

هَذَا مِنْ فَضْلِ رَبِّي



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CORPORATE INFORMATION

Board of Directors	Abbas D. Habib	<i>Chairman</i>
	Anwar Haji Karim	
	Farhana Mowjee Khan	
	Syed Mazhar Abbas	
	Qumail R. Habib	<i>Executive Director</i>
	Safar Ali Lakhani	
	Syed Hasan Ali Bukhari	
	Murtaza H. Habib	
	Arshad Nasar	
	Adnan Afridi	
	Mansoor Ali Khan	<i>Chief Executive</i>
Audit Committee	Safar Ali Lakhani	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Human Resource & Remuneration Committee	Syed Hasan Ali Bukhari	<i>Chairman</i>
	Syed Mazhar Abbas	<i>Member</i>
	Abbas D. Habib	<i>Member</i>
	Farhana Mowjee Khan	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Credit Risk Management Committee	Syed Mazhar Abbas	<i>Chairman</i>
	Safar Ali Lakhani	<i>Member</i>
	Qumail R. Habib	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Murtaza H. Habib	<i>Member</i>
Risk Management Committee	Adnan Afridi	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Farhana Mowjee Khan	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Safar Ali Lakhani	<i>Member</i>
IT Committee	Abbas D. Habib	<i>Chairman</i>
	Qumail R. Habib	<i>Member</i>
	Arshad Nasar	<i>Member</i>
	Syed Mazhar Abbas	<i>Member</i>
	Mansoor Ali Khan	<i>Member</i>



IFRS 9 Committee	Syed Hasan Ali Bukhari Arshad Nasar Qumail R. Habib	<i>Chairman</i> <i>Member</i> <i>Member</i>
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 quarter ended March 31, 2021.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 1,167.4 billion as compared to Rs. 1,099.7 billion on December 31, 2020. In the same period, advances increased to Rs. 533.4 billion from Rs. 510.3 billion, while investments increased to Rs. 844.3 billion from Rs. 764.9 billion. The pre-tax profit of the Bank for the quarter ended March 31, 2021 was Rs. 7.06 billion as compared to Rs. 4.79 billion during the corresponding period last year. The profit after tax for the quarter ended March 31, 2021 was Rs. 4.60 billion compared with Rs. 2.86 billion during 2020.

By the Grace of Allah, the Bank now has a network of 906 offices, comprising 870 branches, 32 sub-branches, and 4 Representative Offices. Our branch network includes 117 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2021.

Alhamdulillah, Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term and short term entity ratings at **AA+** (Double A plus) and **A1+** (A One plus), respectively. The rating of our unsecured, subordinated Term Finance Certificate (TFC) is **AA** (Double A) for TFC-2018, and **AA-** (Double A minus) for TFC-2017 (perpetual). These ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. During the first quarter of the year, the Bank has fully redeemed its unsecured, subordinated TFC-2016 on March 17, 2021.

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: April 28, 2021



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 31 مارچ 2021 کو ختم ہونے والی سہ ماہی 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 کیپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب ایسٹ منیجمنٹ لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 31 مارچ 2021 کو ختم ہونے والی سہ ماہی میں ڈپازٹس بڑھ کر 1,167.4 بلین روپے ہو گئے، جو کہ 31 دسمبر 2020 کو 1,099.7 بلین روپے تھے۔ اسی مدت کے دوران ایڈوانسز 510.3 بلین روپے سے بڑھ کر 533.4 بلین روپے ہو گئے اور سرمایہ کاری 764.9 بلین روپے سے بڑھ کر 844.3 بلین روپے ہو گئی۔ 31 مارچ 2021 کو ختم ہونے والی سہ ماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع 7.06 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 4.79 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 31 مارچ 2021 کو ختم ہونے والی مدت کے لئے 4.60 بلین روپے رہا، جبکہ گزشتہ سال یہ 2.86 بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 906 دفاتر پر مشتمل ہے، جس میں 870 برانچز، 32 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب 117 اسلامی بینکاری برانچز اور 3 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال 2021 میں بھی مزید برانچز کھولنے کا ارادہ رکھتے ہیں۔

الحمد للہ، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کے لئے بینک کی AA+ (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) ریٹنگز برقرار رکھی ہیں۔ ہمارے انسکیورڈ، سہارڈینیٹڈ ٹرم فنڈس سرٹیفکیٹس کی ریٹنگز AA (ڈبل اے) برائے TFC-2018 اور AA (ڈبل اے مائنس) برائے TFC-2017 (پریپچول) 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۔ سال کی پہلی سہ ماہی کے دوران، بینک نے 17 مارچ 2021 کو اپنے انسکیورڈ، سہارڈینیٹڈ TFC-2016 کو مکمل طور پر ادا کر دیا ہے۔

ہم اپنے کسٹمرز کے مسلسل اعتماد اور تائید، مقامی و غیر ملکی مالیاتی اداروں کے بھروسے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے اُن 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۔ حبیب
چیئرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۲۸ اپریل ۲۰۲۱ء



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

		(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
	Note		
ASSETS			
Cash and balances with treasury banks	6	99,756,804	105,935,947
Balances with other banks	7	4,608,700	19,662,515
Lendings to financial institutions	8	497,226	2,175,301
Investments	9	844,312,373	764,943,506
Advances	10	533,432,218	510,251,632
Fixed assets	11	45,123,960	43,967,993
Intangible assets	12	291,521	211,111
Deferred tax assets	13	657,107	—
Other assets	14	79,465,893	74,943,322
		1,608,145,802	1,522,091,327
LIABILITIES			
Bills payable	16	26,045,183	31,013,221
Borrowings	17	231,270,807	211,599,405
Deposits and other accounts	18	1,167,401,006	1,099,686,361
Liabilities against assets subject to finance lease		—	—
Subordinated debt	19	10,996,800	14,989,600
Deferred tax liabilities	13	—	176,751
Other liabilities	20	94,697,795	84,769,613
		1,530,411,591	1,442,234,951
NET ASSETS		77,734,211	79,856,376
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		18,434,443	18,431,277
Surplus on revaluation of assets	21	8,975,736	10,286,484
Unappropriated profit		39,209,778	40,024,361
		77,734,211	79,856,376
CONTINGENCIES AND COMMITMENTS			
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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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

		Three months period ended	
	Note	31 March 2021	31 March 2020
		(Rupees in '000)	
Mark - up / return / interest earned	24	25,941,191	32,364,968
Mark - up / return / interest expensed	25	(12,831,429)	(21,117,498)
Net mark - up / interest income		13,109,762	11,247,470
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	2,259,497	1,634,566
Dividend income		96,142	76,582
Foreign exchange income		649,786	374,322
Income / (loss) from derivatives		-	-
Gain on securities - net	27	640	17
Other income	28	163,950	204,035
Total non mark-up / interest income		3,170,015	2,289,522
Total income		16,279,777	13,536,992
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	29	(9,321,660)	(8,295,339)
Workers welfare fund		(144,056)	(109,340)
Other charges	30	(783)	(248)
Total non mark-up / interest expenses		(9,466,499)	(8,404,927)
Profit before provisions		6,813,278	5,132,065
Reversals / (provisions) and write offs - net	31	245,444	(341,827)
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		7,058,722	4,790,238
Taxation	32	(2,458,004)	(1,930,954)
PROFIT AFTER TAXATION		4,600,718	2,859,284
		(Rupees)	
Basic and diluted earnings per share	33	4.14	2.57

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

	Three months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	
Profit after taxation for the period	4,600,718	2,859,284
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	(456,906)	474,260
Movement in (deficit) / surplus on revaluation of investments - net of tax	(1,264,563)	1,887,359
	(1,721,469)	2,361,619
Total comprehensive income	2,879,249	5,220,903

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves Special Reserve	General Reserve	Surplus / (deficit) on revaluation of Investments	Fixed / Non Banking Assets	Unappropriated Profit	Total
	(Rupees in '000)								
Balance as at 01 January 2020	11,114,254	13,859,667	1,941,115	126,500	540,000	1,538,874	4,474,942	27,907,758	61,503,110
Comprehensive income for the three months period ended 31 March 2020:									
Profit after taxation	-	-	-	-	-	-	-	2,859,284	2,859,284
Other comprehensive income - net of tax	-	-	474,260	-	-	1,887,359	-	-	2,361,619
Total comprehensive income for the period	-	-	474,260	-	-	1,887,359	-	2,859,284	5,220,903
Transfer to statutory reserve	-	285,928	-	-	-	-	-	(285,928)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-
Balance as at 31 March 2020 - unaudited	11,114,254	14,145,595	2,415,375	126,500	540,000	3,426,233	4,456,750	30,499,306	66,724,013
Comprehensive income for the nine months period ended 31 December 2020:									
Profit after taxation	-	-	-	-	-	-	-	14,952,252	14,952,252
Other comprehensive income - net of tax	-	-	(291,419)	-	-	(664,791)	3,154,584	(128,275)	2,070,099
Total comprehensive income for the period	-	-	(291,419)	-	-	(664,791)	3,154,584	14,823,977	17,022,351
Transfer to statutory reserve	-	1,495,226	-	-	-	-	-	(1,495,226)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(86,292)	86,292	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)
Balance as at 31 December 2020 - audited	11,114,254	15,640,821	2,123,956	126,500	540,000	2,761,442	7,525,042	40,024,361	79,856,376
Comprehensive income for the three months period ended 31 March 2021:									
Profit after taxation	-	-	-	-	-	-	-	4,600,718	4,600,718
Other comprehensive income - net of tax	-	-	(456,906)	-	-	(1,264,563)	-	-	(1,721,469)
Total comprehensive income for the period	-	-	(456,906)	-	-	(1,264,563)	-	4,600,718	2,879,249
Transfer to statutory reserve	-	460,072	-	-	-	-	-	(460,072)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(46,185)	46,185	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 4.5 per share)	-	-	-	-	-	-	-	(5,001,414)	(5,001,414)
Balance as at 31 March 2021 - unaudited	11,114,254	16,100,893	1,667,050	126,500	540,000	1,496,879	7,478,857	39,209,778	77,734,211

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

MANSOOR ALI KHAN
Chief Executive

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ASHAR HUSAIN
Chief Financial Officer

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

	Note	31 March 2021 (Rupees in '000)	31 March 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,058,722	4,790,238
Less: Dividend income		(96,142)	(76,582)
		6,962,580	4,713,656
Adjustments:			
Depreciation		688,035	661,765
Depreciation on right - of - use assets		443,893	390,292
Amortisation		87,637	82,136
(Reversals) / provisions and write-offs - net	31	(245,444)	341,827
Gain on sale of fixed assets		(67,761)	(107,663)
Charge for defined benefit plan		123,000	106,500
Gain on securities - net		(640)	(17)
Charge for compensated absences		60,358	30,385
Mark - up expense on lease liability against right - of - use assets		259,166	209,096
		1,348,244	1,714,321
		8,310,824	6,427,977
Decrease / (increase) in operating assets			
Lendings to financial institutions		1,678,075	(681,771)
Held - for - trading securities		20,510	-
Advances		(22,975,563)	(39,604,663)
Other assets (excluding advance taxation)		(4,477,533)	(9,682,242)
		(25,754,511)	(49,968,676)
(Decrease) / increase in operating liabilities			
Bills payable		(4,968,038)	(4,366,811)
Borrowings from financial institutions		19,041,850	(28,927,993)
Deposits		67,714,645	86,991,866
Other liabilities (excluding current taxation)		8,974,235	16,579,529
		90,762,692	70,276,591
		73,319,005	26,735,892
Income tax paid		(2,479,431)	(2,812,406)
Net cash flow generated from operating activities		70,839,574	23,923,486
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(79,508,912)	(61,368,809)
Net investments in held to maturity securities		(812,227)	13,492,744
Net investments in associates		(800,000)	-
Dividends received		49,234	50,828
Investments in operating fixed assets		(1,896,279)	(1,441,442)
Proceeds from sale of fixed assets		73,742	125,981
Exchange differences on translation of net investment in foreign branches		(456,906)	474,260
Net cash used in investing activities		(83,351,348)	(48,666,438)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(3,992,800)	(800)
Dividend paid		(4,751,627)	(5,707)
Payment against lease liabilities		(606,309)	(649,092)
Net cash used in financing activities		(9,350,736)	(655,599)
Decrease in cash and cash equivalents		(21,862,510)	(25,398,551)
Cash and cash equivalents at beginning of the period		125,400,165	122,458,343
Cash and cash equivalents at end of the period		103,537,655	97,059,792

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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 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 870 branches (31 December 2020: 818 branches), 32 sub - branches (31 December 2020: 32 sub - branches), 04 representative offices (31 December 2020: 04 representative offices) and 02 booths (31 December 2020: 01 booth). The branch network of the Bank includes 03 overseas branches (31 December 2020: 03 overseas branches) and 117 Islamic Banking branches (31 December 2020: 106 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 Companies Act, 2017.

2.2 Key financial information of the Islamic Banking branches is disclosed in note 39 to these unconsolidated 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;



- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by 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 the 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 2020.

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 10 dated 26 August 2002 till further instructions. Further, 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.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular No. 04 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular No. 02 of 2018 and BPRD Circular Letter No. 05 of 2019, as amended from time to time.

3. ACCOUNTING POLICY

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 2020.

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

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after 01 January 2021. These are considered either to not be relevant or not to have any significant impact on the Bank's financial statements.



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

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021, however, detailed guidelines are awaited regarding the same. IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

5.2 COVID - 19 outbreak and it's impact

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe, affecting the earnings and cash flows of businesses. The scale and duration of the COVID-19 pandemic remains uncertain till date.



	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	25,745,785	23,716,890
Foreign currencies	2,419,634	4,761,414
	28,165,419	28,478,304
In transit:		
Local currency	2,039,514	600,285
Foreign currencies	21,292	4,412
	2,060,806	604,697
With State Bank of Pakistan in:		
Local currency current accounts	40,308,586	44,211,071
Local currency current accounts - Islamic Banking	3,722,402	3,339,015
Foreign currency deposit accounts		
Cash reserve account	3,349,232	3,508,365
Cash reserve / special cash reserve accounts		
- Islamic Banking	303,302	299,769
Special cash reserve account	6,698,465	7,016,730
Local US Dollar collection account	36,624	99,696
	54,418,611	58,474,646
With National Bank of Pakistan in:		
Local currency current accounts	14,637,876	16,110,129
Prize bonds	474,092	2,268,171
	99,756,804	105,935,947
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	255,948	131,311
In deposit account	425,480	184,012
	681,428	315,323
Outside Pakistan:		
In current account	1,437,172	5,965,561
In deposit account	2,490,104	13,381,635
	3,927,276	19,347,196
	4,608,704	19,662,519
Less: impairment against IFRS 9 in overseas branches	(4)	(4)
	4,608,700	19,662,515
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
- Pakistan Investment Bonds	497,226	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	-	2,175,301
	497,226	2,175,301



9. INVESTMENTS

	Note	31 March 2021 (Un-audited)				31 December 2020 (Audited)			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
9.1 Investments by type:									
Held-for-trading securities									
Shares		75,268	–	(1,083)	74,185	95,778	–	771	96,549
Available-for-sale securities									
Federal Government Securities		660,752,729	(204,783)	2,701,766	663,249,712	581,157,905	(226,825)	4,702,367	585,633,447
Shares		4,359,115	(1,781,772)	732,983	3,310,326	4,376,102	(1,791,073)	580,654	3,165,683
Non Government Debt Securities		6,027,233	–	(176,468)	5,850,765	5,542,664	–	(169,980)	5,372,684
Foreign Securities		6,279,100	(840,504)	(1,177,719)	4,260,877	6,891,856	(909,432)	(1,215,066)	4,767,358
Units of mutual funds		2,125,000	(444,440)	373,338	2,053,898	2,125,000	(444,440)	350,397	2,030,957
		679,543,177	(3,271,499)	2,453,900	678,725,578	600,093,527	(3,371,770)	4,248,372	600,970,129
Held-to-maturity securities	9.3								
Federal Government Securities		160,324,905	(123,189)	–	160,201,716	159,496,264	(130,790)	–	159,365,474
Foreign Securities		1,692,245	(111,947)	–	1,580,298	1,708,659	(127,901)	–	1,580,758
Other		4,481	(4,481)	–	–	4,481	(4,481)	–	–
		162,021,631	(239,617)	–	161,782,014	161,209,404	(263,172)	–	160,946,232
Associates		2,847,346	–	–	2,847,346	2,047,346	–	–	2,047,346
Subsidiaries		883,250	–	–	883,250	883,250	–	–	883,250
Total Investments		<u>845,370,672</u>	<u>(3,511,116)</u>	<u>2,452,817</u>	<u>844,312,373</u>	<u>764,329,305</u>	<u>(3,634,942)</u>	<u>4,249,143</u>	<u>764,943,506</u>



	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
9.1.1 Investments given as collateral		
Market Treasury Bills	106,471,002	98,427,365
Pakistan Investment Bonds	980,961	—
	107,451,963	98,427,365
9.2 Provision for diminution in the value of investments		
Opening balance	3,634,942	2,211,794
Exchange adjustments against IFRS 9 in overseas branches	(61,755)	3,978
Charge / reversals		
Charge for the period / year	—	295,807
Charge of impairment as per IFRS 9 in overseas branches for the period / year	(52,770)	1,120,117
Reversal on disposal during the period / year	(9,301)	(1,235)
	(62,071)	1,414,689
Other	—	4,481
Closing Balance	3,511,116	3,634,942
9.3 The market value of securities classified as held to maturity at 31 March 2021 amounted to Rs. 167,222 million (31 December 2020: Rs. 168,809 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	31 March	31 December	31 March	31 December	31 March	31 December
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	449,420,052	429,521,092	6,359,896	6,970,943	455,779,948	436,492,035
Islamic financing and related assets	57,052,316	58,248,930	201,478	218,174	57,253,794	58,467,104
Bills discounted and purchased	32,549,563	27,742,924	183,840	192,356	32,733,403	27,935,280
Advances - gross	539,021,931	515,512,946	6,745,214	7,381,473	545,767,145	522,894,419
Provision against advances						
– Specific	–	–	6,198,103	6,497,479	6,198,103	6,497,479
– General as per regulations	271,290	267,290	–	–	271,290	267,290
– General	5,750,000	5,750,000	–	–	5,750,000	5,750,000
– As per IFRS 9 in overseas branches	115,534	128,018	–	–	115,534	128,018
	6,136,824	6,145,308	6,198,103	6,497,479	12,334,927	12,642,787
Advances - net of provision	532,885,107	509,367,638	547,111	883,994	533,432,218	510,251,632

(Un-audited) (Audited)
31 March 31 December
2021 2020
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency	479,274,921	453,533,720
In foreign currencies	66,492,224	69,360,699
	545,767,145	522,894,419

10.2 Advances include Rs. 6,745.214 million (31 December 2020: Rs. 7,381.473 million) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2021 (Un-audited)		31 December 2020 (Audited)	
	Non Performing	Provision	Non Performing	Provision
	Loans			
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	76,195	709	62,671	292
Substandard	168,447	36,421	165,014	33,385
Doubtful	392,473	162,525	1,118,292	499,908
Loss	4,171,370	4,096,518	3,987,501	3,965,101
	4,808,485	4,296,173	5,333,478	4,498,686
Overseas				
Overdue by:				
181 to 365 days	118,328	83,529	136,600	87,398
> 365 days	1,818,401	1,818,401	1,911,395	1,911,395
	1,936,729	1,901,930	2,047,995	1,998,793
Total	6,745,214	6,198,103	7,381,473	6,497,479



10.3 Particulars of provision against advances

Note	31 March 2021 (Un-audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	6,497,479	6,145,308	12,642,787	6,201,412	3,389,309	9,590,721
Exchange adjustments	(96,697)	(5,665)	(102,362)	68,496	5,158	73,654
Charge for the period / year						
- Specific provision	135,256	-	135,256	887,878	-	887,878
- General provision as per regulations 10.3.1	-	4,000	4,000	-	4,000	4,000
- As per IFRS 9 in overseas branches 10.3.2	-	(6,819)	(6,819)	-	(3,159)	(3,159)
- General provision for loans and advances 10.3.3	-	-	-	-	2,750,000	2,750,000
Reversals	(337,460)	-	(337,460)	(648,847)	-	(648,847)
	(202,204)	(2,819)	(205,023)	239,031	2,750,841	2,989,872
Amounts written off	(475)	-	(475)	(6,979)	-	(6,979)
Others	-	-	-	(4,481)	-	(4,481)
Closing balance	6,198,103	6,136,824	12,334,927	6,497,479	6,145,308	12,642,787

10.3.1 General provision represents provision amounting to Rs. 271.290 million (31 December 2020: Rs. 267.290 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 115.534 million (31 December 2020: Rs. 128.018 million).

10.3.3 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 31 March 2021 amounts to Rs. 5,750 million (31 December 2020: Rs. 5,750 million).

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



	Note	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
11. FIXED ASSETS			
Capital work-in-progress	11.1	3,078,758	2,279,324
Property and equipment		42,045,202	41,688,669
		<u>45,123,960</u>	<u>43,967,993</u>
11.1 Capital work-in-progress			
Civil works		485,493	454,808
Advance payment for purchase of equipments		58,955	51,867
Advance payment towards suppliers, contractors and property		2,498,000	1,740,546
Consultants' fee and other charges		36,310	32,103
		<u>3,078,758</u>	<u>2,279,324</u>
11.2 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Three months period ended 31 March 2021 (Rupees in '000)	31 March 2020
Capital work-in-progress		109,643	1,041,801
Property and equipment			
Leasehold land		5,600	159,888
Building on leasehold land		35,041	752,303
Furniture and fixture		92,343	76,481
Electrical, office and computer equipment		536,679	390,689
Vehicles		184,483	146,871
Improvements to leasehold building		74,653	50,857
Right-of-use assets		608,463	575,762
		<u>1,537,262</u>	<u>2,152,851</u>
Total		<u>1,646,905</u>	<u>3,194,652</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		718	1,007
Electrical, office and computer equipment		1,338	1,246
Vehicles		3,925	16,065
Total		<u>5,981</u>	<u>18,318</u>



		(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
12. INTANGIBLE ASSETS			
Computer software		291,521	211,111
		(Un-audited) Three months period ended 31 March 2021	31 March 2020
		(Rupees in '000)	
12.1 Additions to intangible assets			
Computer software - directly purchased		168,046	16,117
	Note	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
13. DEFERRED TAX ASSET / (LIABILITIES)			
Deductible Temporary Differences on			
Provision against diminution in value of investments		1,367,684	1,270,805
Provision against loans and advances, off-balance sheet, etc.		1,804,065	1,725,436
Workers' welfare fund		1,001,266	848,152
		4,173,015	3,844,393
Taxable Temporary Differences on			
Accelerated tax depreciation		(982,324)	(927,430)
Surplus on revaluation of fixed assets / non-banking assets		(1,576,985)	(1,606,514)
Surplus on revaluation of available for sale investments		(957,021)	(1,486,930)
Deficit / (surplus) on revaluation of held for trading securities		422	(270)
		(3,515,908)	(4,021,144)
		657,107	(176,751)
14. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		15,839,128	16,941,538
Income / mark-up accrued in foreign currencies - net of provision		796,793	691,713
Advances, deposits, advance rent and other prepayments		1,107,485	672,169
Non-banking assets acquired in satisfaction of claims		814,042	814,912
Mark to market gain on forward foreign exchange contracts		1,636,298	931,153
Acceptances		56,338,453	52,522,498
Stationery and stamps on hand		379,831	393,693
Receivable from SBP on encashment of Government Securities		77,297	33,013
ATM settlement account		825,369	943,062
Others		1,519,917	867,290
		79,334,613	74,811,041
Less: Provision held against other assets	14.1	(6,853)	(6,884)
Other Assets (net of provision)		79,327,760	74,804,157
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		138,133	139,165
Other Assets - total		79,465,893	74,943,322



	Note	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
14.1 Provision held against other assets			
Receivable against consumer loans	14.1.1	6,853	6,884
14.1.1 Movement in provision held against other assets			
Opening balance		6,884	7,383
Charge for the period / year		593	6,080
Reversals for the period / year		(624)	(5,255)
		(31)	825
Amount written off		–	(1,324)
Closing balance		6,853	6,884
15. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 31 March 2021 (31 December 2020: Nil).			
16. BILLS PAYABLE			
In Pakistan		26,045,183	31,013,221
17. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		59,044,582	58,086,099
Under renewable energy		9,443,598	8,958,686
Under long term financing for imported and locally manufactured plant and machinery		26,447,459	25,128,756
Under modernisation of small and medium enterprises		330,161	331,848
Under women entrepreneurship		31,715	26,957
Under financing facility for storage of agricultural produce		668,843	416,073
Under refinance scheme for payment of wages and salaries		14,359,080	15,720,186
Under temporary economic refinance facility		10,632,998	4,387,473
		120,958,436	113,056,078
Repurchase agreement borrowings		107,331,763	98,345,030
Borrowing from financial institutions		152,759	–
Total secured		228,442,958	211,401,108
Unsecured			
Overdrawn nostro accounts		827,849	198,297
Call borrowings		2,000,000	–
		2,827,849	198,297
		231,270,807	211,599,405



18. DEPOSITS AND OTHER ACCOUNTS

	31 March 2021 (Un-audited)			31 December 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	394,831,502	35,383,862	430,215,364	351,389,228	40,963,348	392,352,576
Savings deposits	300,415,034	42,206,631	342,621,665	283,179,499	43,773,628	326,953,127
Term deposits	182,151,461	38,119,032	220,270,493	177,719,569	40,377,454	218,097,023
Current deposits - remunerative	133,735,860	4,485,211	138,221,071	120,360,146	2,247,064	122,607,210
Others	16,532,932	7,101,002	23,633,934	15,419,195	7,337,309	22,756,504
	1,027,666,789	127,295,738	1,154,962,527	948,067,637	134,698,803	1,082,766,440
Financial institutions						
Current deposits	3,493,306	255,241	3,748,547	3,568,698	203,742	3,772,440
Savings deposits	564,468	17	564,485	576,096	18	576,114
Term deposits	1,326,500	145,121	1,471,621	1,335,500	135,060	1,470,560
Current deposits - remunerative	6,238,235	393,268	6,631,503	10,381,784	697,737	11,079,521
Others	22,323	-	22,323	21,286	-	21,286
	11,644,832	793,647	12,438,479	15,883,364	1,036,557	16,919,921
	1,039,311,621	128,089,385	1,167,401,006	963,951,001	135,735,360	1,099,686,361

		(Un-audited) 31 March 2021	(Audited) 31 December 2020
	Note		
		(Rupees in '000)	
19. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	19.1	-	3,992,800
Term Finance Certificates (TFCs) - VI - (Unquoted)	19.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	19.3	3,996,800	3,996,800
		10,996,800	14,989,600

19.1 During the period, the Bank exercised the call option of Term Finance Certificates - V in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 17 March 2021.



19.2 Term Finance Certificates - VI (Unquoted)

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 plus 1.5% without any floor and 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. 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 payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") 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 Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).

19.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA
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 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 Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



		(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
	Note		
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,775,978	1,683,612
Mark-up / return / interest payable in foreign currencies		243,645	196,066
Unearned commission income		305,224	304,009
Accrued expenses		3,567,257	2,532,647
Acceptances		56,338,453	52,522,498
Unclaimed dividends		724,718	474,931
Mark to market loss on forward foreign exchange contracts		2,614,958	490,822
Branch adjustment account		2,194,134	2,639,104
Payable to defined benefit plan		806,514	683,514
Charity payable		42,512	41,298
Provision against off - balance sheet items	20.1	167,174	146,692
Security deposits against leases / ijarah		6,065,553	5,690,619
Provision for compensated absences		1,029,126	969,754
Special exporters' accounts in foreign currencies		70,270	43,518
Other security deposits		657,254	647,203
Workers' welfare fund		2,567,349	2,423,293
Payable to SBP / NBP		814,847	455,014
Payable to supplier against murabaha		328,872	166,017
Insurance payable		476,842	470,883
Lease liability against right - of - use assets		10,742,739	10,526,139
Current taxation (payments less provisions)		732,769	450,248
Others		1,431,607	1,211,732
		94,697,795	84,769,613
20.1 Provision against off-balance sheet obligations			
Opening balance		146,692	129,369
Exchange adjustment against IFRS 9 in overseas branches		(1,199)	1,470
Charge for the period / year		47,890	19,748
Reversals for the period / year		(26,209)	(3,895)
		21,681	15,853
Closing balance		167,174	146,692



(Un-audited) **(Audited)**
31 March **31 December**
Note 2021 **2020**
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of:

- Available for sale securities	9.1	2,453,900	4,248,372
- Fixed assets		8,988,060	9,062,739
- Non-banking assets acquired in satisfaction of claims		138,133	139,165
		11,580,093	13,450,276

Deferred tax on surplus on revaluation of:

- Available for sale securities		957,021	1,486,930
- Fixed assets		1,634,576	1,663,701
- Non-banking assets acquired in satisfaction of claims		12,760	13,161
		2,604,357	3,163,792
		8,975,736	10,286,484

22. CONTINGENCIES AND COMMITMENTS

Guarantees	22.1	96,722,077	92,814,672
Commitments	22.2	386,988,782	351,718,547
Other contingent liabilities	22.3	1,577,630	1,537,827
		485,288,489	446,071,046

22.1 Guarantees:

Financial guarantees		19,274,053	20,716,906
Performance guarantees		77,448,024	72,097,766
		96,722,077	92,814,672

22.2 Commitments:

Documentary credits and short term trade-related transactions			
- letters of credit		239,062,442	207,740,057
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	133,367,462	128,823,137
- forward lendings	22.2.2	6,418,424	7,124,914
Commitments for acquisition of:			
- Operating fixed assets		8,140,454	8,030,439
		386,988,782	351,718,547



	(Un-audited) 31 March 2021	(Audited) 31 December 2020
	(Rupees in '000)	
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	86,600,993	75,472,905
Sale	46,766,469	53,350,232
	<u>133,367,462</u>	<u>128,823,137</u>
The maturities of above contracts are spread over the periods upto one year.		
22.2.2 Commitments in respect of forward lending	<u>6,418,424</u>	<u>7,124,914</u>
22.2.2.1 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) 31 March 2021	(Audited) 31 December 2020
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	<u>1,577,630</u>	<u>1,537,827</u>

22.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2019 (Tax Year 2020). The income tax assessments of the Bank are complete upto tax year 2018.

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 resulting in an impact of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 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 resulting in an impact of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 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 2017 (Accounting Year 2016) by allowing certain expenses resulting in an impact of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 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 u/s. 122(5A) of Tax Year 2018 (Accounting Year 2017) by disallowing certain expenses resulting in an impact of Rs. 260.098 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the 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.

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. The Bank has filed an appeal before Appellate Tribunal (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 ITAT against the above referred 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.

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	31 March 2021 (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	8,151,281	(12,260)	59,147,330	144,091	67,298,611	131,831
Other Entities						
Hedging	66,068,851	(1,110,491)	–	–	66,068,851	(1,110,491)
Total						
Hedging	<u>74,220,132</u>	<u>(1,122,751)</u>	<u>59,147,330</u>	<u>144,091</u>	<u>133,367,462</u>	<u>(978,660)</u>
Counter Parties	31 December 2020 (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	9,107,115	(27,012)	68,172,458	372,325	77,279,573	345,313
Other Entities						
Hedging	51,543,564	95,018	–	–	51,543,564	95,018
Total						
Hedging	<u>60,650,679</u>	<u>68,006</u>	<u>68,172,458</u>	<u>372,325</u>	<u>128,823,137</u>	<u>440,331</u>



23.2 Maturity Analysis

	Number of contracts	Notional Principal	31 March 2021 (Un-audited)		
			Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	246	43,630,286	(632,940)	687,394	54,454
1 to 3 months	447	46,841,046	(1,159,131)	620,037	(539,094)
3 to 6 months	434	31,259,021	(650,977)	249,547	(401,430)
6 months to 1 year	223	11,637,109	(173,809)	81,219	(92,590)
	1,350	133,367,462	(2,616,857)	1,638,197	(978,660)

	Number of contracts	Notional Principal	31 December 2020 (Audited)		
			Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	297	51,974,821	(112,849)	296,381	183,532
1 to 3 months	412	46,596,575	(218,736)	340,228	121,492
3 to 6 months	352	19,991,703	(128,829)	161,815	32,986
6 months to 1 year	177	10,260,038	(30,408)	132,729	102,321
	1,238	128,823,137	(490,822)	931,153	440,331

	(Un-audited)	
	Three months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	

24. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	8,294,903	13,457,182
On investments	17,559,749	18,581,057
On deposits with financial institutions	32,590	183,831
On securities purchased under resale agreements	39,842	62,850
On call money lendings	14,107	80,048
	25,941,191	32,364,968



		(Un-audited)	
		Three months period ended	
	Note	31 March 2021	31 March 2020
		(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		10,075,876	15,382,268
Borrowings from SBP		506,727	348,609
Subordinated debt		300,670	548,740
Cost of foreign currency swaps		555,819	145,996
Repurchase agreement borrowings		1,123,757	4,465,926
Mark-up expense on lease liability against right-of-use assets		259,166	209,096
Other borrowings		9,414	16,863
		<u>12,831,429</u>	<u>21,117,498</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		334,469	276,246
Investment banking fees		7,400	55,533
Consumer finance related fees		18,187	2,750
Card related fees (debit and credit cards)		430,694	136,737
Credit related fees		44,949	18,464
Commission on trade		1,184,840	985,651
Commission on guarantees		138,080	94,027
Commission on cash management		48,642	45,820
Commission on home remittances		41,611	18,468
Others		10,625	870
		<u>2,259,497</u>	<u>1,634,566</u>
27. GAIN / (LOSS) ON SECURITIES - NET			
Realised	27.1	2,493	17
Unrealised - held for trading		(1,853)	-
		<u>640</u>	<u>17</u>
27.1 Realised gain / (loss) on:			
Federal Government Securities		42	17
Shares		5,264	-
Mutual Funds		(2,813)	-
		<u>2,493</u>	<u>17</u>
28. OTHER INCOME			
Rent on property		2,605	525
Gain on sale of fixed assets - net		67,761	107,663
Recovery of expenses from customers		85,459	93,071
Lockers rent		3,917	2,586
Others		4,208	190
		<u>163,950</u>	<u>204,035</u>



(Un-audited)
Three months period ended
31 March 31 March
2021 2020
(Rupees in '000)

29. OPERATING EXPENSES

Total compensation expenses	4,146,530	3,931,792
Property expenses		
Rent and taxes	62,092	107,509
Insurance	2,429	4,353
Utilities cost	214,420	216,921
Security (including guards)	261,482	233,046
Repair and maintenance (including janitorial charges)	79,263	69,898
Depreciation	659,760	609,085
	1,279,446	1,240,812
Information technology expenses		
Software maintenance	4,358	3,789
Hardware maintenance	222,529	133,295
Depreciation	82,473	78,130
Amortisation	87,637	82,136
Network charges	110,026	99,319
	507,023	396,669
Other operating expenses		
Directors' fees and allowances	11,380	7,150
Fees and allowances to Shariah Board	3,423	3,180
Insurance	100,566	116,173
Legal and professional charges	57,212	36,603
Outsourced services costs	435,188	570,769
Travelling and conveyance	56,545	69,613
NIFT and other clearing charges	57,362	36,585
Depreciation	389,695	364,842
Repair and maintenance	364,616	335,451
Training and development	15,523	9,920
Postage and courier charges	58,078	57,794
Communication	118,780	85,888
Stationery and printing	212,866	189,144
Marketing, advertisement and publicity	424,594	90,974
Donations	114,207	22,000
Auditors remuneration	2,742	433
Commission and brokerage	139,699	215,022
Entertainment and staff refreshment	86,157	77,209
Vehicle running expenses	351,123	230,516
Subscriptions and publications	67,392	47,412
CNIC verification charges	40,594	17,099
Security charges	96,529	74,252
Others	184,390	68,037
	3,388,661	2,726,066
	9,321,660	8,295,339



		(Un-audited)	
		Three months period ended	
		31 March	31 March
		2021	2020
		(Rupees in '000)	
30.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	783	248
31.	(REVERSALS) / PROVISIONS AND WRITE OFFS - NET		
	Provision against balances with other banks	-	2
	(Reversal) / provision for diminution in value of investments 9.2	(62,071)	296,251
	(Reversal) / provision against loans and advances - net 10.3	(205,023)	50,854
	Provision / (reversal) against off - balance sheet items 20.1	21,681	(5,644)
	(Reversal) / provision against other assets 14.1.1	(31)	364
		(245,444)	341,827
32.	TAXATION		
	Current	2,761,952	2,119,354
	Deferred	(303,948)	(188,400)
		2,458,004	1,930,954
33.	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	4,600,718	2,859,284
		(Number)	
	Weighted average number of ordinary shares	1,111,425,416	1,111,425,416
		(Rupees)	
	Basic and diluted earnings per share	4.14	2.57
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		
Unlisted Equity Investments	Break - up value as per latest available audited financial statements		
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 unconsolidated financial statements for the year ended 31 December 2020.			



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 assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

	31 March 2021 (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	21,268,800	641,980,912	–	663,249,712
Shares	3,235,975	–	–	3,235,975
Non-Government Debt Securities	3,625,835	2,224,930	–	5,850,765
Foreign Securities	–	4,260,877	–	4,260,877
Mutual funds	–	2,053,898	–	2,053,898
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	165,481,556	–	165,481,556
Foreign Securities	–	1,740,402	–	1,740,402
Associates				
Listed shares	301,196	–	–	301,196
Mutual funds	–	2,657,433	–	2,657,433
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	84,111,910	–	84,111,910
Forward sale of foreign exchange contracts	–	48,276,892	–	48,276,892



31 December 2020 (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	21,226,600	564,406,847	–	585,633,447
Shares	3,017,147	–	–	3,017,147
Non-Government Debt Securities	3,147,744	2,224,940	–	5,372,684
Foreign Securities	–	4,767,358	–	4,767,358
Mutual funds	–	2,030,957	–	2,030,957

Financial assets - disclosed but not measured at fair value

Investments				
Federal Government Securities	–	166,892,984	–	166,892,984
Foreign Securities	–	1,657,161	–	1,657,161
Associates				
Listed shares	319,273	–	–	319,273
Mutual funds	–	1,848,641	–	1,848,641

Off-balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange contracts	–	75,583,711	–	75,583,711
Forward sale of foreign exchange contracts	–	53,679,757	–	53,679,757

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:

	Three months period ended 31 March 2021 (Un-audited)		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	24,595,923	1,345,268	25,941,191
Inter segment revenue - net	—	6,397,440	6,397,440
Non mark-up / return / interest income	767,844	2,402,171	3,170,015
Total income	25,363,767	10,144,879	35,508,646
Segment direct expenses	(15,007,533)	(7,290,395)	(22,297,928)
Inter segment expense allocation	(6,397,440)	—	(6,397,440)
Total expenses	(21,404,973)	(7,290,395)	(28,695,368)
Provisions	240,954	4,490	245,444
Profit before tax	4,199,748	2,858,974	7,058,722
As at 31 March 2021 (Un-audited)			
Statement of financial position			
Cash and bank balances	91,140,835	13,224,669	104,365,504
Investments	844,312,373	—	844,312,373
Net inter segment lending	—	697,354,030	697,354,030
Lendings to financial institutions	497,226	—	497,226
Advances - performing	465,305,750	67,579,357	532,885,107
- non-performing	532,636	14,475	547,111
Others	109,509,666	16,028,815	125,538,481
Total assets	1,511,298,486	794,201,346	2,305,499,832
Borrowings	231,270,807	—	231,270,807
Subordinated debt	10,996,800	—	10,996,800
Deposits and other accounts	455,081,464	712,319,542	1,167,401,006
Net inter segment borrowing	697,354,030	—	697,354,030
Others	47,068,566	73,674,412	120,742,978
Total liabilities	1,441,771,667	785,993,954	2,227,765,621
Equity	69,526,819	8,207,392	77,734,211
Total equity and liabilities	1,511,298,486	794,201,346	2,305,499,832
Contingencies and commitments	335,609,494	175,025	335,784,519



Three months period ended 31 March 2020 (Un-audited)

	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	29,986,115	2,378,853	32,364,968
Inter segment revenue - net	–	8,622,720	8,622,720
Non mark-up / return / interest income	645,681	1,643,841	2,289,522
Total income	30,631,796	12,645,414	43,277,210
Segment direct expenses	(19,366,015)	(10,156,410)	(29,522,425)
Inter segment expense allocation	(8,622,720)	–	(8,622,720)
Total expenses	(27,988,735)	(10,156,410)	(38,145,145)
Provisions	(338,526)	(3,301)	(341,827)
Profit before tax	2,304,535	2,485,703	4,790,238

As at 31 December 2020 (Audited)

Statement of financial position			
Cash and bank balances	108,376,778	17,221,684	125,598,462
Investments	764,943,506	–	764,943,506
Net inter segment lending	–	663,583,850	663,583,850
Lendings to financial institutions	2,175,301	–	2,175,301
Advances - performing	439,491,420	69,876,218	509,367,638
- non-performing	796,039	87,955	883,994
Others	102,788,717	16,333,709	119,122,426
Total assets	1,418,571,761	767,103,416	2,185,675,177
Borrowings	211,599,405	–	211,599,405
Subordinated debt	14,989,600	–	14,989,600
Deposits and other accounts	412,837,148	686,849,213	1,099,686,361
Net inter segment borrowing	663,583,850	–	663,583,850
Others	43,715,576	72,244,009	115,959,585
Total liabilities	1,346,725,579	759,093,222	2,105,818,801
Equity	71,846,182	8,010,194	79,856,376
Total equity and liabilities	1,418,571,761	767,103,416	2,185,675,177
Contingencies and commitments	300,377,484	177,245	300,554,729

37. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), employee benefit plans, major shareholders, directors and key management personnel and their close family members.

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:

	31 March 2021 (Un-audited)					31 December 2020 (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	2,047,346	-	-	-	200,000	1,153,346	-
Investment made during the period / year	-	-	-	800,000	-	-	-	683,250	1,500,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	(606,000)	-
Closing balance	-	-	883,250	2,847,346	-	-	-	883,250	2,047,346	-
Advances										
Opening balance	332	171,544	201,173	2,217,749	-	1,487	76,626	15,622	3,015,256	-
Addition during the period / year	8,650	103,849	8,019,155	17,620,451	-	35,349	333,923	16,369,273	56,387,053	-
Repaid during the period / year	(8,691)	(86,663)	(7,847,413)	(17,992,148)	-	(36,504)	(239,005)	(16,183,722)	(57,184,560)	-
Closing balance	291	188,730	372,915	1,846,052	-	332	171,544	201,173	2,217,749	-
Operating fixed assets										
Right of use	-	-	-	3,145	-	-	-	-	3,931	-
Other Assets										
Interest / mark-up accrued	-	123	-	215	-	-	118	-	1,289	-
L/C acceptances	-	-	-	222,341	-	-	-	-	1,090,910	-
Unrealised gain on foreign exchange contracts	-	-	-	388	-	-	-	-	-	-
Other receivable	-	-	5,834	7,323	-	-	-	3,890	-	-
Subordinated debt	-	-	-	44,000	-	-	-	-	44,000	-
Deposits and other accounts										
Opening balance	1,072,684	720,918	476,584	3,781,240	577,832	955,078	624,163	111,826	3,536,956	513,730
Received during the period / year	2,119,887	784,187	6,819,777	40,543,486	2,815,151	6,891,056	3,205,958	20,436,016	189,014,948	8,825,958
Withdrawn during the period / year	(1,976,820)	(701,076)	(7,086,916)	(40,617,177)	(2,668,468)	(6,773,450)	(3,109,203)	(20,071,258)	(188,770,664)	(8,761,856)
Closing balance	1,215,751	804,029	209,445	3,707,549	724,515	1,072,684	720,918	476,584	3,781,240	577,832
Other Liabilities										
Interest / mark-up payable	637	1,851	7	19,053	-	305	508	-	16,925	-
Payable to staff retirement fund	-	-	-	-	806,514	-	-	-	-	683,514
L/C acceptances	-	-	-	222,341	-	-	-	-	1,090,910	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	-	-	922	-
Other liabilities	-	17	2,335	-	-	-	4	1,353	-	-
Contingencies and commitments	-	-	-	1,348,774	-	-	-	-	2,022,871	-
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	509,840	5,611,000	-	-	85,000	749,840	4,237,000
Increased during the period / year	-	-	-	50,000	2,250,000	-	-	-	330,000	3,232,000
Decreased during the period / year	-	-	-	(295,000)	(2,002,000)	-	-	-	(570,000)	(1,858,000)
Closing balance	-	-	85,000	264,840	5,859,000	-	-	85,000	509,840	5,611,000



37.1 RELATED PARTY TRANSACTIONS

	31 March 2021 (Un-audited)					31 March 2020 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties (Rupees in '000)	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income										
Mark-up / return / interest earned	5	2,491	3,891	27,055	–	–	1,297	1,310	72,427	–
Fee and commission income	11	66	2	2,513	–	6	14	6	3,375	–
Dividend income	–	–	–	35,242	–	–	–	–	29,293	–
Other income	–	–	2,801	69	58	–	–	721	74	35
Expense										
Mark-up / return / interest expensed	15,572	12,441	5,376	52,310	9,274	23,670	15,759	2,297	81,615	14,604
Operating expenses	–	–	3,868	1,138	–	–	–	1,004	2,744	–
Salaries and allowances	–	153,931	–	–	–	–	135,264	–	–	–
Bonus	–	–	–	–	–	–	30,448	–	–	–
Contribution to defined contribution plan	–	7,080	–	–	–	–	6,520	–	–	–
Contribution to defined benefit plan	–	45,833	–	–	–	–	38,272	–	–	–
Staff provident fund	–	–	–	–	172,469	–	–	–	–	132,085
Staff gratuity fund	–	–	–	–	123,000	–	–	–	–	106,500
Directors' fees	10,880	–	–	–	–	6,850	–	–	–	–
Donation	–	–	–	1,500	–	–	–	–	1,500	–
Insurance premium paid	–	–	–	72,962	–	–	–	–	70,576	–
Insurance claims settled	–	–	–	24,627	–	–	–	–	5,554	–



38. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
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	66,612,835	67,035,260
Eligible Additional Tier 1 (ADT 1) Capital	6,655,565	6,676,269
Total Eligible Tier 1 Capital	73,268,400	73,711,529
Eligible Tier 2 Capital	21,611,208	23,890,019
Total Eligible Capital (Tier 1 + Tier 2)	94,879,608	97,601,548
Risk Weighted Assets (RWAs):		
Credit Risk	560,744,149	539,058,015
Market Risk	14,605,374	9,834,577
Operational Risk	97,721,745	97,721,745
Total	673,071,268	646,614,337
Common Equity Tier 1 Capital Adequacy ratio	9.897%	10.367%
Tier 1 Capital Adequacy Ratio	10.886%	11.400%
Total Capital Adequacy Ratio	14.097%	15.094%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	73,268,400	73,711,528
Total Exposures	1,944,816,009	1,852,877,396
Leverage Ratio	3.767%	3.978%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	644,024,590	490,128,291
Total Net Cash Outflow	229,339,245	187,207,371
Liquidity Coverage Ratio	280.817%	261.810%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,052,317,295	999,714,329
Total Required Stable Funding	699,367,098	702,593,516
Net Stable Funding Ratio	150.467%	142.289%



39. ISLAMIC BANKING BUSINESS

The Bank is operating 117 (31 December 2020: 106) Islamic banking branches and 143 (31 December 2020: 143) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 31 March 2021	(Audited) 31 December 2020
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		6,105,388	5,727,007
Balances with other banks		6,557	6,557
Due from financial institutions		–	2,175,301
Investments	39.1	77,354,495	71,453,157
Islamic financing and related assets - net	39.2	57,040,181	58,304,712
Fixed assets		532,749	479,006
Intangible assets		–	–
Due from Head Office		–	–
Other assets		5,850,936	5,167,562
Total Assets		146,890,306	143,313,302
LIABILITIES			
Bills payable		137,149	137,796
Due to financial institutions		16,370,299	18,962,087
Deposits and other accounts	39.3	101,272,537	93,238,405
Due to Head Office		10,624,904	14,457,740
Subordinated debt		–	–
Other liabilities		7,277,304	6,315,054
		(135,682,193)	(133,111,082)
NET ASSETS		11,208,113	10,202,220
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		–	–
Deficit on revaluation of assets		85,314	(142,701)
Unappropriated profit	39.4	3,522,799	2,744,921
		11,208,113	10,202,220
CONTINGENCIES AND COMMITMENTS	39.5		



The profit and loss account of the Bank's Islamic banking branches for the three months period ended 31 March 2021 is as follows:

		(Un-audited)	
		Three months period ended	
	Note	31 March 2021	31 March 2020
		(Rupees in '000)	
Profit / return earned	39.6	2,249,721	2,178,107
Profit / return expensed	39.7	(938,006)	(1,248,409)
Net Profit / return		1,311,715	929,698
Other income			
Fee and commission income		133,656	65,703
Dividend income		–	12,411
Foreign exchange income		32,835	17,755
Income / (loss) from derivatives		–	–
Gain on securities		108	–
Other income		31,085	23,542
Total other income		197,684	119,411
Total income		1,509,399	1,049,109
Other expenses			
Operating expenses		(689,601)	(576,184)
Other charges		–	(41)
Total other expenses		(689,601)	(576,225)
Profit before provisions		819,798	472,884
Provisions and write offs - net		(41,920)	(9,667)
Profit for the period		777,878	463,217

	31 March 2021 (Un-audited)				31 December 2020 (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	36,959,427	-	(26,727)	36,932,700	31,954,335	-	(208,246)	31,746,089
- Neelum Jhelum Hydropower Co Ltd. Sukuk	3,781,250	-	-	3,781,250	3,781,250	-	-	3,781,250
- Bai Muajjal with Government of Pakistan	11,622,783	-	-	11,622,783	11,328,818	-	-	11,328,818
- Pakistan Energy Sukuk II (Power Holding Ltd.)	21,102,669	-	166,130	21,268,799	21,102,725	-	123,875	21,226,600
- Naya Pakistan Certificates	427,438	-	-	427,438	-	-	-	-
	73,893,567	-	139,403	74,032,970	68,167,128	-	(84,371)	68,082,757
Shares								
- Listed Companies	80,455	(54,083)	19,164	45,536	97,442	(63,384)	15,861	49,919
Non Government Debt Securities								
- Listed	1,277,108	-	(97,048)	1,180,060	1,322,529	-	(96,457)	1,226,072
- Unlisted	2,025,000	-	-	2,025,000	2,025,000	-	-	2,025,000
	3,302,108	-	(97,048)	3,205,060	3,347,529	-	(96,457)	3,251,072
Units of mutual funds	100,000	(52,866)	23,795	70,929	100,000	(52,856)	22,265	69,409
Total Investments	77,376,130	(106,949)	85,314	77,354,495	71,712,099	(116,240)	(142,702)	71,453,157



	(Un-audited) 31 March 2021	(Audited) 31 December 2020
	(Rupees in '000)	
39.2 Islamic financing and related assets		
Ijarah	2,096,185	1,656,565
Murabaha	7,479,045	9,148,387
Diminishing Musharaka	11,122,229	11,404,565
Islamic Long Term Financing Facility (ILTFF)	1,733,009	1,737,762
Istisna	2,520,619	2,364,376
Islamic Refinance for Renewable Energy (IFRE)	13,499	14,035
Islamic Export Refinance - Istisna	225,500	1,083,650
Musawamah	3,188,838	3,710,693
Islamic Export Refinance - Musawamah	548,500	826,500
Running Musharaka	149,188	84,799
Islamic Export Refinance - Running Musharaka	5,912,600	6,270,000
Islamic Temporary Economic Refinance Facility (ITERF)	345,375	—
Financing against Bills - Musawamah	560,780	293,805
Staff Financing	623,430	594,202
Advance against Musawamah	1,018,438	1,700,257
Advance against Istisna	7,346,355	5,702,233
Advance against Istisna - IERF	5,608,700	4,829,300
Advance against Ijarah	164,731	735,441
Advance against Diminishing Musharaka	1,295,698	1,083,563
Advance against IRF Wages and Salaries	2,058,111	2,355,044
Advance against ILTFF	1,149,414	1,082,706
Advance against IFRE	1,048,250	875,000
Advance against ITERF	1,045,300	914,221
Gross Islamic financing and related assets	57,253,794	58,467,104
Less: provision against Islamic financings		
- Specific	183,157	135,936
- General	30,456	26,456
	(213,613)	(162,392)
Islamic financing and related assets - net of provision	57,040,181	58,304,712



	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
39.3 Deposits and Other Accounts		
Customers		
Current deposits	39,174,194	36,256,469
Savings deposits	42,131,785	35,148,231
Term deposits	19,495,418	21,354,917
	<u>100,801,397</u>	<u>92,759,617</u>
Financial institutions		
Current deposits	15,347	62,908
Savings deposits	455,793	415,880
	<u>471,140</u>	<u>478,788</u>
	<u>101,272,537</u>	<u>93,238,405</u>
39.4 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,744,921	2,551,373
Add: Islamic Banking profit for the period / year	777,878	2,744,921
Less: Remitted to Head Office	–	(2,551,373)
Closing Balance	<u>3,522,799</u>	<u>2,744,921</u>
39.5 Contingencies and Commitments		
Guarantees	5,210,716	4,415,658
Commitments	24,909,141	17,468,898
	<u>30,119,857</u>	<u>21,884,556</u>
	(Un-audited) Three months period ended 31 March 2021	31 March 2020
	(Rupees in '000)	
39.6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	803,411	1,346,488
Investments	1,432,396	621,598
Placements	13,914	210,021
	<u>2,249,721</u>	<u>2,178,107</u>
39.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	779,050	1,195,849
Due to Financial Institutions	85,193	52,560
Due to Head Office	73,763	–
	<u>938,006</u>	<u>1,248,409</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)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the general pool.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of 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. The weightages are also declared separately.

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

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

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 sukuk, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)
- Any other Shariah Compliant Product.



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 currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab-UI-Maal. The Bank 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 after 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, 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 2020: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2020: 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

	31 March 2021 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share (Rupees in '000)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,500,121	674,736	44.98%	20,033	2.97%
FCY Pool	19,281	17,881	92.74%	2,357	13.18%
	31 March 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share (Rupees in '000)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,537,785	633,856	41.22%	232,756	36.72%
FCY Pool	16,568	15,216	91.84%	2,119	13.93%



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

	(Un-audited)	
	<u>Three months period ended</u>	
	31 March 2021	31 March 2020
	(Percentage)	
Profit rate earned	6.74%	10.99%
Profit rate distributed	3.27%	7.16%

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.

41. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 28 April 2021.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	6	99,756,941	105,936,009
Balances with other banks	7	4,629,459	19,681,362
Lendings to financial institutions	8	497,226	2,175,301
Investments	9	844,742,898	765,318,984
Advances	10	533,061,309	510,050,394
Fixed assets	11	45,132,515	43,976,664
Intangible assets	12	375,150	294,862
Deferred tax assets	13	692,597	—
Other assets	14	80,053,957	75,345,810
		1,608,942,052	1,522,779,386
LIABILITIES			
Bills payable	16	26,045,183	31,013,221
Borrowings	17	231,326,531	211,627,267
Deposits and other accounts	18	1,167,209,070	1,099,223,458
Liabilities against assets subject to finance lease		—	—
Subordinated debt	19	10,996,800	14,989,600
Deferred tax liabilities	13	—	139,836
Other liabilities	20	95,006,582	85,342,289
		1,530,584,166	1,442,335,671
NET ASSETS			
		78,357,886	80,443,715
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		18,434,443	18,431,277
Surplus on revaluation of assets	21	9,062,364	10,366,693
Unappropriated profit		39,630,580	40,416,713
Equity attributable to the shareholders of the Holding Company		78,241,641	80,328,937
Non-controlling interest	22	116,245	114,778
Total equity		78,357,886	80,443,715
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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

		Three months period ended	
	Note	31 March 2021	31 March 2020
		(Rupees in '000)	
Mark - up / return / interest earned	25	25,942,248	32,368,221
Mark - up / return / interest expensed	26	(12,829,815)	(21,116,692)
Net mark - up / interest income		13,112,433	11,251,529
NON MARK - UP / INTEREST INCOME			
Fee and commission income	27	2,322,460	1,652,551
Dividend income		61,183	47,478
Foreign exchange income		649,786	374,322
Income / (loss) from derivatives		—	—
Gain on securities - net	28	3,930	17
Share of profit from associates		47,895	10,423
Other income	29	163,477	204,208
Total non mark - up / interest income		3,248,731	2,288,999
Total income		16,361,164	13,540,528
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	30	(9,360,216)	(8,314,951)
Workers welfare fund		(144,771)	(109,340)
Other charges	31	(783)	(248)
Total non mark - up / interest expenses		(9,505,770)	(8,424,539)
Profit before provisions		6,855,394	5,115,989
Reversals / (provisions) and write offs - net	32	245,444	(341,827)
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		7,100,838	4,774,162
Taxation	33	(2,467,793)	(1,933,032)
PROFIT AFTER TAXATION		4,633,045	2,841,130
Attributable to:			
Shareholders of the Holding Company		4,629,168	2,840,891
Non - controlling interest		3,877	239
		4,633,045	2,841,130
(Rupees)			
Basic and diluted earnings per share attributable to the equity holders of the Holding Company	34	4.17	2.56

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

	Three months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	
Profit after taxation for the period	4,633,045	2,841,130
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	(456,906)	474,260
Movement in (deficit) / surplus on revaluation of investments - net of tax	(1,260,554)	1,880,311
	(1,717,460)	2,354,571
Total comprehensive income	2,915,585	5,195,701
Attributable to:		
Shareholders of the Holding Company	2,914,118	5,205,331
Non - controlling interest	1,467	(9,630)
	2,915,585	5,195,701

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

Attributable to the shareholders of the Holding Company											
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Sub-total	Non-controlling interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets				
(Rupees in '000)											
Balance as at 01 January 2020	11,114,254	13,859,667	1,941,115	126,500	540,000	1,606,789	4,474,942	28,163,914	61,827,181	105,510	61,932,691
Comprehensive income for the three months period ended 31 March 2020:											
Profit after taxation	-	-	-	-	-	-	-	2,840,891	2,840,891	239	2,841,130
Other comprehensive income - net of tax	-	-	474,260	-	-	1,890,180	-	-	2,364,440	(9,869)	2,354,571
Total comprehensive income for the period	-	-	474,260	-	-	1,890,180	-	2,840,891	5,205,331	(9,630)	5,195,701
Transfer to statutory reserve	-	285,928	-	-	-	-	-	(285,928)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(18,192)	18,192	-	-	-
Balance as at 31 March 2020 - unaudited	11,114,254	14,145,595	2,415,375	126,500	540,000	3,496,969	4,456,750	30,737,069	67,032,512	95,880	67,128,392
Comprehensive income for the nine months period ended 31 December 2020:											
Profit after taxation	-	-	-	-	-	-	-	15,106,841	15,106,841	9,489	15,116,330
Other comprehensive income - net of tax	-	-	(291,419)	-	-	(655,318)	3,154,584	(128,275)	2,079,572	9,409	2,088,981
Total comprehensive income for the period	-	-	(291,419)	-	-	(655,318)	3,154,584	14,978,566	17,186,413	18,898	17,205,311
Transfer to statutory reserve	-	1,495,226	-	-	-	-	-	(1,495,226)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(86,292)	86,292	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)	-	(3,889,988)
Balance as at 31 December 2020 - audited	11,114,254	15,640,821	2,123,956	126,500	540,000	2,841,651	7,525,042	40,416,713	80,328,937	114,778	80,443,715
Comprehensive income for the three months period ended 31 March 2021:											
Profit after taxation	-	-	-	-	-	-	-	4,629,168	4,629,168	3,877	4,633,045
Other comprehensive income - net of tax	-	-	(456,906)	-	-	(1,258,144)	-	-	(1,715,050)	(2,410)	(1,717,460)
Total comprehensive income for the period	-	-	(456,906)	-	-	(1,258,144)	-	4,629,168	2,914,118	1,467	2,915,585
Transfer to statutory reserve	-	460,072	-	-	-	-	-	(460,072)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(46,185)	46,185	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 4.5 per share)	-	-	-	-	-	-	-	(5,001,414)	(5,001,414)	-	(5,001,414)
Balance as at 31 March 2021 - unaudited	11,114,254	16,100,893	1,667,050	126,500	540,000	1,583,507	7,478,857	39,630,580	78,241,641	116,245	78,357,886

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

	Note	31 March 2021 (Rupees in '000)	31 March 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,100,838	4,774,162
Less: Dividend income		(61,183)	(47,478)
		7,039,655	4,726,684
Adjustments:			
Depreciation		688,698	662,331
Depreciation on right - of - use assets		443,893	390,292
Amortisation		87,758	82,352
(Reversals) / provisions and write-offs - net	32	(245,444)	341,827
Gain on sale of fixed assets		(67,761)	(107,663)
Charge for defined benefit plan		123,000	106,500
Gain on securities - net		(3,930)	(17)
Share of profit from associates		(47,895)	(10,423)
Charge for compensated absences		60,358	30,385
Mark - up expense on lease liability against right - of - use assets		259,166	209,096
		1,297,843	1,704,680
		8,337,498	6,431,364
Decrease / (increase) in operating assets			
Lendings to financial institutions		1,678,075	(681,771)
Held-for-trading securities		20,510	-
Advances		(22,805,892)	(39,612,002)
Other assets (excluding advance taxation)		(4,662,827)	(9,714,728)
		(25,770,134)	(50,008,501)
(Decrease) / increase in operating liabilities			
Bills payable		(4,968,038)	(4,366,811)
Borrowings from financial institutions		19,069,712	(28,927,877)
Deposits		67,985,612	87,009,396
Other liabilities (excluding current taxation)		8,708,436	16,612,741
		90,795,722	70,327,449
		73,363,086	26,750,312
Income tax paid		(2,485,319)	(2,814,312)
Net cash flow generated from operating activities		70,877,767	23,936,000
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(79,509,331)	(61,369,273)
Net investments in held to maturity securities		(812,227)	13,492,744
Net investments in associates		(800,000)	29,294
Dividends received		13,992	21,535
Investments in operating fixed assets		(1,896,825)	(1,441,666)
Proceeds from sale of fixed assets		73,742	125,981
Exchange differences on translation of net investment in foreign branches		(456,906)	474,260
Net cash used in investing activities		(83,387,555)	(48,667,125)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(3,992,800)	(800)
Dividend paid		(4,751,627)	(5,707)
Payment against lease liabilities		(606,308)	(649,092)
Net cash used in financing activities		(9,350,735)	(655,599)
Decrease in cash and cash equivalents		(21,860,523)	(25,386,724)
Cash and cash equivalents at beginning of the period		125,419,074	122,460,717
Cash and cash equivalents at end of the period		103,558,551	97,073,993

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

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

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 (formerly known as 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 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 870 branches (31 December 2020: 818 branches), 32 sub-branches (31 December 2020: 32 sub-branches), 04 representative offices (31 December 2020: 04 representative offices) and 02 booths (31 December 2020: 01 booth). The branch network of the Bank includes 03 overseas branches (31 December 2020: 03 overseas branches) and 117 Islamic Banking branches (31 December 2020: 106 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. 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 (formerly 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. 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:

- First Habib Income Fund
- First Habib Stock Fund
- First Habib Cash Fund
- First Habib Islamic Stock Fund
- First Habib Islamic Income Fund
- First Habib Asset Allocation Fund

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 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 Companies Act, 2017.

2.2 Key financial information of the Islamic Banking branches is disclosed in note 40 to these consolidated 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by 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 the 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 consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020.

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 10 dated 26 August 2002 till further instructions. Further, 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.

SECP has notified IFAS 3, 'Profit and Loss Sharing on Deposits' issued by ICAP. IFAS 3 shall be followed with effect from the financial periods beginning on or after 01 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank. SBP through BPRD Circular No. 04 dated 25 February 2015, has deferred the applicability of IFAS 3 till further instructions and prescribed the Banks to prepare their annual and periodical financial statements as per existing prescribed formats issued vide BPRD Circular No. 02 of 2018 and BPRD Circular Letter No. 05 of 2019, as amended from time to time.



3. ACCOUNTING POLICY

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 financial statements of the Group for the year ended 31 December 2020.

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

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Group for accounting periods beginning on or after 01 January 2021. These are considered either to not be relevant or not to have any significant impact on the Group's financial statements.

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

IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 with effect from 01 January 2021, however, detailed guidelines are awaited regarding the same. IFRS 9 replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

5. FINANCIAL RISK MANAGEMENT

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

5.2 COVID - 19 outbreak and it's impact

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe, affecting the earnings and cash flows of businesses. The scale and duration of the COVID-19 pandemic remains uncertain till date.



	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	25,745,922	23,716,952
Foreign currencies	2,419,634	4,761,414
	28,165,556	28,478,366
In transit:		
Local currency	2,039,514	600,285
Foreign currencies	21,292	4,412
	2,060,806	604,697
With State Bank of Pakistan in:		
Local currency current accounts	40,308,586	44,211,071
Local currency current accounts - Islamic Banking	3,722,402	3,339,015
Foreign currency deposit accounts		
Cash reserve account	3,349,232	3,508,365
Cash reserve / special cash reserve accounts		
- Islamic Banking	303,302	299,769
Special cash reserve account	6,698,465	7,016,730
Local US Dollar collection account	36,624	99,696
	54,418,611	58,474,646
With National Bank of Pakistan in:		
Local currency current accounts	14,637,876	16,110,129
Prize bonds	474,092	2,268,171
	99,756,941	105,936,009
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	256,893	132,466
In deposit account	445,294	201,704
	702,187	334,170
Outside Pakistan:		
In current account	1,437,172	5,965,561
In deposit account	2,490,104	13,381,635
	3,927,276	19,347,196
	4,629,463	19,681,366
Less: impairment against IFRS 9 in overseas branches	(4)	(4)
	4,629,459	19,681,362
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
- Pakistan Investment Bonds	497,226	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	-	2,175,301
	497,226	2,175,301



9. INVESTMENTS

	Note	31 March 2021 (Un-audited)				31 December 2020 (Audited)			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value (Rupees in '000)	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
9.1 Investments by type:									
Held-for-trading securities									
Shares		75,268	-	(1,083)	74,185	95,778	-	771	96,549
Available-for-sale securities									
Federal Government Securities		660,904,392	(204,783)	2,708,643	663,408,252	581,306,864	(226,825)	4,713,084	585,793,123
Shares		4,485,245	(1,785,286)	718,850	3,418,809	4,473,575	(1,794,587)	575,088	3,254,076
Non Government Debt Securities		6,027,233	-	(176,468)	5,850,765	5,542,664	-	(169,980)	5,372,684
Foreign Securities		6,279,100	(840,504)	(1,177,719)	4,260,877	6,891,856	(909,432)	(1,215,066)	4,767,358
Units of mutual funds		2,125,000	(444,440)	373,338	2,053,898	2,125,000	(444,440)	350,397	2,030,957
		679,820,970	(3,275,013)	2,446,644	678,992,601	600,339,959	(3,375,284)	4,253,523	601,218,198
Held-to-maturity securities	9.3								
Federal Government Securities		160,324,905	(123,189)	-	160,201,716	159,496,264	(130,790)	-	159,365,474
Foreign Securities		1,692,245	(111,947)	-	1,580,298	1,708,659	(127,901)	-	1,580,758
Other		4,481	(4,481)	-	-	4,481	(4,481)	-	-
		162,021,631	(239,617)	-	161,782,014	161,209,404	(263,172)	-	160,946,232
Associates		3,894,098	-	-	3,894,098	3,058,005	-	-	3,058,005
Total Investments		845,811,967	(3,514,630)	2,445,561	844,742,898	764,703,146	(3,638,456)	4,254,294	765,318,984



	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
9.1.1 Investments given as collateral		
Market Treasury Bills	106,471,002	98,427,365
Pakistan Investment Bonds	980,961	—
	107,451,963	98,427,365
9.2 Provision for diminution in the value of investments		
Opening balance	3,638,456	2,216,156
Exchange adjustments against IFRS 9 in overseas branches	(61,755)	3,978
Charge / reversals		
Charge for the period / year	—	294,959
Charge of impairment as per IFRS 9 in overseas branches for the period / year	(52,770)	1,120,117
Reversal on disposal during the period / year	(9,301)	(1,235)
	(62,071)	1,413,841
Other	—	4,481
Closing Balance	3,514,630	3,638,456
9.3 The market value of securities classified as held to maturity at 31 March 2021 amounted to Rs. 167,222 million (31 December 2020: Rs. 168,809 million).		



10. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	31 March	31 December	31 March	31 December	31 March	31 December
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	449,049,143	429,319,854	6,359,896	6,970,943	455,409,039	436,290,797
Islamic financing and related assets	57,052,316	58,248,930	201,478	218,174	57,253,794	58,467,104
Bills discounted and purchased	32,549,563	27,742,924	183,840	192,356	32,733,403	27,935,280
Advances - gross	538,651,022	515,311,708	6,745,214	7,381,473	545,396,236	522,693,181
Provision against advances						
– Specific	–	–	6,198,103	6,497,479	6,198,103	6,497,479
– General as per regulations	271,290	267,290	–	–	271,290	267,290
– General	5,750,000	5,750,000	–	–	5,750,000	5,750,000
– As per IFRS 9 in overseas branches	115,534	128,018	–	–	115,534	128,018
	6,136,824	6,145,308	6,198,103	6,497,479	12,334,927	12,642,787
Advances - net of provision	532,514,198	509,166,400	547,111	883,994	533,061,309	510,050,394

(Un-audited) (Audited)
31 March 31 December
2021 2020
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency	478,904,012	453,332,482
In foreign currencies	66,492,224	69,360,699
	545,396,236	522,693,181

10.2 Advances include Rs. 6,745.214 million (31 December 2020: Rs. 7,381.473 million) which have been placed under non-performing status as detailed below:

Category of Classification	31 March 2021 (Un-audited)		31 December 2020 (Audited)	
	Non Performing	Provision	Non Performing	Provision
	Loans			
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	76,195	709	62,671	292
Substandard	168,447	36,421	165,014	33,385
Doubtful	392,473	162,525	1,118,292	499,908
Loss	4,171,370	4,096,518	3,987,501	3,965,101
	4,808,485	4,296,173	5,333,478	4,498,686
Overseas				
Overdue by:				
181 to 365 days	118,328	83,529	136,600	87,398
> 365 days	1,818,401	1,818,401	1,911,395	1,911,395
	1,936,729	1,901,930	2,047,995	1,998,793
Total	6,745,214	6,198,103	7,381,473	6,497,479



10.3 Particulars of provision against advances

Note	31 March 2021 (Un-audited)			31 December 2020 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	6,497,479	6,145,308	12,642,787	6,201,412	3,389,309	9,590,721
Exchange adjustments	(96,697)	(5,665)	(102,362)	68,496	5,158	73,654
Charge for the period / year						
- Specific provision	135,256	-	135,256	887,878	-	887,878
- General provision as per regulations 10.3.1	-	4,000	4,000	-	4,000	4,000
- As per IFRS 9 in overseas branches 10.3.2	-	(6,819)	(6,819)	-	(3,159)	(3,159)
- General provision for loans and advances 10.3.3	-	-	-	-	2,750,000	2,750,000
Reversals	(337,460)	-	(337,460)	(648,847)	-	(648,847)
	(202,204)	(2,819)	(205,023)	239,031	2,750,841	2,989,872
Amounts written off	(475)	-	(475)	(6,979)	-	(6,979)
Others	-	-	-	(4,481)	-	(4,481)
Closing balance	6,198,103	6,136,824	12,334,927	6,497,479	6,145,308	12,642,787

10.3.1 General provision represents provision amounting to Rs. 271.290 million (31 December 2020: Rs. 267.290 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

10.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 115.534 million (31 December 2020: Rs. 128.018 million).

10.3.3 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 31 March 2021 amounts to Rs. 5,750 million (31 December 2020: Rs. 5,750 million).

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

Note	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
11. FIXED ASSETS		
Capital work-in-progress	11.1 3,078,758	2,279,324
Property and equipment	42,053,757	41,697,340
	<u>45,132,515</u>	<u>43,976,664</u>
11.1 Capital work-in-progress		
Civil works	485,493	454,808
Advance payment for purchase of equipments	58,955	51,867
Advance payment towards suppliers, contractors and property	2,498,000	1,740,546
Consultants' fee and other charges	36,310	32,103
	<u>3,078,758</u>	<u>2,279,324</u>



11.2 Additions to fixed assets

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

	(Un-audited) Three months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	
Capital work-in-progress	109,643	1,041,801
Property and equipment		
Leasehold land	5,600	159,888
Building on leasehold land	35,041	752,303
Furniture and fixture	92,343	76,481
Electrical, office and computer equipment	537,226	390,916
Vehicles	184,483	146,871
Improvements to leasehold building	74,653	50,857
Right-of-use assets	608,463	575,762
	1,537,809	2,153,078
Total	1,647,452	3,194,879

11.3 Disposal of fixed assets

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

Furniture and fixture	718	1,007
Electrical, office and computer equipment	1,338	1,246
Vehicles	3,925	16,065
Total	5,981	18,318

(Un-audited) **(Audited)**
31 March **31 December**
2021 **2020**
(Rupees in '000)

12. INTANGIBLE ASSETS

Computer software	291,980	211,692
TRE certificates	2,500	2,500
Managment rights	80,670	80,670
	375,150	294,862

(Un-audited)
Three months period ended
31 March **31 March**
2021 **2020**
(Rupees in '000)

12.1 Additions to intangible assets

Computer software - directly purchased	168,046	16,117
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		(Un-audited) 31 March 2021	(Audited) 31 December 2020
	Note	(Rupees in '000)	
13. DEFERRED TAX ASSET / (LIABILITIES)			
Deductible Temporary Differences on			
Provision against diminution in value of investments		1,367,684	1,270,805
Provision against loans and advances, off-balance sheet, etc.		1,804,065	1,725,436
Workers' welfare fund		1,001,266	848,152
Provision for compensated absences		503	1,742
Recognised tax losses		32,147	33,824
Others		2,972	2,774
		4,208,637	3,882,733
Taxable Temporary Differences on			
Accelerated tax depreciation		(982,794)	(927,891)
Surplus on revaluation of fixed assets / non-banking assets		(1,576,985)	(1,606,514)
Surplus on revaluation of available for sale investments		(956,714)	(1,487,188)
Deficit / (surplus) on revaluation of held for trading securities		453	(976)
		(3,516,040)	(4,022,569)
		692,597	(139,836)
14. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		15,837,825	16,945,436
Income / mark-up accrued in foreign currencies - net of provision		796,793	691,713
Advances, deposits, advance rent and other prepayments		1,112,082	776,481
Non-banking assets acquired in satisfaction of claims		814,042	814,912
Mark to market gain on forward foreign exchange contracts		1,636,298	931,153
Acceptances		56,338,453	52,522,498
Stationery and stamps on hand		379,831	393,693
Receivable from SBP on encashment of Government Securities		77,297	33,013
ATM settlement account		825,369	943,062
Receivable against securities		13,910	218,199
Others		2,090,777	943,369
		79,922,677	75,213,529
Less: Provision held against other assets	14.1	(6,853)	(6,884)
Other Assets (net of provision)		79,915,824	75,206,645
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		138,133	139,165
Other Assets - total		80,053,957	75,345,810



	Note	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
14.1 Provision held against other assets			
Receivable against consumer loans	14.1.1	6,853	6,884
14.1.1 Movement in provision held against other assets			
Opening balance		6,884	7,383
Charge for the period / year		593	6,080
Reversals for the period / year		(624)	(5,255)
		(31)	825
Amount written off		–	(1,324)
Closing balance		6,853	6,884
15. CONTINGENT ASSETS			
There were no contingent assets of the Group as at 31 March 2021 (31 December 2020: Nil).			
16. BILLS PAYABLE			
In Pakistan		26,045,183	31,013,221
17. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		59,044,582	58,086,099
Under renewable energy		9,443,598	8,958,686
Under long term financing for imported and locally manufactured plant and machinery		26,447,459	25,128,756
Under modernisation of small and medium enterprises		330,161	331,848
Under women entrepreneurship		31,715	26,957
Under financing facility for storage of agricultural produce		668,843	416,073
Under refinance scheme for payment of wages and salaries		14,359,080	15,720,186
Under temporary economic refinance facility		10,632,998	4,387,473
		120,958,436	113,056,078
Repurchase agreement borrowings		107,331,763	98,345,030
Borrowing from financial institutions		152,759	–
Others		55,724	27,862
Total secured		228,498,682	211,428,970
Unsecured			
Overdrawn nostro accounts		827,849	198,297
Call borrowings		2,000,000	–
		2,827,849	198,297
		231,326,531	211,627,267



18. DEPOSITS AND OTHER ACCOUNTS

	31 March 2021 (Un-audited)			31 December 2020 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	394,831,502	35,383,862	430,215,364	351,389,228	40,963,348	392,352,576
Savings deposits	300,415,034	42,206,631	342,621,665	283,179,499	43,773,628	326,953,127
Term deposits	182,151,461	38,119,032	220,270,493	177,719,569	40,377,454	218,097,023
Current deposits - remunerative	133,735,860	4,485,211	138,221,071	120,360,146	2,247,064	122,607,210
Others	16,532,932	7,101,002	23,633,934	15,419,195	7,337,309	22,756,504
	1,027,666,789	127,295,738	1,154,962,527	948,067,637	134,698,803	1,082,766,440
Financial institutions						
Current deposits	3,493,306	255,241	3,748,547	3,568,698	203,742	3,772,440
Savings deposits	372,555	17	372,572	113,638	18	113,656
Term deposits	1,326,500	145,121	1,471,621	1,335,500	135,060	1,470,560
Current deposits - remunerative	6,238,212	393,268	6,631,480	10,381,339	697,737	11,079,076
Others	22,323	-	22,323	21,286	-	21,286
	11,452,896	793,647	12,246,543	15,420,461	1,036,557	16,457,018
	1,039,119,685	128,089,385	1,167,209,070	963,488,098	135,735,360	1,099,223,458

	Note	(Un-audited) 31 March 2021	(Audited) 31 December 2020
		(Rupees in '000)	
19. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	19.1	-	3,992,800
Term Finance Certificates (TFCs) - VI - (Unquoted)	19.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	19.3	3,996,800	3,996,800
		10,996,800	14,989,600

19.1 During the period, the Bank exercised the call option of Term Finance Certificates - V in accordance with the Trust Deed and Terms and Conditions for the TFC issue, after completing the regulatory requirements. Accordingly, the said TFCs were redeemed in full on 17 March 2021.



19.2 Term Finance Certificates - VI (Unquoted)

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 plus 1.5% without any floor and 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. 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 payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") 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 Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).

19.3 Term Finance Certificates - VII (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	December 2018
Maturity date	December 2028
Rating	AA
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 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 Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).



		(Un-audited) 31 March 2021	(Audited) 31 December 2020
	Note		
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,775,978	1,684,024
Mark-up / return / interest payable in foreign currencies		243,645	196,066
Unearned commission income		305,224	304,009
Accrued expenses		3,577,138	2,541,572
Acceptances		56,338,453	52,522,498
Unclaimed dividends		724,718	474,931
Mark to market loss on forward foreign exchange contracts		2,614,958	490,822
Branch adjustment account		2,194,134	2,639,104
Payable to defined benefit plan		806,514	683,514
Charity payable		42,512	41,298
Provision against off - balance sheet items	20.1	167,174	146,692
Security deposits against leases / ijarah		6,065,553	5,690,619
Provision for compensated absences		1,029,126	974,095
Special exporters' accounts in foreign currencies		70,270	43,518
Other security deposits		657,254	647,203
Workers' welfare fund		2,569,903	2,425,132
Payable to SBP / NBP		814,847	455,014
Payable to supplier against murabaha		328,872	166,017
Insurance payable		476,842	470,883
Lease liability against right - of - use assets		10,742,739	10,526,139
Payable against sale of marketable securities on behalf of customers		232,984	567,235
Current taxation (payments less provisions)		702,608	418,177
Others		1,525,136	1,233,727
		95,006,582	85,342,289
20.1 Provision against off-balance sheet obligations			
Opening balance		146,692	129,369
Exchange adjustment against IFRS 9 in overseas branches		(1,199)	1,470
Charge for the period / year		47,890	19,748
Reversals for the period / year		(26,209)	(3,895)
		21,681	15,853
Closing balance		167,174	146,692



	(Un-audited)	(Audited)
	31 March	31 December
Note	2021	2020
	(Rupees in '000)	

21. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of:

- Available for sale securities
- Fixed assets
- Non-banking assets acquired in satisfaction of claims

21.1	2,540,276	4,329,994
	8,988,060	9,062,739
	138,133	139,165
	11,666,469	13,531,898

Deferred tax on surplus on revaluation of:

- Available for sale securities
- Fixed assets
- Non-banking assets acquired in satisfaction of claims

956,769	1,488,343
1,634,576	1,663,701
12,760	13,161
2,604,105	3,165,205
9,062,364	10,366,693

21.1 Investments

- Available for sale securities
- Unrealised surplus on equity accounting
- Non-controlling interest

2,446,644	4,253,523
91,297	76,546
2,335	(75)
2,540,276	4,329,994
956,769	1,488,343
1,583,507	2,841,651

Less: related deferred tax

22. NON - CONTROLLING INTEREST

- Opening balance
- Gain attributable to non - controlling interest
- Loss on equity attributable to non - controlling interest
- Closing balance

114,778	105,510
3,877	9,728
(2,410)	(460)
116,245	114,778

23. CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

23.1	96,722,077	92,814,672
23.2	386,988,782	351,718,547
23.3	1,577,630	1,537,827
	485,288,489	446,071,046



	(Un-audited) 31 March 2021 Note	(Audited) 31 December 2020
	(Rupees in '000)	
23.1 Guarantees:		
Financial guarantees	19,274,053	20,716,906
Performance guarantees	77,448,024	72,097,766
	<u>96,722,077</u>	<u>92,814,672</u>
23.2 Commitments:		
Documentary credits and short term trade-related transactions		
- letters of credit	239,062,442	207,740,057
Commitments in respect of:		
- forward foreign exchange contracts	23.2.1 133,367,462	128,823,137
- forward lendings	23.2.2 6,418,424	7,124,914
Commitments for acquisition of:		
- Operating fixed assets	8,140,454	8,030,439
	<u>386,988,782</u>	<u>351,718,547</u>
23.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	86,600,993	75,472,905
Sale	46,766,469	53,350,232
	<u>133,367,462</u>	<u>128,823,137</u>
The maturities of above contracts are spread over the periods upto one year.		
23.2.2 Commitments in respect of forward lending	<u>6,418,424</u>	<u>7,124,914</u>
23.2.2.1 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) 31 March 2021	(Audited) 31 December 2020
	(Rupees in '000)	
23.3 Claims against the Bank not acknowledged as debts	<u>1,577,630</u>	<u>1,537,827</u>
23.4 Other contingent liabilities		

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2019 (Tax Year 2020). The income tax assessments of the Bank are complete upto tax year 2018.

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 resulting in an impact of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 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 resulting in an impact of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 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 2017 (Accounting Year 2016) by allowing certain expenses resulting in an impact of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 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 u/s. 122(5A) of Tax Year 2018 (Accounting Year 2017) by disallowing certain expenses resulting in an impact of Rs. 260.098 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the 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.

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. The Bank has filed an appeal before Appellate Tribunal (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 ITAT against the above referred 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.

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	31 March 2021 (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	8,151,281	(12,260)	59,147,330	144,091	67,298,611	131,831
Other Entities						
Hedging	66,068,851	(1,110,491)	—	—	66,068,851	(1,110,491)
Total						
Hedging	<u>74,220,132</u>	<u>(1,122,751)</u>	<u>59,147,330</u>	<u>144,091</u>	<u>133,367,462</u>	<u>(978,660)</u>
Counter Parties	31 December 2020 (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	9,107,115	(27,012)	68,172,458	372,325	77,279,573	345,313
Other Entities						
Hedging	51,543,564	95,018	—	—	51,543,564	95,018
Total						
Hedging	<u>60,650,679</u>	<u>68,006</u>	<u>68,172,458</u>	<u>372,325</u>	<u>128,823,137</u>	<u>440,331</u>



24.2 Maturity Analysis

	Number of contracts	Notional Principal	31 March 2021 (Un-audited)		
			Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	246	43,630,286	(632,940)	687,394	54,454
1 to 3 months	447	46,841,046	(1,159,131)	620,037	(539,094)
3 to 6 months	434	31,259,021	(650,977)	249,547	(401,430)
6 months to 1 year	223	11,637,109	(173,809)	81,219	(92,590)
	1,350	133,367,462	(2,616,857)	1,638,197	(978,660)

31 December 2020 (Audited)					
(Rupees in '000)					
Upto 1 month	297	51,974,821	(112,849)	296,381	183,532
1 to 3 months	412	46,596,575	(218,736)	340,228	121,492
3 to 6 months	352	19,991,703	(128,829)	161,815	32,986
6 months to 1 year	177	10,260,038	(30,408)	132,729	102,321
	1,238	128,823,137	(490,822)	931,153	440,331

	(Un-audited)	
	Three months period ended	
	31 March 2021	31 March 2020
	(Rupees in '000)	

25. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	8,291,109	13,455,872
On investments	17,564,330	18,585,553
On deposits with financial institutions	32,860	183,898
On securities purchased under resale agreements	39,842	62,850
On call money lendings	14,107	80,048
	25,942,248	32,368,221



		(Un-audited)	
		Three months period ended	
	Note	31 March 2021	31 March 2020
		(Rupees in '000)	
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		10,073,563	15,381,414
Borrowings from SBP		506,727	348,609
Subordinated debt		300,670	548,740
Cost of foreign currency swaps		555,819	145,996
Repurchase agreement borrowings		1,123,757	4,465,926
Mark-up expense on lease liability against right-of-use assets		259,166	209,096
Other borrowings		10,113	16,911
		<u>12,829,815</u>	<u>21,116,692</u>
27. FEE AND COMMISSION INCOME			
Branch banking customer fees		334,469	276,246
Investment banking fees		7,400	55,553
Consumer finance related fees		18,187	2,750
Card related fees (debit and credit cards)		430,694	136,737
Credit related fees		44,949	18,464
Commission on trade		1,184,840	985,651
Commission on guarantees		138,080	94,027
Commission on cash management		48,642	45,820
Commission on home remittances		41,611	18,468
Others		73,588	18,835
		<u>2,322,460</u>	<u>1,652,551</u>
28. GAIN / (LOSS) ON SECURITIES - NET			
Realised	28.1	5,783	17
Unrealised - held for trading		(1,853)	—
		<u>3,930</u>	<u>17</u>
28.1 Realised gain on:			
Federal Government Securities		42	17
Shares		5,741	—
		<u>5,783</u>	<u>17</u>
29. OTHER INCOME			
Gain on sale of fixed assets - net		67,761	107,663
Recovery of expenses from customers		85,459	93,071
Lockers rent		3,917	2,586
Others		6,340	888
		<u>163,477</u>	<u>204,208</u>



(Un-audited)
Three months period ended
31 March 31 March
2021 2020
(Rupees in '000)

30. OPERATING EXPENSES

Total compensation expenses	4,183,680	3,942,711
Property expenses		
Rent and taxes	62,389	107,509
Insurance	2,501	4,353
Utilities cost	215,268	216,960
Security (including guards)	261,724	233,046
Repair and maintenance (including janitorial charges)	79,397	69,950
Depreciation	659,941	609,266
	1,281,220	1,241,084
Information technology expenses		
Software maintenance	4,358	3,789
Hardware maintenance	222,926	133,915
Depreciation	82,606	78,182
Amortisation	87,758	82,352
Network charges	110,414	99,319
	508,062	397,557
Other operating expenses		
Directors' fees and allowances	11,420	7,150
Fees and allowances to Shariah Board	3,423	3,180
Insurance	100,931	116,471
Legal and professional charges	58,863	36,852
Outsourced services costs	435,188	570,769
Travelling and conveyance	56,744	69,745
NIFT and other clearing charges	60,716	38,379
Depreciation	390,044	365,175
Repair and maintenance	364,860	335,504
Training and development	15,523	9,920
Postage and courier charges	58,098	57,794
Communication	119,321	86,195
Stationery and printing	213,075	189,187
Marketing, advertisement and publicity	424,663	91,026
Donations	114,207	22,000
Auditors remuneration	3,013	542
Commission and brokerage	139,432	215,079
Entertainment and staff refreshment	86,258	77,211
Vehicle running expenses	352,150	231,333
Subscriptions and publications	68,729	49,339
CNIC verification charges	40,594	17,099
Security charges	96,529	74,488
Others	173,473	69,161
	3,387,254	2,733,599
	9,360,216	8,314,951



		(Un-audited)	
		Three months period ended	
		31 March	31 March
Note		2021	2020
		(Rupees in '000)	
31. OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan	<u>783</u>	<u>248</u>
32. (REVERSALS) / PROVISIONS AND WRITE OFFS - NET			
	Provision against balances with other banks	-	2
	(Reversal) / provision for diminution in value of investments 9.2	(62,071)	296,251
	(Reversal) / provision against loans and advances - net 10.3	(205,023)	50,854
	Provision / (reversal) against off - balance sheet items 20.1	21,681	(5,644)
	(Reversal) / provision against other assets 14.1.1	(31)	364
		<u>(245,444)</u>	<u>341,827</u>
33. TAXATION			
	Current	2,769,750	2,121,541
	Deferred	(301,957)	(188,509)
		<u>2,467,793</u>	<u>1,933,032</u>
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>4,629,168</u>	<u>2,840,891</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>4.17</u>	<u>2.56</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		
Unlisted Equity Investments	Break - up value as per latest available audited financial statements		



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 consolidated financial statements for the year ended 31 December 2020.

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).

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:

	31 March 2021 (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	21,268,800	642,139,452	–	663,408,252
Shares	3,344,458	–	–	3,344,458
Non-Government Debt Securities	3,625,835	2,224,930	–	5,850,765
Foreign Securities	–	4,260,877	–	4,260,877
Mutual funds	–	2,053,898	–	2,053,898
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	165,481,556	–	165,481,556
Foreign Securities	–	1,740,402	–	1,740,402
Associates				
Listed shares	585,550	–	–	585,550
Mutual funds	–	3,308,548	–	3,308,548
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	–	84,111,910	–	84,111,910
Forward sale of foreign exchange contracts	–	48,276,892	–	48,276,892



31 December 2020 (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	21,226,600	564,566,523	—	585,793,123
Shares	3,105,540	—	—	3,105,540
Non-Government Debt Securities	3,147,744	2,224,940	—	5,372,684
Foreign Securities	—	4,767,358	—	4,767,358
Mutual funds	—	2,030,957	—	2,030,957

Financial assets - disclosed but not measured at fair value

Investments				
Federal Government Securities	—	167,023,775	—	167,023,775
Foreign Securities	—	1,785,063	—	1,785,063
Associates				
Listed shares	570,080	—	—	570,080
Mutual funds	—	2,485,926	—	2,485,926

Off-balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange contracts	—	75,583,711	—	75,583,711
Forward sale of foreign exchange contracts	—	53,679,757	—	53,679,757

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 Group 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:

Three months period ended 31 March 2021 (Un-audited)					
	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	24,587,810	1,345,268	9,021	149	25,942,248
Inter segment revenue - net	8,566	6,397,440	—	—	6,406,006
Non mark-up / return / interest income	768,452	2,402,171	40,658	37,450	3,248,731
Total income	25,364,828	10,144,879	49,679	37,599	35,596,985
Segment direct expenses	(14,997,921)	(7,290,395)	(31,784)	(15,485)	(22,335,585)
Inter segment expense allocation	(6,397,440)	—	(1,686)	(6,880)	(6,406,006)
Total expenses	(21,395,361)	(7,290,395)	(33,470)	(22,365)	(28,741,591)
Provisions	240,954	4,490	—	—	245,444
Profit before tax	4,210,421	2,858,974	16,209	15,234	7,100,838
As at 31 March 2021 (Un-audited)					
Statement of financial position					
Cash and bank balances	90,948,901	13,224,669	212,761	69	104,386,400
Investments	843,812,394	—	275,244	655,260	844,742,898
Net inter segment lending	933,755	697,354,030	—	—	698,287,785
Lendings to financial institutions	497,226	—	—	—	497,226
Advances - performing	464,934,717	67,579,357	124	—	532,514,198
- non-performing	532,636	14,475	—	—	547,111
Others	109,580,514	16,028,815	592,018	52,872	126,254,219
Total assets	1,511,240,143	794,201,346	1,080,147	708,201	2,307,229,837
Borrowings	230,899,774	—	426,757	—	231,326,531
Subordinated debt	10,996,800	—	—	—	10,996,800
Deposits and other accounts	454,889,528	712,319,542	—	—	1,167,209,070
Net inter segment borrowing	697,354,030	—	183,755	750,000	698,287,785
Others	47,058,746	73,674,412	305,687	12,920	121,051,765
Total liabilities	1,441,198,878	785,993,954	916,199	762,920	2,228,871,951
Equity	70,041,265	8,207,392	163,948	(54,719)	78,357,886
Total equity and liabilities	1,511,240,143	794,201,346	1,080,147	708,201	2,307,229,837
Contingencies and commitments	335,609,494	175,025	—	—	335,784,519



Three months period ended 31 March 2020 (Un-audited)

	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
	(Rupees in '000)				
Profit and loss account					
Mark-up / return / profit	29,984,804	2,378,853	4,564	–	32,368,221
Inter segment revenue - net	3,093	8,622,720	–	–	8,625,813
Non mark-up / return / interest income	625,244	1,643,841	19,914	–	2,288,999
Total income	30,613,141	12,645,414	24,478	–	43,283,033
Segment direct expenses	(19,363,138)	(10,156,410)	(21,683)	–	(29,541,231)
Inter segment expense allocation	(8,622,720)	–	(3,093)	–	(8,625,813)
Total expenses	(27,985,858)	(10,156,410)	(24,776)	–	(38,167,044)
Provisions	(338,526)	(3,301)	–	–	(341,827)
Profit before tax	2,288,757	2,485,703	(298)	–	4,774,162

As at 31 December 2020 (Un-audited)

Statement of financial position					
Cash and Bank balances	107,913,875	17,221,684	481,329	483	125,617,371
Investments	764,423,410	–	256,289	639,285	765,318,984
Net inter segment lending	935,223	663,583,850	–	–	664,519,073
Lendings to financial institutions	2,175,301	–	–	–	2,175,301
Advances - performing	439,290,050	69,876,218	132	–	509,166,400
- non-performing	796,039	87,955	–	–	883,994
Others	102,863,677	16,333,709	404,651	15,299	119,617,336
Total assets	1,418,397,575	767,103,416	1,142,401	655,067	2,187,298,459
Borrowings	211,398,036	–	229,231	–	211,627,267
Subordinated debt	14,989,600	–	–	–	14,989,600
Deposits and other accounts	412,374,245	686,849,213	–	–	1,099,223,458
Net inter segment borrowing	663,583,850	–	185,223	750,000	664,519,073
Others	43,710,174	72,244,009	566,352	(25,189)	116,495,346
Total liabilities	1,346,055,905	759,093,222	980,806	724,811	2,106,854,744
Equity	72,341,670	8,010,194	161,595	(69,744)	80,443,715
Total equity and liabilities	1,418,397,575	767,103,416	1,142,401	655,067	2,187,298,459
Contingencies and commitments	300,377,484	177,245	–	–	300,554,729

38. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), employee benefit plans, major shareholders, directors and key management personnel and their close family members.

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:

	31 March 2021 (Un-audited)				31 December 2020 (Audited)			
	Directors	Key management personnel	Associates	Other related parties (Rupees in '000)	Directors	Key management personnel	Associates	Other related parties
Investments								
Opening balance	-	-	3,058,005	-	-	-	1,472,165	-
Investment made during the period / year	-	-	822,157	-	-	-	1,609,946	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	13,936	-	-	-	(24,106)	-
Closing balance	-	-	3,894,098	-	-	-	3,058,005	-
Advances								
Opening balance	332	171,544	2,217,749	-	1,487	76,626	3,015,256	-
Addition during the period / year	8,650	103,849	17,620,451	-	35,349	333,923	56,387,053	-
Repaid during the period / year	(8,691)	(86,663)	(17,992,148)	-	(36,504)	(239,005)	(57,184,560)	-
Closing balance	291	188,730	1,846,052	-	332	171,544	2,217,749	-
Operating fixed assets								
Right of use	-	-	3,145	-	-	-	3,931	-
Other Assets								
Interest / mark-up accrued	-	123	215	-	-	118	1,289	-
L/C acceptances	-	-	222,341	-	-	-	1,090,910	-
Unrealised gain on foreign exchange contracts	-	-	388	-	-	-	-	-
Other receivable	-	-	7,323	-	-	-	-	-
Subordinated debt	-	-	44,000	-	-	-	44,000	-
Deposits and other accounts								
Opening balance	1,072,684	720,918	3,781,240	577,832	955,078	624,163	3,536,956	513,730
Received during the period / year	2,119,887	784,187	40,543,486	2,815,151	6,891,056	3,205,958	189,014,948	8,825,958
Withdrawn during the period / year	(1,976,820)	(701,076)	(40,617,177)	(2,668,468)	(6,773,450)	(3,109,203)	(188,770,664)	(8,761,856)
Closing balance	1,215,751	804,029	3,707,549	724,515	1,072,684	720,918	3,781,240	577,832
Other Liabilities								
Interest / mark-up payable	637	1,851	19,053	-	305	508	16,925	-
Payable to staff retirement fund	-	-	-	806,514	-	-	-	683,514
L/C acceptances	-	-	222,341	-	-	-	1,090,910	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	922	-
Other liabilities	-	17	-	-	-	4	-	-
Contingencies and commitments	-	-	1,348,774	-	-	-	2,022,871	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	509,840	5,611,000	-	-	749,840	4,237,000
Increased during the period / year	-	-	50,000	2,250,000	-	-	330,000	3,232,000
Decreased during the period / year	-	-	(295,000)	(2,002,000)	-	-	(570,000)	(1,858,000)
Closing balance	-	-	264,840	5,859,000	-	-	509,840	5,611,000



38.1 RELATED PARTY TRANSACTIONS

	31 March 2021 (Un-audited)				31 March 2020 (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	5	2,491	27,055	–	–	1,297	72,427	–
Fee and commission income	11	66	14,930	–	6	14	4,003	7
Dividend income	–	–	35,242	–	–	–	29,293	–
Other income	–	–	69	58	–	–	74	35
Expense								
Mark-up / return / interest expensed	15,572	12,441	52,310	9,274	23,670	15,759	81,615	14,604
Operating expenses	–	–	1,138	–	–	–	2,744	–
Salaries and allowances	–	161,718	–	–	–	138,345	–	–
Bonus	–	734	–	–	–	30,448	–	–
Contribution to defined contribution plan	–	7,538	–	–	–	6,725	–	–
Contribution to defined benefit plan	–	45,833	–	–	–	38,272	–	–
Staff provident fund	–	–	–	173,779	–	–	–	132,635
Staff gratuity fund	–	–	–	123,000	–	–	–	106,500
Directors' fees	10,920	–	–	–	6,850	–	–	–
Donation	–	–	1,500	–	–	–	1,500	–
Insurance premium paid	–	–	73,225	–	–	–	70,863	–
Insurance claims settled	–	–	24,627	–	–	–	5,554	–



39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
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	66,926,903	67,350,151
Eligible Additional Tier 1 (ADT 1) Capital	6,637,673	6,658,103
Total Eligible Tier 1 Capital	73,564,576	74,008,254
Eligible Tier 2 Capital	21,594,134	24,026,053
Total Eligible Capital (Tier 1 + Tier 2)	95,158,710	98,034,307
Risk Weighted Assets (RWAs):		
Credit Risk	559,378,238	537,583,556
Market Risk	15,052,243	10,243,551
Operational Risk	98,014,443	98,014,443
Total	672,444,924	645,841,550
Common Equity Tier 1 Capital Adequacy ratio	9.953%	10.428%
Tier 1 Capital Adequacy Ratio	10.940%	11.459%
Total Capital Adequacy Ratio	14.151%	15.179%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	73,564,576	74,008,255
Total Exposures	1,945,399,957	1,853,426,344
Leverage Ratio	3.781%	3.993%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	644,207,748	490,289,815
Total Net Cash Outflow	229,423,150	187,165,770
Liquidity Coverage Ratio	280.795%	261.955%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,052,574,397	999,664,575
Total Required Stable Funding	700,085,437	703,064,108
Net Stable Funding Ratio	150.349%	142.187%



40. ISLAMIC BANKING BUSINESS

The Bank is operating 117 (31 December 2020: 106) Islamic banking branches and 143 (31 December 2020: 143) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 31 March 2021	(Audited) 31 December 2020
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		6,105,388	5,727,007
Balances with other banks		6,557	6,557
Due from financial institutions		–	2,175,301
Investments	40.1	77,354,495	71,453,157
Islamic financing and related assets - net	40.2	57,040,181	58,304,712
Fixed assets		532,749	479,006
Intangible assets		–	–
Due from Head Office		–	–
Other assets		5,850,936	5,167,562
Total Assets		146,890,306	143,313,302
LIABILITIES			
Bills payable		137,149	137,796
Due to financial institutions		16,370,299	18,962,087
Deposits and other accounts	40.3	101,272,537	93,238,405
Due to Head Office		10,624,904	14,457,740
Subordinated debt		–	–
Other liabilities		7,277,304	6,315,054
		(135,682,193)	(133,111,082)
NET ASSETS		11,208,113	10,202,220
REPRESENTED BY			
Islamic Banking Fund		7,600,000	7,600,000
Reserves		–	–
Deficit on revaluation of assets		85,314	(142,701)
Unappropriated profit	40.4	3,522,799	2,744,921
		11,208,113	10,202,220
CONTINGENCIES AND COMMITMENTS	40.5		



The profit and loss account of the Bank's Islamic banking branches for the three months period ended 31 March 2021 is as follows:

		(Un-audited)	
		Three months period ended	
	Note	31 March 2021	31 March 2020
		(Rupees in '000)	
Profit / return earned	40.6	2,249,721	2,178,107
Profit / return expensed	40.7	(938,006)	(1,248,409)
Net Profit / return		1,311,715	929,698
Other income			
Fee and commission income		133,656	65,703
Dividend income		–	12,411
Foreign exchange income		32,835	17,755
Income / (loss) from derivatives		–	–
Gain on securities		108	–
Other income		31,085	23,542
Total other income		197,684	119,411
Total income		1,509,399	1,049,109
Other expenses			
Operating expenses		(689,601)	(576,184)
Other charges		–	(41)
Total other expenses		(689,601)	(576,225)
Profit before provisions		819,798	472,884
Provisions and write offs - net		(41,920)	(9,667)
Profit for the period		777,878	463,217

	31 March 2021 (Un-audited)				31 December 2020 (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	36,959,427	-	(26,727)	36,932,700	31,954,335	-	(208,246)	31,746,089
- Neelum Jhelum Hydropower Co Ltd. Sukuk	3,781,250	-	-	3,781,250	3,781,250	-	-	3,781,250
- Bai Muajjal with Government of Pakistan	11,622,783	-	-	11,622,783	11,328,818	-	-	11,328,818
- Pakistan Energy Sukuk II (Power Holding Ltd.)	21,102,669	-	166,130	21,268,799	21,102,725	-	123,875	21,226,600
- Naya Pakistan Certificates	427,438	-	-	427,438	-	-	-	-
	73,893,567	-	139,403	74,032,970	68,167,128	-	(84,371)	68,082,757
Shares								
- Listed Companies	80,455	(54,083)	19,164	45,536	97,442	(63,384)	15,861	49,919
Non Government Debt Securities								
- Listed	1,277,108	-	(97,048)	1,180,060	1,322,529	-	(96,457)	1,226,072
- Unlisted	2,025,000	-	-	2,025,000	2,025,000	-	-	2,025,000
	3,302,108	-	(97,048)	3,205,060	3,347,529	-	(96,457)	3,251,072
Units of mutual funds	100,000	(52,866)	23,795	70,929	100,000	(52,856)	22,265	69,409
Total Investments	77,376,130	(106,949)	85,314	77,354,495	71,712,099	(116,240)	(142,702)	71,453,157



	(Un-audited) 31 March 2021	(Audited) 31 December 2020
	(Rupees in '000)	
40.2 Islamic financing and related assets		
Ijarah	2,096,185	1,656,565
Murabaha	7,479,045	9,148,387
Diminishing Musharaka	11,122,229	11,404,565
Islamic Long Term Financing Facility (ILTFF)	1,733,009	1,737,762
Istisna	2,520,619	2,364,376
Islamic Refinance for Renewable Energy (IFRE)	13,499	14,035
Islamic Export Refinance - Istisna	225,500	1,083,650
Musawamah	3,188,838	3,710,693
Islamic Export Refinance - Musawamah	548,500	826,500
Running Musharaka	149,188	84,799
Islamic Export Refinance - Running Musharaka	5,912,600	6,270,000
Islamic Temporary Economic Refinance Facility (ITERF)	345,375	—
Financing against Bills - Musawamah	560,780	293,805
Staff Financing	623,430	594,202
Advance against Musawamah	1,018,438	1,700,257
Advance against Istisna	7,346,355	5,702,233
Advance against Istisna - IERF	5,608,700	4,829,300
Advance against Ijarah	164,731	735,441
Advance against Diminishing Musharaka	1,295,698	1,083,563
Advance against IRF Wages and Salaries	2,058,111	2,355,044
Advance against ILTFF	1,149,414	1,082,706
Advance against IFRE	1,048,250	875,000
Advance against ITERF	1,045,300	914,221
Gross Islamic financing and related assets	57,253,794	58,467,104
Less: provision against Islamic financings		
- Specific	183,157	135,936
- General	30,456	26,456
	(213,613)	(162,392)
Islamic financing and related assets - net of provision	57,040,181	58,304,712



	(Un-audited) 31 March 2021 (Rupees in '000)	(Audited) 31 December 2020
40.3 Deposits and Other Accounts		
Customers		
Current deposits	39,174,194	36,256,469
Savings deposits	42,131,785	35,148,231
Term deposits	19,495,418	21,354,917
	<u>100,801,397</u>	<u>92,759,617</u>
Financial institutions		
Current deposits	15,347	62,908
Savings deposits	455,793	415,880
	<u>471,140</u>	<u>478,788</u>
	<u>101,272,537</u>	<u>93,238,405</u>
40.4 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,744,921	2,551,373
Add: Islamic Banking profit for the period / year	777,878	2,744,921
Less: Remitted to Head Office	–	(2,551,373)
Closing Balance	<u>3,522,799</u>	<u>2,744,921</u>
40.5 Contingencies and Commitments		
Guarantees	5,210,716	4,415,658
Commitments	24,909,141	17,468,898
	<u>30,119,857</u>	<u>21,884,556</u>
	(Un-audited) Three months period ended 31 March 2021	31 March 2020
	(Rupees in '000)	
40.6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	803,411	1,346,488
Investments	1,432,396	621,598
Placements	13,914	210,021
	<u>2,249,721</u>	<u>2,178,107</u>
40.7 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	779,050	1,195,849
Due to Financial Institutions	85,193	52,560
Due to Head Office	73,763	–
	<u>938,006</u>	<u>1,248,409</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)

The deposits parked in general pool are based on normal weightages. The risk of loss is minimal due to a long range of diversified assets parked in the general pool.

Special Pool(s) PKR (Mudaraba)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the special class of 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. The weightages are also declared separately.

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

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

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 sukuk, shares and mutual funds
- Production and transmission of energy
- Food and allied except sugar
- Cement
- Financial
- Wheat
- Individuals
- Others (domestic whole sale, engineering goods, plastic product, etc.)
- Any other Shariah Compliant Product.



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 currently accepting Pak Rupees Term Deposits and Saving Deposits under Mudaraba arrangements, wherein the Bank is Mudarib and depositors are Rab - UI - Maal. The Bank 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 after 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, 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 2020: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2020: 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

	31 March 2021 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,500,121	674,736	44.98%	20,033	2.97%
FCY Pool	19,281	17,881	92.74%	2,357	13.18%
	31 March 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	1,537,785	633,856	41.22%	232,756	36.72%
FCY Pool	16,568	15,216	91.84%	2,119	13.93%



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

	(Un-audited)	
	Three months period ended	
	31 March 2021	31 March 2020
	(Percentage)	
Profit rate earned	6.74%	10.99%
Profit rate distributed	3.27%	7.16%

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.

42. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 28 April 2021.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman