SBP vide its BPRD Circular Letter No. 07 of 2023 dated: 13 April 2023 deferred the applicability of new format of annual and interim financial statement for the Group issued through BPRD Circular No. 02 of 2023 dated: 09 February 2023.



SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated: 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular Letter No. 07 of 2023 dated: 13 April 2023 directed the banks in Pakistan to implement IFRS 9, 'Financial Instruments' with effect from 01 January 2024. SECP has deferred the applicability of IFRS 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411 (I) / 2008 dated: 28 April 2008. 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 prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

SBP vide its BPRD Circular No. 04 dated: 25 February 2015, has clarified that the reporting requirements of IFAS 3, 'Profit and Loss Sharing on Deposits' for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosure requirements under IFAS 3 have not been considered in the preparation of these consolidated condensed interim financial statements.

IFRS 10, 'Consolidated Financial Statements' was made applicable from period beginning on or after 01 January 2015 vide S.R.O 633 (I) / 2014 dated: 10 July 2014 by SECP. However, SECP has directed through S.R.O 56(I) / 2016 dated: 28 January 2016 that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS 10, 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under trust structure.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022.

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

There are certain new and amended standards that became effective during the period. However, these are considered either not to be relevant or not to have any significant impact on the Group's consolidated condensed interim financial statements.

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

IFRS 9 has been applicable in several overseas jurisdictions from 01 January 2018. Accordingly, the requirements of this standard are incorporated in the Group's consolidated condensed interim financial statements for the jurisdictions where IFRS 9 has been adopted.



As per SBP's BPRD Circular No. 7 dated: 13 April 2023, the effective date of IFRS 9 for banks in Pakistan has been extended from 01 January 2023 to 01 January 2024, and accordingly the Standard will be applied in the Group's consolidated financial statements for accounting periods beginning on or after 01 January 2024. As disclosed in note 2.7.1 to the consolidated annual financial statements of the Group for the year ended 31 December 2022, the Group had carried out an impact assessment based on the portfolio of consolidated financial instruments held at that date. Given the modified effective date of the Standard, the Group will reassess the impact of the Standard in due course as required under the relevant regulatory requirements.

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that are not effective in the current period. These are considered not to have any significant impact on these consolidated condensed interim financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements is the same as that applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2022.



	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	40,541,032	26,172,043
Foreign currencies	3,450,653	1,703,466
	43,991,685	27,875,509
In transit:		
Local currency	112,658	291,878
Foreign currencies	17,260	-
	129,918	291,878
With State Bank of Pakistan in:		
Local currency current accounts	87,957,016	53,502,052
Local currency current accounts-Islamic Banking	8,785,705	6,348,266
Foreign currency deposit accounts		
Cash reserve account	5,290,824	4,641,833
Cash reserve / special cash reserve accounts - Islamic Banking	931,185	612,722
Special cash reserve account	10,618,538	-
Local collection account	541,610	552,306
	114,124,878	65,657,179
With National Bank of Pakistan in:		
Local currency current accounts	7,484,848	189,343
Prize bonds	193,982	149,680
	165,925,311	94,163,589
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current accounts	159,304	92,616
In deposit accounts	395,997	636,181
	555,301	728,797
Outside Pakistan:		
In current accounts	5,516,264	2,692,451
In deposit accounts	19,820,716	11,684,220
	25,336,980	14,376,671
	25,892,281	15,105,468
Less: impairment against IFRS 9 in overseas branches	(67)	(19)
	25,892,214	15,105,449
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
Market Treasury Bills	-	15,568,607



9. INVESTMENTS

Note	30 June 2023 (Un-audited)				31 December 2022 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying Value
9.1 Investments by type:								
Held-for-trading securities								
Shares	2,342	-	103	2,445	99,950	-	419	100,369
Available-for-sale securities								
Federal Government Securities	905,345,631	(5,223,285)	(19,658,800)	880,463,546	945,814,070	(4,841,980)	(10,784,639)	930,187,451
Shares	4,566,510	(1,899,617)	258,396	2,925,289	4,675,318	(1,917,975)	410,910	3,168,253
Non Government Debt Securities	30,476,709	(99,920)	(87,317)	30,289,472	30,742,543	-	(87,440)	30,655,103
Foreign Securities	9,006,924	(4,181,324)	592,447	5,418,047	7,476,045	(3,314,354)	(43,536)	4,118,155
Units of Mutual Funds	3,226,287	(368,679)	1,026,614	3,884,222	3,257,238	(365,225)	615,580	3,507,593
	952,622,061	(11,772,825)	(17,868,660)	922,980,576	991,965,214	(10,439,534)	(9,889,125)	971,636,555
Held-to-maturity securities								
Federal Government Securities	235,871,465	(1,734,866)	-	234,136,599	182,266,360	(1,739,320)	-	180,527,040
Foreign Securities	1,860,003	(1,021,738)	-	838,265	1,812,862	(810,648)	-	1,002,214
Other	4,481	(4,481)	-	-	4,481	(4,481)	-	-
	237,735,949	(2,761,085)	-	234,974,864	184,083,703	(2,554,449)	-	181,529,254
Associates	5,688,626	-	-	5,688,626	5,533,810	-	-	5,533,810
Total Investments	1,196,048,978	(14,533,910)	(17,868,557)	1,163,646,511	1,181,682,677	(12,993,983)	(9,888,706)	1,158,799,988



	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
9.1.1 Investments given as collateral		
Market Treasury Bills	50,139,173	71,831,084
Pakistan Investment Bonds	–	154,644,300
	<u>50,139,173</u>	<u>226,475,384</u>
9.2 Provision for diminution in the value of investments		
Opening balance	12,993,983	3,520,375
Exchange adjustments against IFRS 9 in overseas branches	2,809,264	512,063
(Reversal) / charge:		
Charge for the period / year	142,037	158,469
(Reversal) / charge of impairment as per IFRS 9 in overseas branches for the period / year	(1,354,354)	8,843,517
Reversal on disposal during the period / year	(57,020)	(40,441)
	<u>(1,269,337)</u>	<u>8,961,545</u>
Closing balance	<u>14,533,910</u>	<u>12,993,983</u>

9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Non Performing Investments	Provision	Non Performing Investments	Provision
	(Rupees in '000)			
Domestic				
Loss	<u>99,920</u>	<u>99,920</u>	<u>–</u>	<u>–</u>

9.3 The market value of securities classified as held to maturity at 30 June 2023 amounted to Rs. 221,985 million (31 December 2022: Rs. 170,599 million).

9.4 Provision against investments includes Expected Credit Losses (ECL) / impairment under the IFRS 9 amounting to Rs. 12,161.212 million (31 December 2022: Rs. 10,706.302 million) on overseas branches.

The Bank has estimated ECL / impairment provisions based on the IFRS 9 requirements in respect of overseas jurisdictions. Under the IFRS 9 model, credit impairment provisions, inter alia, takes into account the credit ratings of the relevant bonds provided by the International rating agencies and the observed Probability of Default information relevant for such credit rating with appropriate adjustments applied by the Bank considering the market conditions.



10. ADVANCES

	Performing		Non Performing		Total	
	(Unaudited) 30 June 2023	(Audited) 31 December 2022	(Unaudited) 30 June 2023	(Audited) 31 December 2022	(Unaudited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	630,095,933	673,293,270	14,812,414	13,102,322	644,908,347	686,395,592
Islamic financing and related assets	100,376,660	100,915,017	771,328	744,942	101,147,988	101,659,959
Bills discounted and purchased	47,196,857	42,148,012	491,875	874,021	47,688,732	43,022,033
Advances - gross	<u>777,669,450</u>	<u>816,356,299</u>	<u>16,075,617</u>	<u>14,721,285</u>	<u>793,745,067</u>	<u>831,077,584</u>
Provision against advances						
- Specific	-	-	13,625,446	11,606,594	13,625,446	11,606,594
- General as per regulations	325,890	410,890	-	-	325,890	410,890
- General	5,750,000	5,750,000	-	-	5,750,000	5,750,000
- As per IFRS 9 in overseas branches	66,926	42,283	-	-	66,926	42,283
	<u>6,142,816</u>	<u>6,203,173</u>	<u>13,625,446</u>	<u>11,606,594</u>	<u>19,768,262</u>	<u>17,809,767</u>
Advances - net of provision	<u><u>771,526,634</u></u>	<u><u>810,153,126</u></u>	<u><u>2,450,171</u></u>	<u><u>3,114,691</u></u>	<u><u>773,976,805</u></u>	<u><u>813,267,817</u></u>

10.1 Particulars of advances (Gross)

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
In local currency	686,584,948	732,689,656
In foreign currencies	107,160,119	98,387,928
	<u><u>793,745,067</u></u>	<u><u>831,077,584</u></u>



10.2 Advances include Rs. 16,075.617 million (31 December 2022: Rs. 14,721.285 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2023 (Un-audited)		31 December 2022 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	234,800	9,011	65,333	917
Substandard	975,748	204,647	887,349	211,101
Doubtful	1,341,174	675,025	926,869	463,175
Loss	4,769,966	4,705,103	4,618,496	4,552,653
	<u>7,321,688</u>	<u>5,593,786</u>	<u>6,498,047</u>	<u>5,227,846</u>
Overseas				
Overdue by:				
Upto 90 days	-	-	5,650,414	3,805,924
91 to 180 days	5,529,288	4,807,019	-	-
181 to 365 days	45,837	45,837	43,612	43,612
> 365 days	3,178,804	3,178,804	2,529,212	2,529,212
	<u>8,753,929</u>	<u>8,031,660</u>	<u>8,223,238</u>	<u>6,378,748</u>
Total	<u>16,075,617</u>	<u>13,625,446</u>	<u>14,721,285</u>	<u>11,606,594</u>

10.3 Particulars of provision against advances

	30 June 2023 (Un-audited)			31 December 2022 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	11,606,594	6,203,173	17,809,767	6,494,129	6,596,182	13,090,311
Exchange adjustments	1,874,515	11,087	1,885,602	663,797	99,778	763,575
Charge / (reversal) for the period / year						
- Specific provision	1,119,662	-	1,119,662	7,771,780	-	7,771,780
- General provision as per regulations	-	(85,000)	(85,000)	-	41,500	41,500
- As per IFRS 9 in overseas branches	-	13,556	13,556	-	(534,287)	(534,287)
Reversals	(973,378)	-	(973,378)	(3,275,830)	-	(3,275,830)
	<u>146,284</u>	<u>(71,444)</u>	<u>74,840</u>	<u>4,495,950</u>	<u>(492,787)</u>	<u>4,003,163</u>
Amounts written off	(1,947)	-	(1,947)	(47,282)	-	(47,282)
Closing balance	<u>13,625,446</u>	<u>6,142,816</u>	<u>19,768,262</u>	<u>11,606,594</u>	<u>6,203,173</u>	<u>17,809,767</u>

10.3.1 In line with its prudent policies, the Bank also makes general provision against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations and as of 30 June 2023 amounts to Rs. 5,750 million (31 December 2022: Rs. 5,750 million).

10.3.2 For the purposes of determining provision against domestic non-performing advances, the Bank has not taken into account the Forced Sales Value of pledged stock and mortgaged properties held as collateral against domestic non-performing advances.



	Note	(Unaudited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
11. FIXED ASSETS			
Capital work-in-progress	11.1	3,884,072	3,175,654
Property and equipment		74,184,545	58,912,123
		<u>78,068,617</u>	<u>62,087,777</u>
11.1 Capital work-in-progress			
Civil works		1,490,169	1,173,278
Advance payment for purchase of equipments		487,624	228,417
Advance payment towards suppliers, contractors and property		1,877,064	1,752,554
Consultants' fee and other charges		29,215	21,405
		<u>3,884,072</u>	<u>3,175,654</u>
11.2 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Half year ended	
		30 June 2023	30 June 2022
		(Rupees in '000)	
Capital work-in-progress		3,012,716	2,952,499
Property and equipment			
Leasehold land		2,455	273,280
Building on leasehold land		243,618	613,138
Furniture and fixture		214,437	307,881
Electrical, office and computer equipment		1,353,008	1,302,205
Vehicles		1,079,124	587,256
Improvements to leasehold building		476,087	152,960
Right-of-use assets		1,016,510	1,931,746
		<u>4,385,239</u>	<u>5,168,466</u>
Total		<u>7,397,955</u>	<u>8,120,965</u>
11.3 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,117	1,925
Electrical, office and computer equipment		3,255	2,738
Vehicles		12,157	7,371
Improvements to leasehold building		5,245	17,148
Right-of-use assets		107,292	47,126
Total		<u>129,066</u>	<u>76,308</u>



11.4 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2023. The revaluation was carried out by an independent valuer, M/s. Harvester Services (Pvt) Limited on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in an increase amounting to Rs. 14,216.516 million in the net surplus. The total surplus arising against revaluation of leasehold land and buildings on leasehold land as at 30 June 2023 amounts to Rs 22,199.896 million. The carrying value of revalued leasehold land and buildings on leasehold land was Rs. 48,658.483 million as at 30 June 2023. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 June 2023 would have been as follows:

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
Leasehold land	<u>13,066,480</u>	<u>8,730,369</u>
Buildings on leasehold land	<u>13,382,652</u>	<u>6,399,816</u>
12. INTANGIBLE ASSETS		
Computer software	235,282	369,675
TRE certificates	2,500	2,500
Management rights	80,670	80,670
	<u>318,452</u>	<u>452,845</u>
	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
12.1 Additions to intangible assets		
Computer software-directly purchased	<u>10,466</u>	<u>81,390</u>



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
Note	(Rupees in '000)	
13. DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
Provision against diminution in the value of investments	7,103,229	5,573,505
Provision against loans and advances, off-balance sheet etc.	2,475,799	2,131,285
Workers' welfare fund	2,201,042	1,659,964
Provision for compensated absences	573	571
Deficit on revaluation of available for sale investments	8,747,827	4,249,847
Others	18,676	19,747
	20,547,146	13,634,919
Taxable Temporary Differences on		
Accelerated tax depreciation	(1,942,865)	(1,713,841)
Surplus on revaluation of fixed assets / non-banking assets	(9,942,752)	(2,215,527)
Surplus on revaluation of held for trading securities	(3,929)	(2,735)
	(11,889,546)	(3,932,103)
	8,657,600	9,702,816
14. OTHER ASSETS		
Income / mark-up accrued in local currency-net of provision	55,913,141	41,874,661
Income / mark-up accrued in foreign currencies-net of provision	1,360,241	1,221,831
Advances, deposits, advance rent and other prepayments	2,036,084	1,567,932
Non-banking assets acquired in satisfaction of claims	3,649,675	3,651,344
Mark to market gain on forward foreign exchange contracts	1,665,265	2,685,804
Acceptances	56,540,622	47,907,675
Stationery and stamps on hand	904,750	710,733
Advance taxation (payments less provisions)	185,864	-
Clearing and settlement account	10,308,693	1,980,400
Others	2,633,141	1,805,504
	135,197,476	103,405,884
Less: Provision held against other assets	14.1 (7,896)	(8,101)
Other Assets (net of provision)	135,189,580	103,397,783
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	133,668	135,608
Other Assets-total	135,323,248	103,533,391
14.1 Provision held against other assets		
Receivable against consumer loans	14.1.1 7,896	8,101



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
14.1.1 Movement in provision held against other assets		
Opening balance	8,101	7,497
Charge for the period / year	1,684	2,620
Reversals for the period / year	(1,604)	(1,672)
	80	948
Amount written off	(285)	(344)
Closing balance	7,896	8,101
15. CONTINGENT ASSETS		
There were no contingent assets of the Group as at 30 June 2023 (31 December 2022: Nil).		
	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
16. BILLS PAYABLE		
In Pakistan	36,572,242	44,855,837
17. BORROWINGS		
Secured		
Borrowings from the State Bank of Pakistan		
Under export refinance scheme	95,527,633	88,423,421
Under renewable energy	16,330,023	17,089,222
Under long term financing for imported and locally manufactured plant and machinery	33,393,246	35,641,679
Under modernisation of small and medium enterprises	875,647	771,687
Under women entrepreneurship	24,821	29,253
Under financing facility for storage of agricultural produce	948,298	1,009,305
Under refinance scheme for payment of wages and salaries	-	544,994
Under refinance scheme for working capital financing of small enterprises and low-end medium enterprises	30,000	-
Under temporary economic refinance facility	38,726,611	39,132,557
Under refinance facility for combating COVID-19	170,548	188,889
	186,026,827	182,831,007
Repurchase agreement borrowings	50,068,390	230,164,208
Total secured	236,095,217	412,995,215
Unsecured		
Call borrowings	5,000,000	5,500,000
Overdrawn nostro accounts	2,565,409	494,245
Total unsecured	7,565,409	5,994,245
	243,660,626	418,989,460



18. DEPOSITS AND OTHER ACCOUNTS

	30 June 2023 (Un-audited)			31 December 2022 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	595,957,172	57,826,514	653,783,686	515,194,125	53,700,013	568,894,138
Savings deposits	521,570,937	52,715,659	574,286,596	402,129,430	51,436,347	453,565,777
Term deposits	248,782,549	73,168,709	321,951,258	225,036,480	48,657,036	273,693,516
Current deposits-remunerative	177,699,086	10,588,137	188,287,223	162,972,729	6,476,707	169,449,436
Others	21,664,424	19,059,128	40,723,552	36,607,996	12,203,992	48,811,988
	1,565,674,168	213,358,147	1,779,032,315	1,341,940,760	172,474,095	1,514,414,855
Financial institutions						
Current deposits	5,973,320	250,383	6,223,703	5,701,409	576,226	6,277,635
Savings deposits	9,280,636	29	9,280,665	21,757,779	22	21,757,801
Term deposits	720,284	444,715	1,164,999	727,223	293,228	1,020,451
Current deposits-remunerative	12,011,410	1,121,239	13,132,649	23,812,174	686,547	24,498,721
Others	5,035	-	5,035	39,811	-	39,811
	27,990,685	1,816,366	29,807,051	52,038,396	1,556,023	53,594,419
	1,593,664,853	215,174,513	1,808,839,366	1,393,979,156	174,030,118	1,568,009,274

	Note	(Un-audited)	(Audited)
		30 June 2023	31 December 2022
(Rupees in '000)			
19. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - VI	19.1	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII	19.2	3,992,800	3,993,600
Term Finance Certificates (TFCs) - VIII	19.3	4,997,000	4,998,000
Term Finance Certificates (TFCs) - IX	19.4	7,000,000	7,000,000
Term Finance Certificates (TFCs) - X	19.5	6,998,600	7,000,000
		29,988,400	29,991,600



19.1 Term Finance Certificates - VI

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.50% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

19.2 Term Finance Certificates - VII

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.00% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



19.3 Term Finance Certificates - VIII

Issue amount	Rupees 5,000 million
Issue date	September 2021
Maturity date	September 2031
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 0.75% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

19.4 Term Finance Certificates - IX

Issue amount	Rupees 7,000 million
Issue date	April 2022
Maturity date	Perpetual
Rating	AA+
Profit payment frequency	semi-annually
Redemption	No fixed or final redemption date.
Mark-up	Payable six monthly at six months KIBOR (ask side) plus 1.65% without any floor or cap. The issuer will have full discretion over the amount and timing of profit distribution and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years with prior SBP approval. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause	No profit may be paid if such payment will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).



19.5 Term Finance Certificates - X

Issue amount	Rupees 7,000 million
Issue date	December 2022
Maturity date	December 2032
Rating	AAA
Profit payment frequency	semi-annually
Redemption	6th - 108th month: 0.02% per each semi-annual period; 114th and 120th month: 49.82% each.
Mark-up	6 - Months KIBOR (ask side) + 1.35% per annum.
Call option	On or after five years with prior SBP approval.
Lock-in-clause	Neither profit nor principal may be paid if such payments will result in shortfall (or increase the shortfall) in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rules, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) at a price equivalent to the market value of shares of the Bank on the date of trigger, and / or have them immediately written off (either partially or in full).

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
Note	(Rupees in '000)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	4,274,104	7,727,842
Mark-up / return / interest payable in foreign currencies	704,880	380,651
Unearned commission income	783,223	692,150
Accrued expenses	4,484,000	3,290,260
Acceptances	56,540,622	47,907,675
Unclaimed / dividend payable	753,944	632,731
Mark to market loss on forward foreign exchange contracts	1,080,366	1,106,213
Branch adjustment account	3,617,190	1,343,949
Payable to defined benefit plan	1,790,804	1,376,805
Charity payable	42,764	23,820
Provision against off-balance sheet items	20.1 107,712	110,059
Security deposits against leases / ijarah	9,178,130	8,899,624
Provision for compensated absences	1,439,677	1,311,882
Other security deposits	1,172,645	878,993
Workers' welfare fund	4,506,890	3,870,375
Payable to SBP / NBP	5,270,388	4,581,075
Insurance payable	612,474	683,385
Lease liability against right-of-use assets	14,096,858	14,213,811
Payable against sale of marketable securities on behalf of customers	218,796	214,175
Current taxation (payments less provisions)	-	2,290,392
Clearing and settlement account	6,796,517	10,257,497
Others	5,791,743	3,294,138
	123,263,727	115,087,502



	(Un-audited) 30 June 2023 (Rupees in '000)	(Audited) 31 December 2022
20.1 Provision against off-balance sheet obligations		
Opening balance	110,059	173,319
Exchange adjustment against IFRS 9 in overseas branches	1,265	21,866
Charge for the period / year	26	27,330
Reversal as per IFRS 9 in overseas branches for the period / year	(3,638)	(109,073)
Reversal for the period / year	-	(3,383)
	<u>(3,612)</u>	<u>(85,126)</u>
Closing balance	<u>107,712</u>	<u>110,059</u>
21. SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of:		
- Investments	21.1 (17,852,321)	(9,876,074)
- Fixed assets	22,851,091	8,675,522
- Non-banking assets acquired in satisfaction of claims	133,668	135,608
	<u>5,132,438</u>	<u>(1,064,944)</u>
Deferred tax on surplus / (deficit) on revaluation of:		
- Investments	(8,747,827)	(4,250,394)
- Fixed assets	9,952,050	2,226,730
- Non-banking assets acquired in satisfaction of claims	61,050	59,145
	<u>1,265,273</u>	<u>(1,964,519)</u>
	<u>3,867,165</u>	<u>899,575</u>
21.1 Investments		
Available-for-sale securities	(17,868,660)	(9,889,125)
Non-controlling interest	16,339	13,051
	<u>(17,852,321)</u>	<u>(9,876,074)</u>
Less: related deferred tax	(8,747,827)	(4,250,394)
	<u>(9,104,494)</u>	<u>(5,625,680)</u>
22. NON-CONTROLLING INTEREST		
Opening balance	113,694	123,140
Loss attributable to non-controlling interest	(4,814)	(1,623)
Loss on equity attributable to non-controlling interest	(2,483)	(7,823)
Closing balance	<u>106,397</u>	<u>113,694</u>
23. CONTINGENCIES AND COMMITMENTS		
Guarantees	23.1 170,034,182	164,254,110
Commitments	23.2 373,758,823	347,436,086
Other contingent liabilities	23.3 2,945,318	1,887,763
	<u>546,738,323</u>	<u>513,577,959</u>
23.1 Guarantees:		
Financial guarantees	29,198,276	24,753,930
Performance guarantees	140,835,906	139,500,180
	<u>170,034,182</u>	<u>164,254,110</u>



	(Un-audited) 30 June	(Audited) 31 December
Note	2023	2022
	(Rupees in '000)	
23.2 Commitments:		
Documentary credits and short term trade-related transactions		
- letters of credit	250,147,924	225,453,786
Commitments in respect of:		
- forward foreign exchange contracts	23.2.1 118,205,266	114,512,491
- forward lendings	23.2.2 3,827,055	6,328,518
Commitments for acquisition of:		
- Operating fixed assets	1,578,578	1,141,291
	<u>373,758,823</u>	<u>347,436,086</u>
23.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	82,641,598	78,111,679
Sale	35,563,668	36,400,812
	<u>118,205,266</u>	<u>114,512,491</u>
The maturities of above contracts are spread over the periods upto one year.		
23.2.2 Commitments in respect of forward lendings	<u>3,827,055</u>	<u>6,328,518</u>
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.		
	(Un-audited) 30 June	(Audited) 31 December
	2023	2022
	(Rupees in '000)	
23.3 Claims against the Bank not acknowledged as debts	<u>2,945,318</u>	<u>1,887,763</u>
23.4 Other contingent liabilities		
Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2021 (Tax Year 2022) including Azad Kashmir and Gilgit Baltistan operations. The income tax assessments of the Bank (including Azad Kashmir operations) have been finalized upto and including tax year 2021. Tax year 2022 has been finalized for Azad Kashmir operations only.		
Matters of disagreement exist between the Bank and tax authorities for various tax years and are pending with the Commissioner Inland Revenue (Appeals) and Income Tax Appellate Tribunal (ITAT). These issues mainly relate to addition of general provision (specific), reversal of provision for non-performing loans, charge for defined benefit plan and provision for compensated absences.		



For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) passed an amended order u/s. 122(5A) of the Income Tax Ordinance, 2001 resulting in an impact of Rs. 482.233 million. Subsequently, Commissioner Inland Revenue (Appeals) has passed order by allowing Rs. 134.616 million resulting in an aggregate net tax impact of Rs. 347.617 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals) passed an appellate order against Deputy Commissioner Inland Revenue (DCIR) order for Tax Year 2014 (Accounting Year 2013) by allowing certain expenses resulting in an impact of Rs. 25.300 million and remanded back certain expenses to DCIR. The resulted aggregate net tax impact stands at Rs. 125.469 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 154.201 million. The resulted aggregate net tax impact stands at Rs. 147.655 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses and remanded back to ACIR for other matters. During the year certain expenses were allowed by ACIR. This resulted in an allowable amount of Rs. 224.625 million. The resulted aggregate net tax impact stands at Rs. 80.557 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2018 (Accounting Year 2017) by allowing certain expenses resulting in an impact of Rs. 65.722 million. The resulted aggregate net tax impact stands at Rs. 194.376 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2019 (Accounting Year 2018) by disallowing certain expenses resulting in an impact of Rs. 173.799 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2020 (Accounting Year 2019) by disallowing certain expenses resulting in an impact of Rs. 873.437 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order for Tax Year 2021 (Accounting Year 2020) by disallowing certain expenses resulting in an impact of Rs. 1,734.859 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.



Commissioner Inland Revenue (Appeals) has remanded back the order of Deputy Commissioner Inland Revenue (DCIR) against Federal Excise Duty Levy on certain items for the period January 2013 to December 2015. The resulted aggregate net tax impact stands at Rs. 80.766 million.

Deputy Commissioner Inland Revenue (DCIR) has passed order against Federal Excise Duty Levy on certain items for the period from January 2018 to December 2019. The resulted aggregate net tax impact stands at Rs. 17.524 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the above mentioned order.

Commissioner (HQ), Punjab Revenue Authority has passed order for the period from January to December 2016 levying Punjab Sales Tax on services on certain items resulting in an impact of Rs. 112.641 million. Appellate Tribunal – Punjab Revenue Authority has remanded back the order of Commissioner (HQ), Punjab Revenue Authority.

Commissioner Inland Revenue (Appeals) has passed orders for tax years 2009 and 2011 confirming disallowance of provision for non-performing loans, other provisions and amortization of intangible assets having an aggregate tax impact of Rs. 15.372 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned orders.

Commissioner Inland Revenue (Appeals), Mirpur AJ&K has annulled the amendments made by Assistant Commissioner Inland Revenue, Mirpur AJ&K for Tax Year 2014 to 2018. This resulted in a favorable aggregate net tax impact of Rs. 93.443 million.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2019 by disallowing certain expenses resulting in an impact of Rs. 92.311 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2020 by disallowing certain expenses resulting in an impact of Rs. 6.608 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2021 by disallowing certain expenses resulting in an impact of Rs. 7.031 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Year 2022 by disallowing certain expenses resulting in an impact of Rs. 12.804 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

The management, based on the opinion of its tax advisor, is confident about the favorable outcome of the above matters.



24. DERIVATIVE 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 gains and losses on these contracts are recorded in 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.

24.1 Product Analysis

Counter Parties	30 June 2023 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal (Rupees in '000)	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
Banks						
Hedging	5,058,539	(225,170)	75,418,592	(482,561)	80,477,131	(707,731)
Other Entities						
Hedging	37,728,135	1,292,630	-	-	37,728,135	1,292,630
Total						
Hedging	<u>42,786,674</u>	<u>1,067,460</u>	<u>75,418,592</u>	<u>(482,561)</u>	<u>118,205,266</u>	<u>584,899</u>
	31 December 2022 (Audited)					
Banks						
Hedging	6,657,489	(79,494)	57,727,922	472,630	64,385,411	393,136
Other Entities						
Hedging	50,127,080	1,186,455	-	-	50,127,080	1,186,455
Total						
Hedging	<u>56,784,569</u>	<u>1,106,961</u>	<u>57,727,922</u>	<u>472,630</u>	<u>114,512,491</u>	<u>1,579,591</u>



24.2 Maturity Analysis

	30 June 2023 (Un-audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	288	69,538,301	(164,241)	883,332	719,091
1 to 3 months	274	34,040,899	(876,285)	528,087	(348,198)
3 to 6 months	187	10,705,173	(37,442)	40,932	3,490
6 months to 1 year	31	3,920,893	(2,398)	212,914	210,516
	780	118,205,266	(1,080,366)	1,665,265	584,899

	31 December 2022 (Audited)				
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	309	44,674,521	(486,472)	1,246,699	760,227
1 to 3 months	469	50,246,423	(535,680)	904,348	368,668
3 to 6 months	318	16,445,297	(74,497)	420,589	346,092
6 months to 1 year	53	3,146,250	(9,564)	114,168	104,604
	1,149	114,512,491	(1,106,213)	2,685,804	1,579,591

	(Un-audited)	
	Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
On loans and advances	61,441,738	32,284,154
On investments	96,386,714	43,123,768
On deposits with financial institutions	1,352,935	190,321
On securities purchased under resale agreements	1,946,787	1,222,106
On call money lendings	90,326	-
	161,218,500	76,820,349

25. MARK-UP / RETURN / INTEREST EARNED



		(Un-audited) Half year ended	
		30 June 2023	30 June 2022
		(Rupees in '000)	
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		77,720,600	34,676,485
Borrowings from SBP		4,887,936	1,697,594
Subordinated debt		2,842,623	1,244,310
Cost of foreign currency swaps		3,012,082	513,541
Repurchase agreement borrowings		20,249,527	3,710,656
Mark-up expense on lease liability against right-of-use assets		744,656	600,677
Other borrowings		832,122	438,660
		<u>110,289,546</u>	<u>42,881,923</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		994,756	655,113
Investment banking fees		37,625	55,624
Consumer finance related fees		23,074	32,077
Card related fees (debit and credit cards)		2,138,392	1,284,910
Credit related fees		187,034	197,309
Commission on trade		2,526,696	2,905,595
Commission on guarantees		416,065	365,858
Commission on cash management		127,311	127,836
Commission on home remittances		207,951	71,995
Others		282,220	156,593
		<u>6,941,124</u>	<u>5,852,910</u>
28. GAIN / (LOSS) ON SECURITIES-NET			
Realised	28.1	24,113	172,612
Unrealised-held for trading		103	(5,502)
		<u>24,216</u>	<u>167,110</u>
28.1 Realised gain on:			
Federal Government Securities		181	937
Shares		23,932	171,675
		<u>24,113</u>	<u>172,612</u>
29. OTHER INCOME			
Gain on sale of fixed assets-net		169,543	231,336
Recovery of expenses from customers		201,572	176,542
Lockers rent		11,438	9,739
Income on margin financing		5,018	5,514
Others		4,119	4,484
		<u>391,690</u>	<u>427,615</u>



	(Un-audited)	
	Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
30. OPERATING EXPENSES		
Total compensation expenses	13,765,511	11,290,595
Property expenses		
Rent and taxes	123,264	155,831
Insurance	14,582	16,715
Utilities cost	1,362,864	907,935
Security (including guards)	862,747	678,832
Repair and maintenance (including janitorial charges)	342,540	198,584
Depreciation	1,782,932	1,633,106
	4,488,929	3,591,003
Information technology expenses		
Software maintenance	973,351	787,888
Hardware maintenance	432,795	399,750
Depreciation	356,502	217,306
Amortisation	144,858	125,118
Network charges	357,488	297,865
	2,264,994	1,827,927
Other operating expenses		
Directors' fees and allowances	23,081	20,610
Fees and allowances to Shariah Board	12,336	9,351
Insurance	441,756	329,788
Legal and professional charges	167,131	193,347
Outsourced services costs	1,595,046	1,135,825
Travelling and conveyance	212,785	190,385
NIFT and other clearing charges	110,892	100,516
Depreciation	1,087,248	905,317
Repair and maintenance	947,874	816,210
Training and development	63,240	34,982
Postage and courier charges	200,572	181,690
Communication	714,989	264,036
Stationery and printing	754,711	550,918
Marketing, advertisement and publicity	619,846	310,835
Donations	254,656	116,100
Auditors remuneration	9,734	4,802
Commission and brokerage	664,546	323,092
Entertainment and staff refreshment	296,781	219,629
Vehicle running expenses	2,142,582	1,190,196
Subscriptions and publications	209,801	169,384
CNIC verification charges	115,421	98,529
Security charges	343,434	312,421
Others	834,623	487,265
	11,823,085	7,965,228
	32,342,519	24,674,753



		(Un-audited)	
		Half year ended	
		30 June	30 June
		2023	2022
		(Rupees in '000)	
Note			
31.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	<u>169</u>	<u>797</u>
32.	(REVERSALS) / PROVISIONS AND WRITE OFFS-NET		
	(Reversal) / provision for diminution in value of investments-net 9.2	(1,269,337)	834,409
	Provision / (reversal) against loans and advances-net 10.3	74,840	(116,952)
	Provision against other assets-net 14.1.1	80	384
	Reversals against off-balance sheet items-net 20.1	(3,612)	(63,334)
	Provision against balance with other banks	46	-
	Loss on revaluation of fixed assets	75,889	-
		<u>(1,122,094)</u>	<u>654,507</u>
33.	TAXATION		
	Current	15,171,846	9,631,125
	Deferred	(2,243,036)	(819,582)
		<u>12,928,810</u>	<u>8,811,543</u>
33.1	During the period, rate of super tax was enhanced to 10% for tax years 2024 and onwards. Accordingly, the impact of this change including recognition of deferred tax asset at increased rate has been incorporated in these consolidated condensed interim financial statements.		
		(Un-audited)	
		Half year ended	
		30 June	30 June
		2023	2022
		(Rupees in '000)	
34.	BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY		
	Profit for the period-attributable to equity holders of the Holding Company	<u>18,213,895</u>	<u>9,594,410</u>
		(Number)	
	Weighted average number of ordinary shares	<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
	Basic and diluted earnings per share	<u>16.39</u>	<u>8.63</u>



35. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government securities	PKRV rates (Reuters page)
Non Government Debt Securities	Market prices
Foreign Securities	Market prices / Mashreqbank PSC
Listed Securities	Prices quoted at Pakistan Stock Exchange Limited
Mutual Funds	Net asset values declared by respective funds

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the Group's accounting policies, as disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

35.1 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 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).

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



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:

	30 June 2023 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	-	880,463,546	-	880,463,546
Shares	2,749,455	-	-	2,749,455
Non-Government Debt Securities	25,452,596	4,836,876	-	30,289,472
Foreign Securities	-	5,418,047	-	5,418,047
Mutual Funds	-	3,884,222	-	3,884,222
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	220,952,686	-	220,952,686
Foreign Securities	-	1,032,369	-	1,032,369
Associates				
Mutual Funds	-	5,687,149	-	5,687,149
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	83,893,656	-	83,893,656
Forward sale of foreign exchange contracts	-	34,896,509	-	34,896,509
	31 December 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets-measured at fair value				
Investments				
Federal Government Securities	-	930,187,451	-	930,187,451
Shares	3,081,855	-	-	3,081,855
Non-Government Debt Securities	25,515,203	5,139,900	-	30,655,103
Foreign Securities	-	4,118,155	-	4,118,155
Mutual Funds	-	3,507,593	-	3,507,593
Financial assets-disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	169,562,245	-	169,562,245
Foreign Securities	-	1,037,110	-	1,037,110
Associates				
Mutual Funds	-	5,533,810	-	5,533,810
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	80,387,622	-	80,387,622
Forward sale of foreign exchange contracts	-	35,704,460	-	35,704,460



35.2 Certain fixed assets and non banking assets acquired in satisfaction of claims have been carried at revalued amounts determined by professional valuer (level 3 measurement) based on their assessment of the market value.

35.3 Foreign exchange contracts are valued using exchange rates declared by the State Bank of Pakistan.

36. TRUST ACTIVITIES

The Bank is not engaged in any trust activities other than holding investments of individuals and entities in its IPS account maintained with the State Bank of Pakistan.

37. SEGMENT INFORMATION

Segment details with respect to Business Activities

The segment analysis with respect to business activity is as follows:

	Half year ended 30 June 2023 (Un-audited)				Total
	Commercial banking	Retail banking	Retail brokerage	Asset management	
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	138,982,965	22,206,162	28,152	1,221	161,218,500
Inter segment revenue-net	-	45,202,084	-	-	45,202,084
Non mark-up / return / interest income	2,504,986	9,207,801	43,776	309,482	12,066,045
Total income	141,487,951	76,616,047	71,928	310,703	218,486,629
Segment direct expenses	(91,391,697)	(51,724,647)	(85,626)	(66,778)	(143,268,748)
Inter segment expense allocation	(45,202,084)	-	-	-	(45,202,084)
Total expenses	(136,593,781)	(51,724,647)	(85,626)	(66,778)	(188,470,832)
Reversal / (provisions)	1,132,005	(9,911)	-	-	1,122,094
Profit / (loss) before tax	6,026,175	24,881,489	(13,698)	243,925	31,137,891

	As at 30 June 2023 (Un-audited)				
Statement of financial position					
Cash and bank balances	166,773,450	24,846,840	193,067	4,168	191,817,525
Investments	1,162,358,668	-	221,324	1,066,519	1,163,646,511
Net inter segment lending	943,603	1,072,598,647	-	-	1,073,542,250
Lendings to financial institutions	-	-	-	-	-
Advances - performing	671,252,381	100,274,235	18	-	771,526,634
- non-performing	2,424,620	25,551	-	-	2,450,171
Others	191,971,846	29,862,214	421,279	112,578	222,367,917
Total assets	2,195,724,568	1,227,607,487	835,688	1,183,265	3,425,351,008
Borrowings	243,392,381	-	268,245	-	243,660,626
Subordinated debt	29,988,400	-	-	-	29,988,400
Deposits and other accounts	690,183,644	1,118,655,722	-	-	1,808,839,366
Net inter segment borrowing	1,072,598,647	-	193,603	750,000	1,073,542,250
Others	60,865,010	98,647,936	248,253	74,770	159,835,969
Total liabilities	2,097,028,082	1,217,303,658	710,101	824,770	3,315,866,611
Equity	98,696,486	10,303,829	125,587	358,495	109,484,397
Total equity and liabilities	2,195,724,568	1,227,607,487	835,688	1,183,265	3,425,351,008
Contingencies and commitments	420,015,358	166,748	-	-	420,182,106



Half year ended 30 June 2022 (Un-audited)

	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	64,851,344	11,941,186	27,524	295	76,820,349
Inter segment revenue-net	31,139	29,375,124	–	–	29,406,263
Non mark-up / return / interest income	5,006,815	4,999,378	57,505	116,243	10,179,941
Total income	69,889,298	46,315,688	85,029	116,538	116,406,553
Segment direct expenses	(32,426,682)	(35,383,137)	(85,748)	(47,071)	(67,942,638)
Inter segment expense allocation	(29,375,124)	–	(5,352)	(25,787)	(29,406,263)
Total expenses	(61,801,806)	(35,383,137)	(91,100)	(72,858)	(97,348,901)
Provisions	(598,943)	(50,003)	(5,561)	–	(654,507)
Profit / (loss) before tax	7,488,549	10,882,548	(11,632)	43,680	18,403,145

As at 31 December 2022 (Audited)

	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
Statement of financial position					
Cash and bank balances	95,317,276	13,784,788	157,002	9,972	109,269,038
Investments	1,157,669,660	–	251,342	878,986	1,158,799,988
Net inter segment lending	936,306	940,663,885	–	–	941,600,191
Lendings to financial institutions	15,568,607	–	–	–	15,568,607
Advances - performing	707,531,498	102,621,595	33	–	810,153,126
- non-performing	3,069,270	45,421	–	–	3,114,691
Others	152,631,172	22,647,382	409,217	89,058	175,776,829
Total assets	2,132,723,789	1,079,763,071	817,594	978,016	3,214,282,470
Borrowings	418,722,454	–	267,006	–	418,989,460
Subordinated debt	29,991,600	–	–	–	29,991,600
Deposits and other accounts	594,367,065	973,642,209	–	–	1,568,009,274
Net inter segment borrowing	940,663,885	–	186,306	750,000	941,600,191
Others	60,532,353	99,160,373	207,097	43,516	159,943,339
Total liabilities	2,044,277,357	1,072,802,582	660,409	793,516	3,118,533,864
Equity	88,446,432	6,960,489	157,185	184,500	95,748,606
Total equity and liabilities	2,132,723,789	1,079,763,071	817,594	978,016	3,214,282,470
Contingencies and commitments	389,420,252	287,644	–	–	389,707,896

38. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates, directors, key management personnel and other related parties.

Transactions with related parties of the Group are carried out on arm's length basis in terms of the policy as approved by the Board of Directors. The transactions with employees of the Group are carried out in accordance with the terms of their employment.



Transactions for the period / year and balances outstanding as at the period / year end with related parties are summarised as follows:

	30 June 2023 (Un-audited)				31 December 2022 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	5,533,810	386,597	-	-	8,563,438	305,998
Investment made during the period / year	-	-	4,056,389	-	-	-	9,077,662	50,000
Investment adjusted / redeemed / disposed off during the period / year	-	-	(3,901,573)	-	-	-	(12,107,290)	-
(Deficit) / surplus on revaluation during the period / year	-	-	-	(25,892)	-	-	-	30,599
Closing balance	-	-	5,688,626	360,705	-	-	5,533,810	386,597
Advances								
Opening balance	1,310	320,774	-	1,023,207	1,620	195,482	-	2,417,285
Addition during the period / year	9,237	168,607	-	13,183,456	90,890	328,735	-	40,985,490
Repaid during the period / year	(10,446)	(115,242)	-	(13,127,998)	(91,200)	(203,443)	-	(42,379,568)
Closing balance	101	374,139	-	1,078,665	1,310	320,774	-	1,023,207
Operating fixed assets								
Right of use	-	-	-	7,155	-	-	-	9,199
Other assets								
Interest / mark-up accrued	-	481	-	43,144	-	177	-	25,879
L/C acceptances	-	-	-	79,741	-	-	-	323,894
Dividend receivable	-	-	56,842	-	-	-	6,345	-
Remuneration receivable from funds	-	-	79,359	-	-	-	56,248	-
Other receivable	-	-	378	1	-	-	236	64
Subordinated debt								
Opening balance	-	-	-	44,000	-	-	-	44,000
Received during the period / year	-	-	-	50,000	-	-	-	-
Closing balance	-	-	-	94,000	-	-	-	44,000
Deposits and other accounts								
Opening balance	569,762	691,575	1,770,411	5,223,723	769,918	774,436	59,383	6,936,252
Received during the period / year	2,823,357	3,115,357	299,496,851	78,480,047	4,487,172	5,939,373	582,767,296	174,705,011
Withdrawn during the period / year	(2,540,066)	(3,055,387)	(298,198,447)	(76,620,894)	(4,687,328)	(6,022,234)	(581,056,268)	(176,417,540)
Closing balance	853,053	751,545	3,068,815	7,082,876	569,762	691,575	1,770,411	5,223,723
Other liabilities								
Interest / mark-up payable	116	3,859	-	7,957	73	1,598	-	24,737
Payable to staff retirement fund	-	-	-	1,791,772	-	-	-	974,312
Unrealized loss on forward exchange contract	-	-	-	953	-	-	-	-
Other liabilities	170	28	-	-	-	113	-	71,960
Contingencies and commitments								
-	-	-	-	1,398,259	-	-	-	1,004,215
Other Transactions-Investor Portfolio Securities								
Opening balance	-	-	-	16,314,700	-	-	-	4,791,800
Increased during the period / year	-	-	-	8,880,500	-	-	-	25,764,700
Decreased during the period / year	-	-	-	(7,483,000)	-	-	-	(14,241,800)
Closing balance	-	-	-	17,712,200	-	-	-	16,314,700



38.1 Related Party Transactions

	30 June 2023 (Un-audited)				30 June 2022 (Un-audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	–	8,130	–	70,793	2	6,315	–	79,169
Fee and commission income	75	357	229,607	8,872	42	98	78,873	4,239
Dividend income	–	–	–	82,614	–	–	–	28,246
Net gain on sale / redemption of securities and units of mutual funds	–	–	–	–	–	–	–	332
Share of profit from associates	–	–	474,310	–	–	–	363,659	–
Other income	–	–	–	289	–	–	–	258
Expense								
Mark-up / return / interest expensed	45,425	46,535	446,425	510,581	28,054	35,478	44,796	275,646
Operating expenses	–	–	–	2,550	–	–	–	29,877
Salaries and allowances	–	549,305	–	–	–	384,668	–	–
Bonus	–	118,330	–	–	–	115,483	–	–
Contribution to defined contribution plan	–	25,489	–	–	–	18,696	–	–
Contribution to defined benefit plan	–	140,455	–	–	–	102,708	–	–
Staff provident fund	–	–	–	519,826	–	–	–	431,625
Staff gratuity fund	–	–	–	414,000	–	–	–	308,500
Directors' fees	21,685	–	–	–	19,260	–	–	–
Donation	–	–	–	18,000	–	–	–	12,000
Insurance premium paid	–	–	–	267,919	–	–	–	93,616
Insurance claims settled	–	–	–	19,747	–	–	–	28,557

Chief Executive, Executive Director and Key Management Personnel are entitled to Group's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Group. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills, utility bills, medical bills, club and entertainment bills, in accordance with their terms of employment.

Chairman of the Board is entitled to administration facilities / expenses pertaining to the office, staff and security arrangements.



39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	11,114,254	11,114,254
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	100,216,291	88,846,766
Eligible Additional Tier 1 (ADT 1) Capital	13,299,324	13,284,854
Total Eligible Tier 1 Capital	113,515,615	102,131,620
Eligible Tier 2 Capital	33,110,667	30,118,520
Total Eligible Capital (Tier 1 + Tier 2)	146,626,282	132,250,140
Risk Weighted Assets (RWAs):		
Credit Risk	790,521,123	734,076,775
Market Risk	13,105,511	12,072,245
Operational Risk	148,012,019	148,012,019
Total	951,638,653	894,161,039
Common Equity Tier 1 Capital Adequacy ratio	10.531%	9.936%
Tier 1 Capital Adequacy Ratio	11.928%	11.422%
Total Capital Adequacy Ratio	15.408%	14.790%
Leverage Ratio (LR):		
Eligible Tier 1 Capital	113,515,615	102,131,620
Total Exposures	2,850,624,139	2,743,357,594
Leverage Ratio	3.982%	3.723%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	955,862,553	741,344,389
Total Net Cash Outflow	325,649,586	309,814,044
Liquidity Coverage Ratio	293.525%	239.287%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,875,743,724	1,651,921,923
Total Required Stable Funding	968,491,691	922,325,376
Net Stable Funding Ratio	193.677%	179.104%



40. ISLAMIC BANKING BUSINESS

The Bank is operating with 181 (31 December 2022: 178) Islamic banking branches and 150 (31 December 2022: 150) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 30 June 2023	(Audited) 31 December 2022
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		14,348,749	10,129,656
Balances with other banks		7,721	7,087
Due from financial institutions		–	–
Investments	40.1	156,794,531	139,707,651
Islamic financing and related assets-net	40.2	100,407,880	101,266,517
Fixed assets		1,034,669	960,714
Intangible assets		–	–
Due from Head Office		–	–
Other assets		13,247,504	9,004,260
Total Assets		285,841,054	261,075,885
LIABILITIES			
Bills payable		658,020	429,262
Due to financial institutions		38,014,521	38,932,611
Deposits and other accounts	40.3	210,041,846	177,775,602
Due to Head Office		719,366	7,016,160
Subordinated debt		–	–
Other liabilities		8,708,764	15,579,661
		258,142,517	239,733,296
NET ASSETS		27,698,537	21,342,589
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		–	–
Deficit on revaluation of assets		(597,093)	(463,276)
Unappropriated profit	40.4	20,695,630	14,205,865
		27,698,537	21,342,589
CONTINGENCIES AND COMMITMENTS	40.5		



The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2023 is as follows:

	Note	(Un-audited) Half year ended	
		30 June 2023	30 June 2022
(Rupees in '000)			
Profit / return earned	40.6	18,968,440	9,894,247
Profit / return expensed	40.7	(9,877,524)	(5,224,345)
Net Profit / return		9,090,916	4,669,902
Other income			
Fee and commission income		530,912	393,619
Dividend income		35,801	25,341
Foreign exchange income		84,889	82,316
Income / (loss) from derivatives		-	-
Gain on securities		-	-
Other income		37,694	30,372
Total other income		689,296	531,648
Total income		9,780,212	5,201,550
Other expenses			
Operating expenses		(2,943,483)	(2,044,062)
Other charges		-	(102)
Total other expenses		(2,943,483)	(2,044,164)
Profit before provisions		6,836,729	3,157,386
(Provisions) / reversal and write offs-net		(346,964)	2,273
Profit for the period		6,489,765	3,159,659

30 June 2023 (Un-audited)				31 December 2022 (Audited)			
Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
(Rupees in '000)							

40.1 Investments by segments:

Federal Government Securities

- Ijarah Sukuks	121,813,448	-	(613,598)	121,199,850	106,895,687	-	(478,887)	106,416,800
- Neelum Jhelum Hydropower Co Ltd. Sukuk	1,732,500	-	-	1,732,500	2,021,250	-	-	2,021,250
- Islamic Naya Pakistan Certificates	7,585,021	-	-	7,585,021	4,852,292	-	-	4,852,292
	131,130,969	-	(613,598)	130,517,371	113,769,229	-	(478,887)	113,290,342

Shares

- Listed Companies	30,529	(19,549)	142	11,122	30,529	(19,253)	56	11,332
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Non Government Debt Securities

- Listed	22,231,644	-	(2,144)	22,229,500	21,952,266	-	(2,266)	21,950,000
- Unlisted	3,519,875	-	-	3,519,875	3,940,000	-	-	3,940,000
	25,751,519	-	(2,144)	25,749,375	25,892,266	-	(2,266)	25,890,000

Units of Mutual Funds

	351,022	(52,866)	18,507	316,663	351,022	(52,866)	17,821	315,977
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Associates

- AL Habib Islamic Cash Fund	100,000	-	-	100,000	100,000	-	-	100,000
- AL Habib Islamic Savings Fund	100,000	-	-	100,000	100,000	-	-	100,000
	200,000	-	-	200,000	200,000	-	-	200,000

Total Investments	157,464,039	(72,415)	(597,093)	156,794,531	140,243,046	(72,119)	(463,276)	139,707,651
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	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
40.2 Islamic financing and related assets		
Ijarah	2,832,201	2,452,842
Murabaha	10,850,690	10,598,735
Diminishing Musharaka	17,982,470	15,741,969
Istisna	5,744,829	5,766,719
Musawamah	3,610,399	3,532,923
Running Musharaka	1,629,184	2,073,941
Staff Financing	1,680,544	1,438,084
Financing against Bills - Musawamah	4,307,003	3,916,970
Export Finance Scheme (EFS) - Discounting	6,881,951	5,110,945
Islamic Long Term Financing Facility (ILTFF)	5,548,834	3,835,813
Islamic Refinance for Renewable Energy (IFRE)	2,254,659	2,157,740
Islamic Refinance for Wages and Salaries (IRWS)	-	41,082
Islamic Refinance for Temporary Economic Refinance Facility (ITERF)	6,715,234	5,498,680
Islamic Refinance Facility for Modernization of SMEs (IRFSME)	46,392	49,186
Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP)	142,438	142,438
Islamic Export Refinance - Istisna (IERF)	1,986,963	2,303,561
Islamic Export Refinance - Musawamah	-	303,750
Islamic Export Refinance - Running Musharaka	6,075,426	6,075,426
Musawamah Inventory	3,070,823	3,947,033
Advance against Istisna	10,043,510	9,761,928
Advance against Istisna - IERF	5,564,589	7,922,393
Advance against Ijarah	357,455	444,846
Advance against Diminishing Musharaka	2,022,546	3,102,235
Advance against ILTFF	104,192	2,100,278
Advance against IFRE	232,298	451,733
Advance against ITERF	1,454,300	2,888,709
Advance against IRFSME	9,058	-
Gross Islamic financing and related assets	101,147,988	101,659,959
Less: provision against Islamic financings		
- Specific	690,052	343,385
- General	50,056	50,057
	740,108	393,442
Islamic financing and related assets-net of provision	100,407,880	101,266,517



	(Un-audited) 30 June 2023	(Audited) 31 December 2022
	(Rupees in '000)	
40.3 Deposits and Other Accounts		
Customers		
Current deposits	82,389,798	64,921,780
Savings deposits	94,422,545	64,480,636
Term deposits	27,203,954	27,105,947
	<u>204,016,297</u>	<u>156,508,363</u>
Financial institutions		
Current deposits	37,232	16,506
Savings deposits	5,988,317	21,250,733
	<u>6,025,549</u>	<u>21,267,239</u>
	<u>210,041,846</u>	<u>177,775,602</u>
40.4 Islamic Banking Business Unappropriated Profit		
Opening Balance	14,205,865	6,607,722
Add: Islamic Banking profit for the period / year	6,489,765	7,598,143
Closing Balance	<u>20,695,630</u>	<u>14,205,865</u>
40.5 Contingencies and Commitments		
Guarantees	11,180,947	10,385,298
Commitments	22,880,423	24,096,223
	<u>34,061,370</u>	<u>34,481,521</u>
	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Rupees in '000)	
40.6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	6,492,034	3,621,123
Investments	12,385,448	6,264,371
Placements	90,958	8,753
	<u>18,968,440</u>	<u>9,894,247</u>
40.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	8,187,848	3,060,561
Due to Financial Institutions	1,239,649	495,625
Due to Head Office	450,027	1,668,159
	<u>9,877,524</u>	<u>5,224,345</u>



40.8 Profit and Loss Distribution and Pool Management

40.8.1 The number and nature of pools maintained by the Islamic Banking Branches along with their key features and risk and reward characteristics:

General Pool PKR (Mudaraba)

Deposits which assume minimal risk of loss due to diversified assets being tagged thereto are parked in the general pool. In case of loss in general pool, the loss will be borne by the general pool members.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

General Pool FCY (Mudaraba)

In FCY pool, all FCY deposits and investments are parked to share the return among the FCY deposit holders. In case of loss in a FCY General Pool, the loss will be borne by the FCY general pool members.

Special Pool(s) FCY (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. In case of loss in a special pool the loss will be borne by the special pool members.

Islamic Export Refinance Scheme (IERS) Pool PKR (Musharaka)

IERS pool is required by SBP to facilitate the exporters under Islamic Export Refinance Scheme.

Equity Pool

Investments with relatively higher risks such as investment in shares and mutual funds are tagged to the equity pool in order to safeguard the interest of depositors. The Bank as Mudarib in the general pool is responsible for administrative costs and cost of operating fixed assets, which are financed from equity. Furthermore, subsidized financing to employees are also financed from equity as per SBP guidelines.

Special Mudaraba Financing Facility (SMFF) Pool - Open Market Operations (OMO) Injections

Special SMFF Pool for OMO Injection is created to invest the funds exclusively raised from SBP through Islamic OMO in High Quality Assets including securities that are eligible as approved securities for maintaining Statutory Liquidity Requirement (SLR).

Parameters associated with risk and rewards:

Following are the key considerations attached with risk and reward of the pool:

- Period, return, safety, security and liquidity of investment.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organisations as regulated in Pakistan.
- Element of risk attached to various types of investments.
- SBP rules and Shariah clearance.



40.8.2 Avenues / sectors of economy / business where Mudaraba based deposits have been deployed:

The Mudaraba based funds have been deployed in the following avenues / sectors / business:

- Chemical and pharmaceuticals
- Agribusiness
- Textile
- Sugar
- Shoes and leather garments
- Investment in sukuks
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)

40.8.3 Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components:

The Bank's Islamic Banking Division (IBD) is accepting Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-ul-Maal. The Bank with the prior approval of Depositors also commingles its funds with those of depositors.

The funds so generated are invested by the Bank in Shariah compliant modes of financing and investments such as Murabaha, Ijarah, Istisna, Diminishing Musharakah, Running Musharakah, Musawama, Shares, Mutual Funds and Sukuks etc.

The Bank calculates the profit of the pool at every month. Profit is distributed at the net income level. Net income is calculated after deducting direct costs such as cost of murabaha, cost of takaful, depreciation on ijarah assets, and amortization of premium on sukuks and loss of investments directly incurred in deriving that income.

The net income / loss is being allocated between the Bank's equity and the depositors' fund in proportion to their respective share in pool.

The Bank's profit sharing ratio during the period was 50% (31 December 2022: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2022: 50%) of net income.

After the allocation of income between the equity holder and depositors the profit is distributed among the account holders on the basis of predetermined weightages, announced by the Bank at the beginning of the month based on their respective category / tiers. In case of loss, Rab-ul-Maal has to bear the loss in the ratio of its investment.

In case of provisioning, the general and specific provisions created against non-performing financing and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the IBIs as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to the pool along with other direct expenses.



40.8.4 Mudarib share and HIBA distributed to depositor's pool and specific pool

	30 June 2023 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	10,981,993	4,081,234	37.16%	1,804,607	44.22%
FCY Pool	110,325	79,348	71.92%	12,304	15.51%
	30 June 2022 (Un-audited)				
LCY Pool	5,685,889	1,581,195	27.81%	661,892	41.86%
FCY Pool	60,955	57,285	93.98%	2,305	4.02%

40.8.5 Profit rate earned vs. profit rate distributed to the depositors during the period

	(Un-audited) Half year ended	
	30 June 2023	30 June 2022
	(Percentage)	
Profit rate earned	15.66%	9.27%
Profit rate distributed	8.99%	4.84%

41. GENERAL

- 41.1 Captions in respect of which there are no amounts, have not been reproduced in these consolidated condensed interim financial statements, except for captions of the statement of financial position and profit and loss account.
- 41.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 41.3 Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation.
- 41.4 The Board of Directors, in its meeting held on 23 August 2023, has announced an interim cash dividend of Rs 4.50 per share (30 June 2022: NIL).

42. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 23 August 2023.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

MOHAMMAD RAFIQUDDIN MEHKARI
Director

FARHANA MOWJEE KHAN
Director

ABBAS D. HABIB
Chairman