

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	<i>Executive Director</i>
	Syed Mazhar Abbas	
	Qumail R. Habib	
	Safar Ali Lakhani	
	Syed Hasan Ali Bukhari	
	Murtaza H. Habib	
Arshad Nasar		
Adnan Afridi		
Audit Committee	Mansoor Ali Khan	<i>Chief Executive</i>
	Safar Ali Lakhani	<i>Chairman</i>
Human Resource & Remuneration Committee	Syed Mazhar Abbas	<i>Member</i>
	Anwar Haji Karim	<i>Member</i>
	Syed Hasan Ali Bukhari	<i>Member</i>
	Arshad Nasar	<i>Member</i>
Credit Risk Management 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>
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>
IT 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>
Company Secretary	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>
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 Habib Asset Management Limited for the half year ended June 30, 2020.

Alhamdulillah, during the period under review, the performance of the Bank continued to be satisfactory. The deposits increased to Rs. 1,041.7 billion as compared to Rs. 903.7 billion on December 31, 2019. In the same period, advances increased to Rs. 510.3 billion from Rs. 488.7 billion, while investments increased to Rs. 792.7 billion from Rs. 586.1 billion. The pre-tax profit of the Bank for the half year ended June 30, 2020 was Rs. 12.10 billion as compared to Rs. 8.55 billion during the corresponding period last year. The profit after tax for the half year ended June 30, 2020 was Rs. 7.23 billion compared with Rs. 4.46 billion during 2019.

By the Grace of Allah, the Bank now has a network of 815 offices, comprising 774 branches, 37 sub-branches, and 4 Representative Offices. Our branch network includes 92 Islamic Banking Branches and 3 Overseas Branches. Continuing with our branch expansion policy, the Bank intends to open more branches during the year 2020.

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 ratings of our unsecured, subordinated Term Finance Certificates (TFCs) are **AA** (Double A) for TFC-2016 and 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.

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

Mansoor Ali Khan
Chief Executive

Abbas D. Habib
Chairman
Board of Directors

Karachi: August 17, 2020



ڈائریکٹرز کا جائزہ

ہمارے لئے یہ باعث مسرت ہے کہ ہم 30 جون 2020 کو ختم ہونے والی ششماہی کے لئے بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مالی حسابات مع بینک الحیب لمیٹڈ کے غیر آڈٹ شدہ مجموعی مالیاتی حسابات بشمول بینک کی ذیلی کمپنیز الحیب کمپیٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور حیب ایسٹ منجمنٹ لمیٹڈ پیش کریں۔

الحمد للہ، زیر جائزہ مدت میں بینک کی کارکردگی اطمینان بخش رہی۔ 30 جون 2020 کو ختم ہونے والی ششماہی میں ڈپازٹس بڑھ کر 1041.7 بلین روپے ہو گئے، جو کہ 31 دسمبر 2019 کو 903.7 بلین روپے تھے۔ اسی مدت کے دوران انڈوانسز 488.7 بلین روپے سے بڑھ کر 510.3 بلین روپے ہو گئے اور سرمایہ کاری 586.1 بلین روپے سے بڑھ کر 792.7 بلین روپے ہو گئی۔ 30 جون 2020 کو ختم ہونے والی ششماہی کے لئے آپ کے بینک کا قبل از ٹیکس منافع 12.10 بلین روپے رہا، جبکہ گزشتہ سال اس مدت میں یہ 8.55 بلین روپے تھا۔ بینک کا بعد از ٹیکس منافع 30 جون 2020 کو ختم ہونے والی مدت کے لئے 7.23 بلین روپے رہا، جبکہ گزشتہ سال یہ 4.46 بلین روپے تھا۔

اللہ تعالیٰ کے فضل و کرم سے بینک کا نیٹ ورک اب 815 دفاتر پر مشتمل ہے، جس میں 774 برانچز، 37 ذیلی برانچز اور 4 نمائندہ دفاتر شامل ہیں۔ ہمارے برانچ نیٹ ورک میں اب 92 اسلامی بینکاری برانچز اور 3 بیرون ملک برانچز شامل ہیں۔ برانچز میں اضافہ کی اپنی پالیسی پر کاربند رہتے ہوئے ہم سال 2020 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 انسٹیٹیوٹ، سبارڈ، اینیڈ ٹرم فنڈس سرٹیفکیٹس کی ریٹنگز **AA** (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور **AA-** (ڈبل اے مائنس) برائے TFC-2017 (پریچول) 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۔

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۔ حیب
چیئرمین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۱۷ اگست ۲۰۲۰ء



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

Report on Review of Unconsolidated Condensed Interim Financial Information

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **Bank AL Habib Limited** (the Bank) as at **30 June 2020**, the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity, and notes to the financial information for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2020 and 30 June 2019 have not been subject to limited scope review by us as we are only required to review the cumulative figures for the six-months period ended 30 June 2020.

Scope of Review

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

Conclusion

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

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

Karachi: 21 August 2020

EY Ford Rhodes
Chartered Accountants



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
ASSETS			
Cash and balances with treasury banks	6	111,354,872	113,838,791
Balances with other banks	7	4,575,780	9,523,969
Lendings to financial institutions	8	6,677,906	1,857,575
Investments	9	792,651,587	586,140,504
Advances	10	510,309,330	488,669,447
Fixed assets	11	41,715,249	36,562,508
Intangible assets	12	248,890	365,428
Deferred tax assets		—	—
Other assets	13	64,066,069	61,723,889
		1,531,599,683	1,298,682,111
LIABILITIES			
Bills payable	15	21,200,423	20,168,673
Borrowings	16	301,277,452	228,745,034
Deposits and other accounts	17	1,041,727,698	903,702,782
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	14,991,200	14,992,800
Deferred tax liabilities	19	5,165,809	1,380,189
Other liabilities	20	71,663,948	68,189,523
		1,456,026,530	1,237,179,001
NET ASSETS		75,573,153	61,503,110
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		17,716,635	16,467,282
Surplus on revaluation of assets	21	16,181,067	6,013,816
Unappropriated profit		30,561,197	27,907,758
		75,573,153	61,503,110
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Note	Half year ended		Three months period ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		(Rupees in '000)			
Mark-up / return / interest earned	24	65,374,204	45,047,950	33,000,154	23,536,719
Mark-up / return / interest expensed	25	(38,304,141)	(25,524,368)	(17,186,643)	(13,861,433)
Net mark-up / interest income		27,070,063	19,523,582	15,813,511	9,675,286
NON MARK-UP / INTEREST INCOME					
Fee and commission income	26	3,024,695	3,012,527	1,390,129	1,630,172
Dividend income		195,615	184,512	119,033	98,350
Foreign exchange income		810,759	1,078,675	436,437	814,006
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities - net	27	17	(65,786)	—	(77,612)
Other income	28	266,778	291,243	62,743	154,806
Total non mark-up / interest income		4,297,864	4,501,171	2,008,342	2,619,722
Total income		31,367,927	24,024,753	17,821,853	12,295,008
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	29	(16,798,275)	(13,073,311)	(8,493,854)	(6,626,028)
Workers welfare fund		(289,656)	(217,113)	(180,316)	(113,251)
Other charges	30	(502)	(34,481)	(254)	(23,988)
Total non mark-up / interest expenses		(17,088,433)	(13,324,905)	(8,674,424)	(6,763,267)
Profit before provisions		14,279,494	10,699,848	9,147,429	5,531,741
Provisions and write offs - net	31	(2,178,272)	(2,154,210)	(1,836,445)	(1,429,569)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		12,101,222	8,545,638	7,310,984	4,102,172
Taxation	32	(4,876,203)	(4,084,525)	(2,945,249)	(1,702,315)
PROFIT AFTER TAXATION		7,225,019	4,461,113	4,365,735	2,399,857
		(Rupees)			
Basic and diluted earnings per share	33	6.50	4.01	3.93	2.16

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Half year ended		Three months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Rupees in '000)			
Profit after taxation for the period	7,225,019	4,461,113	4,365,735	2,399,857
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	526,851	818,074	52,591	733,845
Movement in surplus / (deficit) on revaluation of investments - net of tax	7,151,923	(343,019)	5,264,564	(847,536)
	7,678,774	475,055	5,317,155	(113,691)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of operating fixed assets - net of tax	3,056,238	-	3,056,238	-
Total comprehensive income	17,960,031	4,936,168	12,739,128	2,286,166

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of		Unappropriated Profit	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets		
				(Rupees in '000)					
Balance as at 01 January 2019	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,279,509)	4,547,711	20,411,694	49,551,680
Comprehensive income for the half year ended 30 June 2019:									
Profit after taxation	-	-	-	-	-	-	-	4,461,113	4,461,113
Other comprehensive income - net of tax	-	-	818,074	-	-	(343,019)	-	-	475,055
Total comprehensive income for the period	-	-	818,074	-	-	(343,019)	-	4,461,113	4,936,168
Transfer to statutory reserve	-	446,111	-	-	-	-	-	(446,111)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,384)	36,384	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)
Balance as at 30 June 2019 - unaudited	11,114,254	13,188,904	2,166,311	126,500	540,000	(1,622,528)	4,511,327	21,684,516	51,709,284
Comprehensive income for the half year ended 31 December 2019:									
Profit after taxation	-	-	-	-	-	-	-	6,707,623	6,707,623
Other comprehensive income - net of tax	-	-	(225,196)	-	-	3,161,402	-	149,997	3,086,203
Total comprehensive income for the period	-	-	(225,196)	-	-	3,161,402	-	6,857,620	9,793,826
Transfer to statutory reserve	-	670,763	-	-	-	-	-	(670,763)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,385)	36,385	-
Balance as at 31 December 2019 - audited	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 half year ended 30 June 2020:									
Profit after taxation	-	-	-	-	-	-	-	7,225,019	7,225,019
Other comprehensive income - net of tax	-	-	526,851	-	-	7,151,923	3,056,238	-	10,735,012
Total comprehensive income for the period	-	-	526,851	-	-	7,151,923	3,056,238	7,225,019	17,960,031
Transfer to statutory reserve	-	722,502	-	-	-	-	-	(722,502)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(40,910)	40,910	-
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)
Balance as at 30 June 2020 - unaudited	11,114,254	14,582,169	2,467,966	126,500	540,000	8,690,797	7,490,270	30,561,197	75,573,153

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

	MANSOOR ALI KHAN <i>Chief Executive</i>		ASHAR HUSAIN <i>Chief Financial Officer</i>	
ANWAR HAJI KARIM <i>Director</i>		SYED HASAN ALI BUKHARI <i>Director</i>		ABBAS D. HABIB <i>Chairman</i>



**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Note	30 June 2020	30 June 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		12,101,222	8,545,638
Less: Dividend income		(195,615)	(184,512)
		11,905,607	8,361,126
Adjustments:			
Depreciation		1,339,228	1,211,023
Depreciation on right - of - use assets		791,243	673,743
Amortisation		156,247	73,452
Provisions and write-offs - net	31	2,178,272	2,154,210
Gain on sale of fixed assets - net		(106,476)	(145,844)
Charge for defined benefit plan		213,000	204,000
(Gain) / loss on securities - net		(17)	65,786
Charge for compensated absences		60,783	48,777
Mark - up expense on lease liability against right - of - use assets		441,948	344,367
		5,074,228	4,629,514
		16,979,835	12,990,640
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,820,331)	(2,296,274)
Held - for - trading securities		-	197,562
Advances		(23,319,198)	(26,073,650)
Other assets (excluding advance taxation)		(2,757,914)	(15,299,912)
		(30,897,443)	(43,472,274)
Increase in operating liabilities			
Bills payable		1,031,750	476,708
Borrowings from financial institutions		73,204,131	16,686,300
Deposits		138,024,916	78,789,487
Other liabilities		2,414,130	8,069,663
		214,674,927	104,022,158
		200,757,319	73,540,524
Income tax paid		(5,144,405)	(4,555,972)
Net cash flow generated from operating activities		195,612,914	68,984,552
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(175,946,353)	(8,936,786)
Net investments in held to maturity securities		(19,350,576)	(30,338,643)
Net investments in associates		81,000	-
Net investments in subsidiaries		(683,250)	-
Dividends received		138,791	141,180
Investments in operating fixed assets		(2,421,946)	(2,029,781)
Proceeds from sale of fixed assets		127,710	164,762
Exchange differences on translation of net investment in foreign branches		526,851	818,074
Net cash used in investing activities		(197,527,773)	(40,181,194)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(1,600)	(1,600)
Dividend paid		(3,832,266)	(2,750,525)
Payment against lease liabilities		(1,011,670)	(597,436)
Net cash used in financing activities		(4,845,536)	(3,349,561)
(Decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		122,458,343	82,075,690
Cash and cash equivalents at end of the period		115,697,948	107,529,487

The annexed notes 1 to 40 form an integral part of these unconsolidated condensed interim financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2020

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 774 branches (31 December 2019: 718 branches), 37 sub-branches (31 December 2019: 37 sub-branches) and 04 representative offices (31 December 2019: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2019: 03 overseas branches) and 92 Islamic Banking branches (31 December 2019: 83 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, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of the Companies Act, 2017.
- 2.2** The financial results of the Islamic Banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 38 to these unconsolidated condensed interim financial statements.
- 2.3** These are separate financial statements of the Bank in which investments in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

2.4 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- 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 State Bank of Pakistan (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 2019.

SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, 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 Letter 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 POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2019.

3.1 Amendments to published approved accounting standards that are effective in the current period

Certain amendments to the following IFRS became effective during the period and do not have impact on Bank's unconsolidated condensed interim financial statements.

IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material
IFRS 3, 'Business Combinations' - Definition of a Business



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. 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. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has directed the Bank to conduct an impact assessment as at 31 December 2019 and submit to SBP by 31 August 2020 as required under BPRD Circular Letter No. 15 of 2020 dated 26 March 2020.

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 December 31, 2019.

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 December 31, 2019.

5.2 COVID - 19 outbreak and it's impact

During the half year ended June 30, 2020, the global economic environment including Pakistan has been severely affected by the COVID - 19 outbreak. To reduce the impact on businesses and economy in general, SBP has provided relief through reduction in SBP Policy Rate by 625 basis points. Other relief measures include the deferment of the repayment of principal amount of financing facility by one year, on case to case basis; reduction in the capital conservation buffer by 100 basis points to 1.5%; Refinancing schemes for payment of wages and salaries; etc. Further, with a view to conserve the capital of banking institutions, SBP has also advised banks to suspend dividend distributions for the quarter ended 31 March 2020 and half year ended 30 June 2020.

COVID - 19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, challenges to continuity of business operations and managing cybersecurity threat. The Bank's management and Board is fully cognisant of the business challenges posed by the COVID - 19 outbreak and lock down imposed by the Government of Pakistan. The Bank continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting all possible precautionary measures.

The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations. subsequent to the emergence of the COVID - 19 situation and in line with SBP's directives, the Bank has restructured / rescheduled a number of financing facilities after review of the restructured / rescheduled proposals as per the established policies of the Bank. The impact of such restructuring / rescheduling has also been assessed on credit risk and liquidity / maturity profile of the Bank and the Bank considers that the liquidity buffer and capital adequacy is sufficiently maintained at this stage.



	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	27,063,263	19,497,716
Foreign currencies	3,840,756	2,062,958
	30,904,019	21,560,674
In transit:		
Local currency	1,275,029	481,699
Foreign currencies	3,361	676,471
	1,278,390	1,158,170
With State Bank of Pakistan in:		
Local currency current accounts	49,046,477	59,153,555
Local currency current accounts - Islamic Banking	3,235,345	3,140,622
Foreign currency deposit accounts		
Cash reserve accounts	3,453,440	3,236,315
Cash reserve / special cash reserve accounts - Islamic Banking	278,207	256,350
Special cash reserve account	6,906,880	9,708,945
Local US Dollar collection account	104,342	303,328
	63,024,691	75,799,115
With National Bank of Pakistan in:		
Local currency current accounts	16,075,158	14,944,966
Prize bonds	72,614	375,866
	111,354,872	113,838,791
7. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	846,942	309,409
In deposit account	-	7,000,000
In saving account	464,129	508,791
	1,311,071	7,818,200
Outside Pakistan:		
In current account	3,222,348	1,642,734
In deposit account	42,365	63,037
	3,264,713	1,705,771
	4,575,784	9,523,971
Less: impairment against IFRS 9 in overseas branches	(4)	(2)
	4,575,780	9,523,969
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
- Pakistan Investment Bonds	670,000	-
- Market Treasury Bills	3,923,572	-
	4,593,572	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,084,334	1,857,575
	6,677,906	1,857,575



9. INVESTMENTS

Note	30 June 2020 (Un-audited)				31 December 2019 (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:								
Available-for-sale securities								
Federal Government Securities	591,724,033	(274,772)	14,441,228	605,890,489	419,402,570	(187,265)	1,895,941	421,111,246
Shares	4,326,102	(1,787,888)	195,932	2,734,146	4,326,102	(1,567,064)	428,546	3,187,584
Non Government Debt Securities	5,794,052	-	(142,006)	5,652,046	5,586,804	-	(141,759)	5,445,045
Foreign Securities	7,069,847	(54,727)	(1,339,212)	5,675,908	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds	6,025,000	(436,546)	214,515	5,802,969	3,125,000	(373,875)	233,167	2,984,292
	614,939,034	(2,553,933)	13,370,457	625,755,558	438,964,699	(2,169,452)	2,367,499	439,162,746
Held-to-maturity securities								
Federal Government Securities	164,469,896	(71,533)	-	164,398,363	145,152,375	(41,871)	-	145,110,504
Non Government Debt Securities	35,697	-	-	35,697	46,632	-	-	46,632
Foreign Securities	507,256	(883)	-	506,373	467,747	(471)	-	467,276
Others	4,481	(4,481)	-	-	-	-	-	-
	165,017,330	(76,897)	-	164,940,433	145,666,754	(42,342)	-	145,624,412
Associates	1,072,346	-	-	1,072,346	1,153,346	-	-	1,153,346
Subsidiaries	883,250	-	-	883,250	200,000	-	-	200,000
Total Investments	781,911,960	(2,630,830)	13,370,457	792,651,587	585,984,799	(2,211,794)	2,367,499	586,140,504



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
9.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	217,393,600	153,188,536
Surplus	3,529,100	276,366
	220,922,700	153,464,902
9.2 Provision for diminution in the value of investments		
Opening balance	2,211,794	558,769
Exchange adjustments against IFRS 9 in overseas branches	23,485	2,909
Charge / reversals		
Charge for the period / year	283,496	1,418,245
Charge of impairment as per IFRS 9 in overseas branches for the period / year	107,574	231,871
	391,070	1,650,116
Others	4,481	-
Closing Balance	2,630,830	2,211,794
9.3 The market value of securities classified as held to maturity at 30 June 2020 amounted to Rs. 177,252 million (31 December 2019: Rs. 148,608 million).		
9.4 During the period, the Bank has acquired additional shareholding of Habib Asset Management Limited (HAML) and increased its holding to 100%. The Bank has also made capital injection of Rs. 450 million in HAML.		



10. ADVANCES

	Performing		Non Performing		Total	
	(Un-audited) 30 June 2020	(Audited) 31 December 2019	(Un-audited) 30 June 2020	(Audited) 31 December 2019	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	441,536,262	407,463,485	7,549,025	6,989,020	449,085,287	414,452,505
Islamic financing and related assets	49,994,530	50,662,682	260,500	82,542	50,255,030	50,745,224
Bills discounted and purchased	22,221,833	32,876,085	202,243	186,354	22,424,076	33,062,439
Advances - gross	513,752,625	491,002,252	8,011,768	7,257,916	521,764,393	498,260,168
Provision against advances						
– Specific	–	–	6,837,368	6,201,412	6,837,368	6,201,412
– General as per regulations	263,290	263,290	–	–	263,290	263,290
– General	4,250,000	3,000,000	–	–	4,250,000	3,000,000
– As per IFRS 9 in overseas branches	104,405	126,019	–	–	104,405	126,019
	4,617,695	3,389,309	6,837,368	6,201,412	11,455,063	9,590,721
Advances - net of provision	509,134,930	487,612,943	1,174,400	1,056,504	510,309,330	488,669,447

(Un-audited) (Audited)
30 June 31 December
2020 2019
(Rupees in '000)

10.1 Particulars of advances (Gross)

In local currency	446,583,176	409,294,620
In foreign currencies	75,181,217	88,965,548
	521,764,393	498,260,168

10.2 Advances include Rs. 8,011.768 million (31 December 2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2020 (Un-audited)		31 December 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	138,955	2,873	82,730	456
Substandard	472,162	100,582	377,335	84,250
Doubtful	1,056,409	494,227	1,014,818	503,459
Loss	4,156,142	4,135,074	3,696,404	3,681,349
	5,823,668	4,732,756	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	175,379	91,891	913,445	758,714
> 365 days	2,012,721	2,012,721	1,173,184	1,173,184
	2,188,100	2,104,612	2,086,629	1,931,898
Total	8,011,768	6,837,368	7,257,916	6,201,412



10.3 Particulars of provision against advances

Note	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments	181,270	10,639	191,909	104,015	16,608	120,623
Charge for the period / year						
- Specific provision	548,590	-	548,590	2,092,790	-	2,092,790
- General provision as per regulations 10.3.1	-	-	-	-	25,191	25,191
- As per IFRS 9 in overseas branches 10.3.2	-	(32,253)	(32,253)	-	(30,774)	(30,774)
- General provision for loans and advances 10.3.3	-	1,250,000	1,250,000	-	-	-
Reversals	(87,022)	-	(87,022)	(345,809)	-	(345,809)
	461,568	1,217,747	1,679,315	1,746,981	(5,583)	1,741,398
Amounts written off	(2,401)	-	(2,401)	(1,479)	-	(1,479)
Others	(4,481)	-	(4,481)	-	-	-
Closing balance	6,837,368	4,617,695	11,455,063	6,201,412	3,389,309	9,590,721

10.3.1 General provision represents provision amounting to Rs. 263.290 million (31 December 2019: Rs. 263.290 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. 104.405 million (31 December 2019: Rs. 126.019 million).

10.3.3 In line with its prudent policies, the Bank has also made general provision of Rs. 1,250 million (30 June 2019: Nil) during the period, bringing the total of such provision to Rs. 4,250 million (31 December 2019: Rs. 3,000 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

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) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,897,452	1,597,551
Property and equipment	11.2	39,817,797	34,964,957
		<u>41,715,249</u>	<u>36,562,508</u>
11.1 Capital work-in-progress			
Civil works		491,510	652,132
Advance payment for purchase of equipments		57,841	68,212
Advance payment towards suppliers, contractors and property		1,314,777	854,366
Consultants' fee and other charges		33,324	22,841
		<u>1,897,452</u>	<u>1,597,551</u>
11.2	This includes right-of-use assets amounting to Rs. 8,721.936 million (31 December 2019: Rs. 8,198.691 million).		
11.3 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Half year ended	
		30 June 2020	30 June 2019
		(Rupees in '000)	
Capital work-in-progress		1,637,451	218,846
Property and equipment			
Leasehold land		163,050	597,059
Building on leasehold land		770,236	148,750
Furniture and fixture		126,478	116,851
Electrical, office and computer equipment		682,958	328,753
Vehicles		195,676	302,229
Improvements to leasehold building		143,938	177,799
		<u>2,082,336</u>	1,671,441
Total		<u>3,719,787</u>	<u>1,890,287</u>
11.4 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,278	2,068
Electrical, office and computer equipment		1,281	3,205
Vehicles		18,675	12,578
Improvements to leasehold building		-	1,067
Total		<u>21,234</u>	<u>18,918</u>



11.5 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in net surplus of Rs. 3,618.097 million over the book value of the respective properties. The carrying value of revalued leasehold land and buildings on leasehold land was Rs. 24,378 million as at 30 June 2020. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 June 2020 would have been as follows:

	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
Leasehold land	8,730,369	4,788,144
Buildings on leasehold land	7,110,120	4,670,487
12. INTANGIBLE ASSETS		
Computer software	248,890	365,428
	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
12.1 Additions to intangible assets		
Directly purchased	39,709	139,494
	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
13. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	19,076,846	19,895,629
Income / mark-up accrued in foreign currencies - net of provision	735,703	600,408
Advances, deposits, advance rent and other prepayments	848,046	581,084
Advance taxation (payments less provisions)	215,024	682,237
Non-banking assets acquired in satisfaction of claims	872,190	874,900
Mark to market gain on forward foreign exchange contracts	3,067,922	1,032,137
Acceptances	35,054,952	36,264,680
Stationery and stamps on hand	314,129	240,307
Receivable from SBP on encashment of Government Securities	43,828	41,680
ATM settlement account	3,064,482	239,233
Others	747,647	1,244,495
	64,040,769	61,696,790
Less: Provision held against other assets	(8,219)	(7,383)
Other Assets (net of provision)	64,032,550	61,689,407
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	33,519	34,482
Other Assets - total	64,066,069	61,723,889



	Note	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
13.1 Provision held against other assets			
Receivable against consumer loans	13.1.1	<u>8,219</u>	<u>7,383</u>
13.1.1 Movement in provision held against other assets			
Opening balance		7,383	7,279
Charge for the period / year		3,266	2,108
Reversals for the period / year		(1,593)	(1,658)
		1,673	450
Amount written off		(837)	(346)
Closing balance		<u>8,219</u>	<u>7,383</u>
14. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at 30 June 2020 (31 December 2019: Nil).			
15. BILLS PAYABLE			
In Pakistan		<u>21,200,423</u>	<u>20,168,673</u>
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		49,692,725	42,657,650
Under renewable energy		4,948,203	3,946,903
Under long term financing for imported and locally manufactured plant and machinery		21,244,054	19,796,175
Under modernisation of small and medium enterprises		309,767	310,422
Under women entrepreneurship		19,428	19,159
Under refinance scheme for payment of wages and salaries		2,813,694	—
Under financing facility for storage of agricultural produce		86,446	2,869
		79,114,317	66,733,178
Repurchase agreement borrowings		220,333,950	153,365,059
Borrowings from financial institutions		1,596,481	7,742,380
Total secured		<u>301,044,748</u>	<u>227,840,617</u>
Unsecured			
Overdrawn nostro accounts		232,704	904,417
		<u>301,277,452</u>	<u>228,745,034</u>



17. DEPOSITS AND OTHER ACCOUNTS

	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	332,730,179	37,546,254	370,276,433	280,838,911	34,758,774	315,597,685
Savings deposits	255,933,383	41,861,010	297,794,393	222,230,042	38,657,119	260,887,161
Term deposits	183,348,305	35,611,854	218,960,159	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	114,198,866	657,099	114,855,965	96,456,401	771,529	97,227,930
Others	17,767,317	8,711,473	26,478,790	11,695,770	8,186,073	19,881,843
	903,978,050	124,387,690	1,028,365,740	773,337,324	116,364,047	889,701,371
Financial institutions						
Current deposits	2,671,235	201,961	2,873,196	1,717,795	1,234,067	2,951,862
Savings deposits	690,874	17	690,891	4,407,712	16	4,407,728
Term deposits	555,000	125,534	680,534	1,750,000	114,123	1,864,123
Current deposits - remunerative	8,877,835	239,502	9,117,337	4,578,433	192,643	4,771,076
Others	-	-	-	6,622	-	6,622
	12,794,944	567,014	13,361,958	12,460,562	1,540,849	14,001,411
	916,772,994	124,954,704	1,041,727,698	785,797,886	117,904,896	903,702,782

	Note	(Un-audited)	(Audited)
		30 June 2020	31 December 2019
(Rupees in '000)			
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	3,993,600	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	18.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	18.3	3,997,600	3,998,400
		<u>14,991,200</u>	<u>14,992,800</u>



18.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	semi - annually
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark-up	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
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") 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).

18.2 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	Neither 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).



18.3 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
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)	(Audited)
30 June	31 December
2020	2019
(Rupees in '000)	

19. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

Accelerated tax depreciation	815,523	960,038
Surplus on revaluation of fixed assets / non - banking assets	1,632,432	984,461
Remeasurement of defined benefit plan	165,629	165,629
Surplus on revaluation of available for sale investments	4,679,660	828,625
	7,293,244	2,938,753

Deductible Temporary Differences on:

Provision against diminution in the value of investments	(778,695)	(677,904)
Provision against loans and advances, off-balance sheet, etc.	(1,167,845)	(731,573)
Impairment as per IFRS 9 in overseas branches	(180,895)	(149,087)
	(2,127,435)	(1,558,564)
	5,165,809	1,380,189



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	Note	
	(Rupees in '000)	
20. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,144,521	4,945,307
Mark-up / return / interest payable in foreign currencies	178,521	253,120
Unearned commission income	250,247	241,742
Accrued expenses	2,649,797	1,281,288
Acceptances	35,054,952	36,264,680
Unclaimed dividends	484,247	426,525
Mark to market loss on forward foreign exchange contracts	1,190,511	1,767,178
Branch adjustment account	3,272,155	2,336,825
Payable to defined benefit plan	686,226	473,227
Charity payable	47,906	43,474
Provision against off - balance sheet items	20.1 115,535	129,369
Security deposits against leases / ijarah	6,368,273	6,532,535
Provision for compensated absences	784,335	722,300
Special exporters' accounts in foreign currencies	41,791	194,604
Other security deposits	617,445	592,271
Workers' welfare fund	2,041,233	1,751,577
Payable to SBP / NBP	1,024,275	210,373
Payable to supplier against murabaha	351,217	186,648
Insurance payable	497,651	455,266
Lease liability against right - of - use assets	9,061,484	8,316,718
Others	4,801,626	1,064,496
	<u>71,663,948</u>	<u>68,189,523</u>
20.1 Provision against off-balance sheet obligations		
Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	2,142	9,738
Charge for the period / year	4,735	30,897
Reversals for the period / year	(20,711)	(27,866)
	(15,976)	3,031
Closing balance	<u>115,535</u>	<u>129,369</u>



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	Note	
	(Rupees in '000)	
21. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of:		
- Available for sale securities	9.1 13,370,457	2,367,499
- Fixed assets	9,159,532	5,495,269
- Non-banking assets acquired in satisfaction of claims	33,519	34,482
	22,563,508	7,897,250
Deferred tax on surplus on revaluation of:		
- Available for sale securities	4,679,660	828,625
- Fixed assets	1,697,579	1,049,269
- Non-banking assets acquired in satisfaction of claims	5,202	5,540
	6,382,441	1,883,434
	16,181,067	6,013,816
21.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at 01 January	5,495,269	5,605,295
Surplus on revaluation of the Bank's fixed assets during the period / year	3,726,240	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of tax	(40,285)	(71,517)
Related deferred tax liability on incremental depreciation charged during the period / year	(21,692)	(38,509)
	9,159,532	5,495,269
Less: related deferred tax liability on		
- revaluation as at 01 January	1,049,269	1,087,778
- revaluation recognised during the period / year	670,002	-
- incremental depreciation charged during the period / year	(21,692)	(38,509)
	1,697,579	1,049,269
	7,461,953	4,446,000
22. CONTINGENCIES AND COMMITMENTS		
Guarantees	22.1 95,595,058	81,086,627
Commitments	22.2 262,956,990	346,877,061
Other contingent liabilities	22.3 4,643,206	4,673,685
	363,195,254	432,637,373



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
Note	(Rupees in '000)	
22.1 Guarantees:		
Financial guarantees	17,936,413	16,237,352
Performance guarantees	77,658,645	64,849,275
	<u>95,595,058</u>	<u>81,086,627</u>
22.2 Commitments:		
Documentary credits and short term trade-related transactions		
- letters of credit	152,826,914	145,745,358
Commitments in respect of:		
- forward foreign exchange contracts	22.2.1 104,088,178	197,844,773
- forward lendings	22.2.2 5,061,345	2,214,998
Commitments for acquisition of:		
- Operating fixed assets	980,553	1,071,932
	<u>262,956,990</u>	<u>346,877,061</u>
22.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	65,069,777	106,704,798
Sale	39,018,401	91,139,975
	<u>104,088,178</u>	<u>197,844,773</u>
The maturities of above contracts are spread over the periods upto one year.		
22.2.2 Commitments in respect of forward lending	<u>5,061,345</u>	<u>2,214,998</u>
22.2.1 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) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
22.3 Claims against the Bank not acknowledged as debts	<u>4,643,206</u>	<u>4,673,685</u>



22.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2018 (Tax Year 2019). The income tax assessments of the Bank are complete upto tax year 2017.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 482.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) 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.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 207.679 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2017 (Accounting Year 2016) by disallowing certain expenses resulting in an impact of Rs. 198.516 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue has passed an order levying Federal Excise Duty on certain items for the period January 2013 to December 2015, resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

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.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2019 by disallowing certain expenses resulting in an impact of Rs. 185.754 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals), Mirpur AJ&K.

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



23. DERIVATIVE INSTRUMENTS

The Bank deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principal view of hedging the risks arising from its trade business. As per the Bank's policy, these contracts are reported on their fair value at the statement of financial position date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gains and losses on these contracts are recorded in the statement of financial position under "other assets / other liabilities". These products are offered to the Bank's customers to protect from unfavourable movements in foreign currencies. The Bank hedges such exposures in the inter - bank foreign exchange market.

23.1 Product Analysis

Counter Parties	30 June 2020 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
	(Rupees in '000)					
Banks						
Hedging	17,159,812	(36,742)	42,209,588	(488,352)	59,369,400	(525,094)
Other Entities						
Hedging	44,718,778	2,402,505	-	-	44,718,778	2,402,505
Total						
Hedging	<u>61,878,590</u>	<u>2,365,763</u>	<u>42,209,588</u>	<u>(488,352)</u>	<u>104,088,178</u>	<u>1,877,411</u>
	31 December 2019 (Audited)					
	(Rupees in '000)					
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	-	-	61,436,210	156,206
Total						
Hedging	<u>68,097,975</u>	<u>182,674</u>	<u>129,746,798</u>	<u>(917,715)</u>	<u>197,844,773</u>	<u>(735,041)</u>



23.2 Maturity Analysis

30 June 2020 (Un-audited)					
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	254	36,071,656	(483,593)	623,248	139,655
1 to 3 months	409	44,702,732	(667,225)	1,295,320	628,095
3 to 6 months	276	18,037,734	(39,399)	830,848	791,449
6 months to 1 year	94	5,276,056	(295)	318,507	318,212
	1,033	104,088,178	(1,190,512)	3,067,923	1,877,411

31 December 2019 (Audited)					
	Number of contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	1,332	197,844,773	(1,767,178)	1,032,137	(735,041)

	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
(Rupees in '000)		
24. MARK - UP / RETURN / INTEREST EARNED		
On loans and advances	25,356,324	22,783,307
On investments	39,531,196	20,660,136
On deposits with financial institutions	271,690	268,674
On securities purchased under resale agreements	89,884	1,181,711
On call money lendings	125,110	154,122
	65,374,204	45,047,950



	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
(Rupees in '000)		
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	27,481,136	21,168,390
Borrowings from SBP	750,323	546,772
Subordinated debt	1,047,775	867,625
Cost of foreign currency swaps	380,886	623,429
Repurchase agreement borrowings	8,092,615	1,839,822
Mark-up expense on lease liability against right-of-use assets	441,948	344,367
Other borrowings	109,458	133,963
	<u>38,304,141</u>	<u>25,524,368</u>
26. FEE AND COMMISSION INCOME		
Branch banking customer fees	484,335	542,744
Consumer finance related fees	4,323	24,024
Card related fees (debit and credit cards)	233,150	374,397
Credit related fees	155,007	77,744
Commission on trade	1,825,111	1,666,215
Commission on guarantees	166,622	195,117
Commission on cash management	82,377	97,754
Commission on home remittances	71,694	24,725
Others	2,076	9,807
	<u>3,024,695</u>	<u>3,012,527</u>
27. GAIN / (LOSS) ON SECURITIES - NET		
Realised gain / (loss) on:		
Federal Government Securities	17	100
Shares	-	(65,886)
	<u>17</u>	<u>(65,786)</u>
28. OTHER INCOME		
Rent on property	1,050	1,050
Gain on sale of fixed assets - net	106,476	145,844
Recovery of expenses from customers	153,337	137,793
Lockers rent	5,511	4,847
Others	404	1,709
	<u>266,778</u>	<u>291,243</u>



	(Un-audited)	
	Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
29. OPERATING EXPENSES		
Total compensation expenses	7,862,968	5,871,933
Property expenses		
Rent and taxes	188,132	211,590
Insurance	4,460	8,922
Utilities cost	434,887	425,150
Security (including guards)	491,972	418,463
Repair and maintenance (including janitorial charges)	141,294	101,038
Depreciation	1,243,200	1,068,427
Amortisation	-	3,805
	2,503,945	2,237,395
Information technology expenses		
Software maintenance	3,876	3,300
Hardware maintenance	276,135	183,117
Depreciation	76,025	144,256
Amortisation	156,247	69,647
Network charges	206,115	194,326
	718,398	594,646
Other operating expenses		
Directors' fees and allowances	12,777	22,300
Fees and allowances to Shariah Board	6,332	4,881
Insurance	240,390	177,460
Legal and professional charges	63,065	91,209
Outsourced services costs	995,019	761,496
Travelling and conveyance	95,181	112,217
NIFT and other clearing charges	69,800	55,150
Depreciation	811,246	672,083
Repair and maintenance	670,099	564,633
Training and development	14,662	26,230
Postage and courier charges	117,090	89,573
Communication	179,032	134,435
Stationery and printing	322,189	354,429
Marketing, advertisement and publicity	249,966	128,936
Donations	72,600	36,500
Auditors remuneration	3,088	2,255
Commission and brokerage	432,498	253,319
Entertainment and staff refreshment	136,547	140,399
Vehicle running expenses	526,345	395,917
Subscriptions and publications	95,617	67,968
CNIC verification charges	33,505	48,083
Security charges	152,967	123,173
Others	412,949	106,691
	5,712,964	4,369,337
	16,798,275	13,073,311



		(Un-audited) Half year ended	
		30 June 2020	30 June 2019
		(Rupees in '000)	
30. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		502	34,481
31. PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments	9.2	391,070	1,104,165
Provision against loans and advances - net	10.3	1,679,315	1,041,871
(Reversal) / provision against off - balance sheet items	20.1	(15,976)	7,895
Provision against other assets	13.1.1	1,673	279
Loss on revaluation of fixed assets		122,190	-
		<u>2,178,272</u>	<u>2,154,210</u>
32. TAXATION			
Current		5,611,618	4,220,997
Prior years		-	571,907
Deferred		(735,415)	(708,379)
		<u>4,876,203</u>	<u>4,084,525</u>
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the period		<u>7,225,019</u>	<u>4,461,113</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>6.50</u>	<u>4.01</u>
34. FAIR VALUE MEASUREMENTS			
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:			
Federal Government Securities	PKRV rates (Reuters page)		
Non Government Debt Securities	Market prices		
Foreign Securities	Market prices / Mashreqbank PSC		
Listed Securities	Prices quoted at Pakistan Stock Exchange Limited		
Mutual Funds	Net asset values declared by respective funds		
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 December 31, 2019.



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:

	30 June 2020 (Un-audited)			Total
	Level 1	Level 2 (Rupees in '000)	Level 3	
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	605,890,489	-	605,890,489
Shares	2,635,610	-	-	2,635,610
Non-Government Debt Securities	3,266,562	2,385,484	-	5,652,046
Foreign Securities	-	5,675,908	-	5,675,908
Mutual funds	-	5,802,969	-	5,802,969
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	176,706,128	-	176,706,128
Foreign Securities	-	505,412	-	505,412
Associates				
Listed shares	277,752	-	-	277,752
Mutual funds	-	861,161	-	861,161
Off balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	65,069,777	-	65,069,777
Forward sale of foreign exchange contracts	-	(39,018,401)	-	(39,018,401)



31 December 2019 (Audited)

Level 1	Level 2	Level 3	Total
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(Rupees in '000)

On balance sheet financial instruments

Financial assets - measured at fair value

	Level 1	Level 2	Level 3	Total
Investments				
Federal Government Securities	-	421,111,246	-	421,111,246
Shares	3,089,046	-	-	3,089,046
Non-Government Debt Securities	3,310,377	1,849,049	-	5,159,426
Foreign Securities	-	6,434,579	-	6,434,579
Mutual funds	-	2,984,292	-	2,984,292

Financial assets - disclosed but not measured at fair value

	Level 1	Level 2	Level 3	Total
Investments				
Federal Government Securities	-	138,050,135	-	138,050,135
Foreign Securities	-	407,752	-	407,752
Associates				
Listed shares	360,136	-	-	360,136
Mutual funds	-	894,766	-	894,766

Off balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange contracts	-	106,704,798	-	106,704,798
Forward sale of foreign exchange contracts	-	(91,139,975)	-	(91,139,975)

34.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 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. SEGMENT INFORMATION

Segment Details with respect to Business Activities

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

	Half year ended 30 June 2020 (Un-audited)		
	Commercial banking	Retail banking (Rupees in '000)	Total
Profit and loss account			
Mark-up / return / profit	61,132,752	4,241,452	65,374,204
Inter segment revenue - net	–	15,476,049	15,476,049
Non mark-up / return / interest income	1,129,733	3,168,131	4,297,864
Total income	62,262,485	22,885,632	85,148,117
Segment direct expenses	(37,097,231)	(18,295,343)	(55,392,574)
Inter segment expense allocation	(15,476,049)	–	(15,476,049)
Total expenses	(52,573,280)	(18,295,343)	(70,868,623)
Provisions	(2,137,408)	(40,864)	(2,178,272)
Profit before tax	7,551,797	4,549,425	12,101,222
	As at 30 June 2020 (Un-audited)		
Statement of financial position			
Cash and bank balances	98,617,225	17,313,427	115,930,652
Investments	792,651,587	–	792,651,587
Net inter segment lending	–	591,733,527	591,733,527
Lendings to financial institutions	6,677,906	–	6,677,906
Advances - performing	433,121,108	76,013,822	509,134,930
- non-performing	977,119	197,281	1,174,400
Others	90,195,344	15,834,864	106,030,208
Total assets	1,422,240,289	701,092,921	2,123,333,210
Borrowings	301,277,452	–	301,277,452
Subordinated debt	14,991,200	–	14,991,200
Deposits and other accounts	402,988,299	638,739,399	1,041,727,698
Net inter segment borrowing	591,733,527	–	591,733,527
Others	40,901,133	57,129,047	98,030,180
Total liabilities	1,351,891,611	695,868,446	2,047,760,057
Equity	70,348,678	5,224,475	75,573,153
Total equity and liabilities	1,422,240,289	701,092,921	2,123,333,210
Contingencies and commitments	248,243,796	178,176	248,421,972



Half year ended 30 June 2019 (Un-audited)

	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit and loss account			
Mark-up / return / profit	41,007,177	4,040,773	45,047,950
Inter segment revenue - net	–	14,362,010	14,362,010
Non mark-up / return / interest income	1,801,947	2,699,224	4,501,171
Total income	42,809,124	21,102,007	63,911,131
Segment direct expenses	(21,596,691)	(17,252,582)	(38,849,273)
Inter segment expense allocation	(14,362,010)	–	(14,362,010)
Total expenses	(35,958,701)	(17,252,582)	(53,211,283)
Provisions	(2,154,210)	–	(2,154,210)
Profit before tax	4,696,213	3,849,425	8,545,638

As at 30 June 2019 (Un-audited)

	Commercial banking	Retail banking	Total
Statement of financial position			
Cash and bank balances	92,980,595	16,128,888	109,109,483
Investments	451,985,601	–	451,985,601
Net inter segment lending	–	519,987,929	519,987,929
Lendings to financial institutions	2,296,274	–	2,296,274
Advances - performing	427,878,155	74,360,415	502,238,570
- non-performing	976,829	30,958	1,007,787
Others	81,487,063	14,135,162	95,622,225
Total assets	1,057,604,517	624,643,352	1,682,247,869
Borrowings	136,958,233	–	136,958,233
Subordinated debt	14,994,400	–	14,994,400
Deposits and other accounts	315,967,354	559,722,658	875,690,012
Net inter segment borrowing	519,987,929	–	519,987,929
Others	29,924,391	52,983,620	82,908,011
Total liabilities	1,017,832,307	612,706,278	1,630,538,585
Equity	39,772,210	11,937,074	51,709,284
Total equity and liabilities	1,057,604,517	624,643,352	1,682,247,869
Contingencies and commitments	187,948,623	70,830	188,019,453

36. 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:



	30 June 2020 (Un-audited)					31 December 2019 (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	-	-	200,000	1,153,346	-	-	-	200,000	628,346	-
Investment made during the period / year	-	-	683,250	-	-	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	-	(81,000)	-	-	-	-	-	-
Closing balance	-	-	883,250	1,072,346	-	-	-	200,000	1,153,346	-
Advances										
Opening balance	1,487	76,626	15,622	3,015,256	-	1,313	53,257	-	1,359,059	-
Addition during the period / year	9,221	147,071	3,955,415	20,831,180	-	55,443	363,717	7,585,878	33,451,951	-
Repaid during the period / year	(10,648)	(126,599)	(3,966,854)	(21,550,612)	-	(55,269)	(340,348)	(7,570,256)	(31,795,754)	-
Closing balance	60	97,098	4,183	2,295,824	-	1,487	76,626	15,622	3,015,256	-
Operating fixed assets										
Right of use	-	-	-	5,504	-	-	-	-	7,076	-
Other assets										
Interest / mark-up accrued	-	31	-	1,278	-	-	55	-	10,667	-
L/C acceptances	-	-	-	762,093	-	-	-	-	350,867	-
Unrealised gain on foreign exchange contracts	-	-	-	53,243	-	-	-	-	-	-
Other receivable	-	-	4,640	-	-	-	-	-	1,525	-
Subordinated debt										
Opening balance	-	-	-	44,000	-	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	-	-	-	-	-	44,000	-
Redemption / sold during the period / year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	44,000	-	-	-	-	44,000	-
Deposits and other accounts										
Opening balance	955,078	624,163	111,826	3,536,956	513,730	587,452	816,406	47,744	4,876,833	536,801
Received during the period / year	4,370,831	1,720,308	6,387,118	67,588,858	2,172,052	11,221,419	2,996,758	8,414,981	150,071,628	29,846,047
Withdrawn during the period / year	(4,249,537)	(1,687,714)	(6,369,047)	(64,316,163)	(2,181,477)	(10,853,793)	(3,189,001)	(8,350,899)	(151,411,505)	(29,869,118)
Closing balance	1,076,372	656,757	129,897	6,809,651	504,305	955,078	624,163	111,826	3,536,956	513,730
Other liabilities										
Interest / mark-up payable	54	435	-	22,984	10,054	3,799	4,118	8	15,309	2,216
Payable to staff retirement fund	-	-	-	-	686,226	-	-	-	-	473,226
L/C acceptances	-	-	-	762,093	-	-	-	-	350,867	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	-	-	16,187	-
Other liabilities	-	19	559	-	-	-	19	542	-	-
Contingencies and commitments										
	-	-	-	2,867,910	-	-	-	-	3,385,253	-
Other Transactions - Investor Portfolio Securities										
Opening balance	-	-	85,000	749,840	4,237,000	-	-	85,000	201,000	8,132,000
Increased during the period / year	-	-	-	150,000	473,000	30,000	-	85,000	1,534,940	8,487,000
Decreased during the period / year	-	-	-	(50,000)	-	(30,000)	-	(85,000)	(986,100)	(12,382,000)
Closing balance	-	-	85,000	849,840	4,710,000	-	-	85,000	749,840	4,237,000



36.1 RELATED PARTY TRANSACTIONS

	30 June 2020 (Un-audited)					30 June 2019 (Un-audited)				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Income										
Mark-up / return / interest earned	5	2,703	1,644	129,484	–	–	2,516	180	115,737	–
Fee and commission income	9	28	8	6,506	–	13	59	10	8,729	–
Dividend income	–	–	–	52,002	–	–	–	–	46,050	–
Other income	–	–	1,091	147	55	1	–	1,442	149	82
Expense										
Mark-up / return / interest expensed	44,215	29,964	5,363	184,760	25,233	32,758	18,638	2,617	120,812	42,648
Operating expenses	–	–	2,527	3,739	–	–	–	1,448	3,041	–
Salaries and allowances	–	271,592	–	–	–	–	248,475	–	–	–
Bonus	–	61,378	–	–	–	–	25,981	–	–	–
Contribution to defined contribution plan	–	12,437	–	–	–	–	12,359	–	–	–
Contribution to defined benefit plan	–	42,316	–	–	–	–	43,849	–	–	–
Staff provident fund	–	–	–	–	296,576	–	–	–	–	262,257
Staff gratuity fund	–	–	–	–	213,000	–	–	–	–	204,000
Directors' fees	12,227	–	–	–	–	21,850	–	–	–	–
Donation	–	–	–	3,000	–	–	–	–	3,000	–
Insurance premium paid	–	–	–	119,574	–	–	–	–	120,963	–
Insurance claims settled	–	–	–	7,695	–	–	–	–	20,495	–



37. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>56,500,955</u>	52,961,015
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,719,640</u>	6,690,557
Total Eligible Tier 1 Capital	<u>63,220,595</u>	59,651,572
Eligible Tier 2 Capital	<u>20,018,703</u>	16,537,708
Total Eligible Capital (Tier 1 + Tier 2)	<u>83,239,298</u>	<u>76,189,280</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>478,720,088</u>	443,548,469
Market Risk	<u>10,089,495</u>	12,343,837
Operational Risk	<u>74,928,286</u>	74,928,286
Total	<u>563,737,869</u>	<u>530,820,592</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>10.023%</u>	<u>9.977%</u>
Tier 1 Capital Adequacy Ratio	<u>11.215%</u>	<u>11.238%</u>
Total Capital Adequacy Ratio	<u>14.766%</u>	<u>14.353%</u>
Leverage Ratio (LR):		
Eligible Tier 1 Capital	<u>63,220,595</u>	59,651,572
Total Exposures	<u>1,744,312,588</u>	1,497,222,424
Leverage Ratio	<u>3.624%</u>	<u>3.984%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>465,627,851</u>	363,806,793
Total Net Cash Outflow	<u>170,854,232</u>	132,953,270
Liquidity Coverage Ratio	<u>272.529%</u>	<u>273.635%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>920,768,432</u>	808,044,723
Total Required Stable Funding	<u>693,587,122</u>	606,312,286
Net Stable Funding Ratio	<u>132.755%</u>	<u>133.272%</u>



38. ISLAMIC BANKING BUSINESS

The Bank is operating 92 (31 December 2019: 83) Islamic banking branches and 142 (31 December 2019: 142) Islamic banking windows at the end of the period / year.

	Note	(Un-audited) 30 June 2020	(Audited) 31 December 2019
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		6,394,843	4,553,339
Balances with other banks		52,882	7,297,026
Due from financial institutions	38.1	2,084,334	1,857,575
Investments	38.2	49,761,956	21,669,565
Islamic financing and related assets - net	38.3	50,134,406	50,689,875
Fixed assets		418,305	402,062
Intangible assets		-	-
Due from Head Office		-	-
Other assets		1,161,918	7,595,621
Total Assets		110,008,644	94,065,063
LIABILITIES			
Bills payable		105,801	45,838
Due to financial institutions		12,077,043	9,718,686
Deposits and other accounts	38.4	78,150,511	67,981,321
Due to Head Office		8,011,800	3,282,835
Subordinated debt		-	-
Other liabilities		3,103,955	3,773,952
		(101,449,110)	(84,802,632)
NET ASSETS		8,559,534	9,262,431
REPRESENTED BY			
Islamic Banking Fund		7,600,000	6,800,000
Reserves		-	-
Deficit on revaluation of assets		(195,967)	(88,942)
Unremitted profit	38.5	1,155,501	2,551,373
		8,559,534	9,262,431
CONTINGENCIES AND COMMITMENTS	38.6		



The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2020 is as follows:

	Note	(Un-audited) Half year ended	
		30 June 2020	30 June 2019
(Rupees in '000)			
Profit / return earned	38.7	4,248,463	3,626,122
Profit / return expensed	38.8	(2,176,560)	(1,834,151)
Net Profit / return		2,071,903	1,791,971
Other income			
Fee and commission income		124,630	111,622
Dividend income		69,663	3,011
Foreign exchange income		40,396	34,406
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		44,603	49,564
Total other income		279,292	198,603
Total income		2,351,195	1,990,574
Other expenses			
Operating expenses		(1,118,901)	(826,774)
Other charges		(44)	-
Total other expenses		(1,118,945)	(826,774)
Profit before provisions		1,232,250	1,163,800
Provisions and write offs - net		(76,749)	(22,009)
Profit for the period		1,155,501	1,141,791
		(Un-audited) 30 June 2020	(Audited) 31 December 2019
(Rupees in '000)			

38.1 Due from Financial Institutions

In local currency			
Bai Muajjal Receivable from the State Bank of Pakistan		2,084,334	1,857,575



	30 June 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
38.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	7,000,000	-	(145,400)	6,854,600	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,125,000	-	-	4,125,000	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	10,727,844	-	-	10,727,844	10,133,361	-	-	10,133,361
- Pakistan Energy Sukuk II	20,000,000	-	-	20,000,000	-	-	-	-
	<u>41,852,844</u>	<u>-</u>	<u>(145,400)</u>	<u>41,707,444</u>	<u>16,602,111</u>	<u>-</u>	<u>(20,000)</u>	<u>16,582,111</u>
Shares								
- Listed Companies	97,442	(63,384)	4,819	38,877	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,413,372	-	(95,457)	1,317,915	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,185,535	-	-	2,185,535	1,984,707	-	-	1,984,707
	<u>3,598,907</u>	<u>-</u>	<u>(95,457)</u>	<u>3,503,450</u>	<u>3,438,922</u>	<u>-</u>	<u>(94,777)</u>	<u>3,344,145</u>
Units of mutual funds	4,000,000	(52,886)	40,071	3,987,185	1,200,000	(47,401)	16,436	1,169,035
Associates								
- First Habib Islamic Income Fund	525,000	-	-	525,000	525,000	-	-	525,000
Total Investments	<u>50,074,193</u>	<u>(116,270)</u>	<u>(195,967)</u>	<u>49,761,956</u>	<u>21,863,475</u>	<u>(104,968)</u>	<u>(88,942)</u>	<u>21,669,565</u>

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
38.3 Islamic financing and related assets		
Ijarah	2,012,502	2,365,239
Murabaha	6,720,727	8,255,703
Diminishing Musharaka	12,035,225	13,499,915
Islamic Long Term Financing Facility (ILTF)	1,681,037	1,449,640
Istisna	2,928,230	3,929,818
Islamic Export Refinance - Istisna	1,048,000	1,685,500
Musawamah	1,605,981	3,979,048
Islamic Export Refinance - Musawamah	500,000	200,000
Running Musharaka	130,406	2,845,780
Islamic Refinance for Renewable Energy (IFRE)	3,875	-
Islamic Export Refinance - Running Musharaka	4,170,000	2,318,300
Staff Financing	504,764	431,960
Advance against Musawamah	1,827,977	920,594
Advance against Istisna	7,548,783	4,168,944
Advance against Istisna - IERF	4,658,800	3,694,450
Advance against Ijarah	97,120	52,940
Advance against Diminishing Musharaka	564,961	815,069
Advance against IFRE	3,903	-
Advance against IRE Wages and Salaries	963,668	-
Advance against ILTF	900,021	121,424
Financing against Bills - Musawamah	349,050	10,900
Gross Islamic financing and related assets	50,255,030	50,745,224
Less: provision against Islamic financings		
- Specific	98,168	32,893
- General	22,456	22,456
	(120,624)	(55,349)
Islamic financing and related assets - net of provision	50,134,406	50,689,875



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
38.4 Deposits and Other Accounts		
Customers		
Current deposits	30,643,032	22,641,105
Savings deposits	26,824,361	22,728,291
Term deposits	20,257,319	17,144,488
	<u>77,724,712</u>	<u>62,513,884</u>
Financial institutions		
Current deposits	6,606	4,306
Savings deposits	419,193	4,263,131
Term deposits	-	1,200,000
	<u>425,799</u>	<u>5,467,437</u>
	<u>78,150,511</u>	<u>67,981,321</u>
38.5 Islamic Banking Business Unappropriated Profit		
Opening Balance	2,551,373	928,748
Add: Islamic Banking profit for the period / year	1,155,501	2,551,373
Less: Remitted to Head Office	(2,551,373)	(928,748)
Closing Balance	<u>1,155,501</u>	<u>2,551,373</u>
38.6 Contingencies and Commitments		
Guarantees	6,168,559	2,719,414
Commitments	7,273,284	7,710,226
	<u>13,441,843</u>	<u>10,429,640</u>
	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
38.7 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	2,483,968	2,360,971
Investments	1,467,155	1,009,123
Placements	297,340	256,028
	<u>4,248,463</u>	<u>3,626,122</u>
38.8 Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	2,001,644	1,740,539
Due to Financial Institutions	114,244	71,987
Due to Head Office	60,672	21,625
	<u>2,176,560</u>	<u>1,834,151</u>



38.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

38.9.1 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.

38.9.2 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.



38.9.3 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 2019: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2019: 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.

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

	30 June 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	2,974,417	1,294,726	43.53%	314,145	24.26%
FCY Pool	35,542	32,258	90.76%	3,469	10.75%
	30 June 2019 (Un-audited)				
LCY Pool	2,405,685	878,875	36.53%	222,192	25.28%
FCY Pool	10,035	9,540	95.07%	440	4.61%



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

	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Percentage)	
Profit rate earned	9.99%	9.95%
Profit rate distributed	5.82%	6.16%

39. GENERAL

39.1 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.

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

39.3 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. However, there were no material reclassification to report.

40. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 17 August 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
ASSETS			
Cash and balances with treasury banks	7	111,354,957	113,838,856
Balances with other banks	8	4,629,426	9,526,278
Lendings to financial institutions	9	6,677,906	1,857,575
Investments	10	792,917,912	586,510,554
Advances	11	510,305,440	488,652,848
Fixed assets	12	41,724,018	36,571,645
Intangible assets	13	310,887	368,840
Deferred tax assets		–	–
Other assets	14	64,288,958	61,812,360
		1,532,209,504	1,299,138,956
LIABILITIES			
Bills payable	16	21,200,423	20,168,673
Borrowings	17	301,277,452	228,745,034
Deposits and other accounts	18	1,041,599,531	903,592,980
Liabilities against assets subject to finance lease		–	–
Subordinated debt	19	14,991,200	14,992,800
Deferred tax liabilities	20	5,124,938	1,377,707
Other liabilities	21	72,015,222	68,329,071
		1,456,208,766	1,237,206,265
NET ASSETS			
		76,000,738	61,932,691
REPRESENTED BY			
Share capital		11,114,254	11,114,254
Reserves		17,716,635	16,467,282
Surplus on revaluation of assets	22	16,233,024	6,081,731
Unappropriated profit		30,836,087	28,163,914
Equity attributable to the shareholders of the Holding Company		75,900,000	61,827,181
Non-controlling interest	23	100,738	105,510
Total equity		76,000,738	61,932,691
CONTINGENCIES AND COMMITMENTS			
	24		

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

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Note	Half year ended		Three months period ended	
		30 June 2020	30 June 2019	30 June 2020	30 June 2019
		(Rupees in '000)			
Mark-up / return / interest earned	26	65,380,723	45,055,051	33,003,420	23,539,968
Mark-up / return / interest expensed	27	(38,302,576)	(25,523,240)	(17,185,884)	(13,860,295)
Net mark-up / interest income		27,078,147	19,531,811	15,817,536	9,679,673

NON MARK-UP / INTEREST INCOME

Fee and commission income	28	3,061,634	3,029,148	1,409,083	1,637,549
Dividend income		144,195	139,338	96,717	80,839
Foreign exchange income		810,759	1,078,675	436,437	814,006
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities - net	29	17	(65,786)	—	(77,612)
Share of profit from associates		42,398	37,333	31,975	16,912
Other income	30	288,369	289,932	84,161	154,139
Total non mark-up / interest income		4,347,372	4,508,640	2,058,373	2,625,833
Total income		31,425,519	24,040,451	17,875,909	12,305,506

NON MARK-UP / INTEREST EXPENSES

Operating expenses	31	(16,844,301)	(13,104,959)	(8,520,268)	(6,642,050)
Workers welfare fund		(289,656)	(217,113)	(180,316)	(113,251)
Other charges	32	(502)	(34,481)	(254)	(23,988)
Total non mark-up / interest expenses		(17,134,459)	(13,356,553)	(8,700,838)	(6,779,289)
Profit before provisions		14,291,060	10,683,898	9,175,071	5,526,217
Provisions and write offs - net	33	(2,198,638)	(2,154,210)	(1,856,811)	(1,429,569)
Extra ordinary / unusual items		—	—	—	—
PROFIT BEFORE TAXATION		12,092,422	8,529,688	7,318,260	4,096,648
Taxation	34	(4,848,777)	(4,087,080)	(2,915,745)	(1,703,443)
PROFIT AFTER TAXATION		7,243,645	4,442,608	4,402,515	2,393,205
Attributable to:					
Shareholders of the Holding Company		7,243,753	4,445,874	4,402,862	2,395,086
Non-controlling interest		(108)	(3,266)	(347)	(1,881)
		7,243,645	4,442,608	4,402,515	2,393,205

(Rupees)

Basic and diluted earnings per share attributable to the equity holders of the Holding Company	35	6.52	4.00	3.96	2.15
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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

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Half year ended		Three months period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Rupees in '000)			
Profit after taxation for the period	7,243,645	4,442,608	4,402,515	2,393,205
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	526,851	818,074	52,591	733,845
Movement in surplus / (deficit) on revaluation of investments - net of tax	7,131,301	(350,952)	5,250,990	(838,881)
	7,658,152	467,122	5,303,581	(105,036)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
Movement in surplus on revaluation of operating fixed assets - net of tax	3,056,238	-	3,056,238	-
Total comprehensive income	17,958,035	4,909,730	12,762,334	2,288,169
Attributable to:				
Shareholders of the Holding Company	17,962,808	4,916,510	12,757,477	2,295,601
Non-controlling interest	(4,773)	(6,780)	4,857	(7,432)
	17,958,035	4,909,730	12,762,334	2,288,169

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

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Attributable to 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 2019	11,114,254	12,742,793	1,348,237	126,500	540,000	(1,172,343)	4,547,711	20,641,220	49,888,372	106,678	49,995,050
Comprehensive income for the half year ended 30 June 2019:											
Profit after taxation	-	-	-	-	-	-	-	4,445,874	4,445,874	(3,266)	4,442,608
Other comprehensive income - net of tax	-	-	818,074	-	-	(347,438)	-	-	470,636	(3,514)	467,122
Total comprehensive income for the period	-	-	818,074	-	-	(347,438)	-	4,445,874	4,916,510	(6,780)	4,909,730
Transfer to statutory reserve	-	446,111	-	-	-	-	-	(446,111)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,384)	36,384	-	-	-
Transaction with owners, recorded directly in equity											
Cash dividend (Rs. 2.5 per share)	-	-	-	-	-	-	-	(2,778,564)	(2,778,564)	-	(2,778,564)
Balance as at 30 June 2019 - unaudited	11,114,254	13,188,904	2,166,311	126,500	540,000	(1,519,781)	4,511,327	21,898,803	52,026,318	99,898	52,126,216
Comprehensive income for the half year ended 31 December 2019:											
Profit after taxation	-	-	-	-	-	-	-	6,749,492	6,749,492	(470)	6,749,022
Other comprehensive income - net of tax	-	-	(225,196)	-	-	3,126,570	-	149,997	3,051,371	6,082	3,057,453
Total comprehensive income for the period	-	-	(225,196)	-	-	3,126,570	-	6,899,489	9,800,863	5,612	9,806,475
Transfer to statutory reserve	-	670,763	-	-	-	-	-	(670,763)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(36,385)	36,385	-	-	-
Balance as at 31 December 2019 - audited	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 half year ended 30 June 2020:											
Profit after taxation	-	-	-	-	-	-	-	7,243,753	7,243,753	(108)	7,243,645
Other comprehensive income - net of tax	-	-	526,851	-	-	7,135,965	3,056,238	-	10,719,054	(4,664)	10,714,390
Total comprehensive income for the period	-	-	526,851	-	-	7,135,965	3,056,238	7,243,753	17,962,807	(4,772)	17,958,035
Transfer to statutory reserve	-	722,502	-	-	-	-	-	(722,502)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(40,910)	40,910	-	-	-
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 30 June 2020 - unaudited	11,114,254	14,582,169	2,467,966	126,500	540,000	8,742,754	7,490,270	30,836,087	75,900,000	100,738	76,000,738

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

ANWAR HAJI KARIM <i>Director</i>	MANSOOR ALI KHAN <i>Chief Executive</i>	SYED HASAN ALI BUKHARI <i>Director</i>	ASHAR HUSAIN <i>Chief Financial Officer</i>	ABBAS D. HABIB <i>Chairman</i>
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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Note	30 June 2020 (Rupees in '000)	30 June 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		12,092,422	8,529,688
Less: Dividend income		(144,195)	(139,338)
		11,948,227	8,390,350
Adjustments:			
Depreciation		1,340,393	1,212,180
Depreciation on right - of - use assets		791,243	673,743
Amortisation		156,694	73,822
Provisions and write-offs - net	33	2,198,638	2,154,210
Gain on sale of fixed assets - net		(106,476)	(145,861)
Charge for defined benefit plan		213,000	204,000
(Gain) / loss on securities - net		(17)	65,786
Share of profit from associates		(42,398)	(37,333)
Charge for compensated absences		60,783	48,777
Mark - up expense on lease liability against right - of - use assets		441,948	344,367
		5,053,808	4,593,691
		17,002,035	12,984,041
(Increase) / decrease in operating assets			
Lendings to financial institutions		(4,820,331)	(2,296,274)
Held - for - trading securities		-	197,562
Advances		(23,331,907)	(26,066,766)
Other assets (excluding advance taxation)		(2,888,596)	(15,341,930)
		(31,040,834)	(43,507,408)
Increase in operating liabilities			
Bills payable		1,031,750	476,708
Borrowings from financial institutions		73,204,131	16,686,300
Deposits		138,006,551	78,790,052
Other liabilities		2,625,856	8,086,093
		214,868,288	104,039,153
		200,829,489	73,515,786
Income tax paid		(5,157,109)	(4,557,759)
Net cash flow generated from operating activities		195,672,380	68,958,027
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(176,015,052)	(8,928,434)
Net investments in held to maturity securities		(19,350,576)	(30,338,643)
Net investments in associates		(489,349)	46,050
Dividends received		86,977	95,651
Investments in operating fixed assets		(2,422,443)	(2,031,248)
Proceeds from sale of fixed assets		127,710	164,825
Exchange differences on translation of net investment in foreign branches		526,851	818,074
Net cash used in investing activities		(197,535,882)	(40,173,725)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of subordinated debt		(1,600)	(1,600)
Dividend paid		(3,832,266)	(2,750,525)
Payment against lease liabilities		(1,011,670)	(597,436)
Net cash used in financing activities		(4,845,536)	(3,349,561)
(Decrease) / increase in cash and cash equivalents		(6,709,038)	25,434,741
Cash and cash equivalents at beginning of the period		122,460,717	82,096,704
Cash and cash equivalents at end of the period		115,751,679	107,531,445

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

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman



NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED 30 JUNE 2020

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
- 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 774 branches (31 December 2019: 718 branches), 37 sub-branches (31 December 2019: 37 sub-branches) and 04 representative offices (31 December 2019: 04 representative offices). The branch network of the Bank includes 03 overseas branches (31 December 2019: 03 overseas branches) and 92 Islamic Banking branches (31 December 2019: 83 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 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

The Company has been assigned as Asset Management rating of "AM2" by Pakistan Credit Rating Agency Limited (PACRA).

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, 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 the Companies Act, 2017.

2.2 The financial results of the Islamic Banking branches have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial information of the Islamic Banking branches is disclosed in note 40 to these consolidated condensed interim financial statements.

2.3 Statement of Compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- Directives issued by SBP and 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 State Bank of Pakistan (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 2019.

SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, 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 Letter 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 POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2019.

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

Certain amendments to the following IFRS became effective during the period and do not have impact on Group's consolidated condensed interim financial statements.

IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material
IFRS 3, 'Business Combinations' - Definition of a Business

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. 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. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has directed the Bank to conduct an impact assessment as at 31 December 2019 and submit to SBP by 31 August 2020 as required under BPRD Circular Letter No. 15 of 2020 dated 26 March 2020.

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 December 31, 2019.

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 December 31, 2019.

5.2 COVID - 19 outbreak and it's impact

During the half year ended June 30, 2020, the global economic environment including Pakistan has been severely affected by the COVID - 19 outbreak. To reduce the impact on businesses and economy in general, SBP has provided relief through reduction in SBP Policy Rate by 625 basis points. Other relief measures include the deferment of the repayment of principal amount of financing facility by one year, on case to case basis; reduction in the capital conservation buffer by 100 basis points to 1.5%; Refinancing schemes for payment of wages and salaries; etc. Further, with a view to conserve the capital of banking institutions, SBP has also advised banks to suspend dividend distributions for the quarter ended 31 March 2020 and half year ended 30 June 2020.



COVID - 19 has impacted banks in Pakistan through increase in overall credit risk, overall slowdown in the economic activity, challenges to continuity of business operations and managing cybersecurity threat. The Bank's management and Board is fully cognisant of the business challenges posed by the COVID - 19 outbreak and lock down imposed by the Government of Pakistan. The Bank continues its operations to serve customers through its branch network across Pakistan and the digital channels by observing the Government instructions and adopting all possible precautionary measures.

The Bank is also monitoring its credit risk exposure through its risk management function and assessment of the credit portfolio to identify customers or portfolios that may require additional risk management considerations. subsequent to the emergence of the COVID - 19 situation and in line with SBP's directives, the Bank has restructured / rescheduled a number of financing facilities after review of the restructured / rescheduled proposals as per the established policies of the Bank. The impact of such restructuring / rescheduling has also been assessed on credit risk and liquidity / maturity profile of the Bank and the Bank considers that the liquidity buffer and capital adequacy is sufficiently maintained at this stage.

6. BUSINESS COMBINATION

During the period, the Bank acquired 21,000,000 shares of Habib Asset Management Limited (HAML). As a result, the Bank has now 100% controlling interest in HAML. Prior to the acquisition, the Bank had 30% shareholding and HAML was classified as an associate in the consolidated financial statements of the Group.

The Group has applied the acquisition method for accounting of business combination. The cost of the acquisition comprised of cash payment made by the Bank against the acquisition of shares. Net assets acquired have been carried at the book value at the acquisition date. The excess of the cost of acquisition over the book value of the identifiable net assets acquired has been recorded as goodwill in the consolidated condensed interim financial statements. The goodwill in the consolidated condensed interim financial statement is provisional as fair value of the assets and liabilities was not determined as at the reporting date.

(Rupees in '000)

Already held equity interest in associate	81,000
Consideration paid	152,250
Total purchase consideration	233,250
Book value of identifiable net assets acquired from HAML	174,564
Goodwill assumed in the business combination	58,686
Gain on remeasurement on previously held equity interest of associate	20,125



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
7. CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	27,063,348	19,497,781
Foreign currencies	3,840,756	2,062,958
	30,904,104	21,560,739
In transit:		
Local currency	1,275,029	481,699
Foreign currencies	3,361	676,471
	1,278,390	1,158,170
With State Bank of Pakistan in:		
Local currency current accounts	49,046,477	59,153,555
Local currency current accounts - Islamic Banking	3,235,345	3,140,622
Foreign currency deposit account		
Cash reserve accounts	3,453,440	3,236,315
Cash reserve / special cash reserve accounts		
- Islamic Banking	278,207	256,350
Special cash reserve account	6,906,880	9,708,945
Local US Dollar collection account	104,342	303,328
	63,024,691	75,799,115
With National Bank of Pakistan in:		
Local currency current accounts	16,075,158	14,944,966
Prize bonds	72,614	375,866
	111,354,957	113,838,856
8. BALANCES WITH OTHER BANKS		
In Pakistan:		
In current account	847,786	309,758
In deposit account	-	7,000,000
In saving account	516,931	510,751
	1,364,717	7,820,509
Outside Pakistan:		
In current account	3,222,348	1,642,734
In deposit account	42,365	63,037
	3,264,713	1,705,771
	4,629,430	9,526,280
Less: impairment against IFRS 9 in overseas branches	(4)	(2)
	4,629,426	9,526,278
9. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)		
- Pakistan Investment Bonds	670,000	-
- Market Treasury Bills	3,923,572	-
	4,593,572	-
Bai Muajjal receivable		
- with the State Bank of Pakistan	2,084,334	1,857,575
	6,677,906	1,857,575



10. INVESTMENTS

	Note	30 June 2020 (Un-audited)				31 December 2019 (Audited)			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying Value
(Rupees in '000)									
10.1 Investments by type:									
Available-for-sale securities									
Federal Government Securities		591,869,692	(274,772)	14,456,632	606,051,552	419,545,132	(187,265)	1,899,966	421,257,833
Shares		4,431,696	(1,812,616)	189,042	2,808,122	4,431,809	(1,571,426)	431,845	3,292,228
Non Government Debt Securities		5,794,052	-	(142,006)	5,652,046	5,586,804	-	(141,759)	5,445,045
Foreign Securities		7,069,847	(54,727)	(1,339,212)	5,675,908	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds		6,025,000	(436,546)	214,515	5,802,969	3,125,000	(373,875)	233,167	2,984,292
		615,190,287	(2,578,661)	13,378,971	625,990,597	439,212,968	(2,173,814)	2,374,823	439,413,977
Held-to-maturity securities									
Federal Government Securities	10.3	164,469,896	(71,533)	-	164,398,363	145,152,375	(41,871)	-	145,110,504
Non Government Debt Securities		35,697	-	-	35,697	46,632	-	-	46,632
Foreign Securities		507,256	(883)	-	506,373	467,747	(471)	-	467,276
Others		4,481	(4,481)	-	-	-	-	-	-
		165,017,330	(76,897)	-	164,940,433	145,666,754	(42,342)	-	145,624,412
Associates		1,986,882	-	-	1,986,882	1,472,165	-	-	1,472,165
Total Investments		782,194,499	(2,655,558)	13,378,971	792,917,912	586,351,887	(2,216,156)	2,374,823	586,510,554



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
10.1.1 Investments given as collateral		
Market Treasury Bills		
Carrying value	217,393,600	153,188,536
Surplus	3,529,100	277,366
	<u>220,922,700</u>	<u>153,465,902</u>
10.2 Provision for diminution in the value of investments		
Opening balance	2,216,156	561,323
Exchange adjustments against IFRS 9 in overseas branches	23,485	2,909
Charge / reversals		
Charge for the period / year	303,862	1,420,053
Charge of impairment as per IFRS 9 in overseas branches for the period / year	107,574	231,871
	411,436	1,651,924
Others	4,481	-
Closing Balance	<u>2,655,558</u>	<u>2,216,156</u>

10.3 The market value of securities classified as held to maturity at 30 June 2020 amounted to Rs. 177,252 million (31 December 2019: Rs. 148,608 million).

10.4 During the period, the Bank has acquired additional shareholding of Habib Asset Management Limited (HAML) and increased its holding to 100%. The Bank has also made capital injection of Rs. 450 million in HAML.



11. ADVANCES

	Performing		Non-Performing		Total	
	(Un-audited) 30 June 2020	(Audited) 31 December 2019	(Un-audited) 30 June 2020	(Audited) 31 December 2019	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)					
Loans, cash credits, running finances, etc.	441,532,372	407,446,886	7,549,025	6,989,020	449,081,397	414,435,906
Islamic financing and related assets	49,994,530	50,662,682	260,500	82,542	50,255,030	50,745,224
Bills discounted and purchased	22,221,833	32,876,085	202,243	186,354	22,424,076	33,062,439
Advances - gross	513,748,735	490,985,653	8,011,768	7,257,916	521,760,503	498,243,569
Provision against advances						
- Specific	-	-	6,837,368	6,201,412	6,837,368	6,201,412
- General as per regulations	263,290	263,290	-	-	263,290	263,290
- General	4,250,000	3,000,000	-	-	4,250,000	3,000,000
- As per IFRS 9 in overseas branches	104,405	126,019	-	-	104,405	126,019
	4,617,695	3,389,309	6,837,368	6,201,412	11,455,063	9,590,721
Advances - net of provision	509,131,040	487,596,344	1,174,400	1,056,504	510,305,440	488,652,848

(Un-audited) (Audited)
30 June 31 December
2020 2019
(Rupees in '000)

11.1 Particulars of advances (Gross)

In local currency	446,579,286	409,278,021
In foreign currencies	75,181,217	88,965,548
	521,760,503	498,243,569

11.2 Advances include Rs. 8,011.768 million (31 December 2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of Classification	30 June 2020 (Un-audited)		31 December 2019 (Audited)	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	138,955	2,873	82,730	456
Substandard	472,162	100,582	377,335	84,250
Doubtful	1,056,409	494,227	1,014,818	503,459
Loss	4,156,142	4,135,074	3,696,404	3,681,349
	5,823,668	4,732,756	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	175,379	91,891	913,445	758,714
> 365 days	2,012,721	2,012,721	1,173,184	1,173,184
	2,188,100	2,104,612	2,086,629	1,931,898
Total	8,011,768	6,837,368	7,257,916	6,201,412



11.3 Particulars of provision against advances

	Note	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments		181,270	10,639	191,909	104,015	16,608	120,623
Charge for the period / year							
- Specific provision		548,590	-	548,590	2,092,790	-	2,092,790
- General provision as per regulations	11.3.1	-	-	-	-	25,191	25,191
- As per IFRS 9 in overseas branches	11.3.2	-	(32,253)	(32,253)	-	(30,774)	(30,774)
- General provision for loans and advance	11.3.3	-	1,250,000	1,250,000	-	-	-
Reversals		(87,022)	-	(87,022)	(345,809)	-	(345,809)
Amounts written off		461,568	1,217,747	1,679,315	1,746,981	(5,583)	1,741,398
Others		(2,401)	-	(2,401)	(1,479)	-	(1,479)
		(4,481)	-	(4,481)	-	-	-
Closing balance		6,837,368	4,617,695	11,455,063	6,201,412	3,389,309	9,590,721

11.3.1 General provision represents provision amounting to Rs. 263.290 million (31 December 2019: Rs. 263.290 million) against consumer finance portfolio as required by the Prudential Regulations issued by SBP.

11.3.2 The provision in respect of IFRS 9 in overseas branches amounts to Rs. 104.405 million (31 December 2019: Rs. 126.019 million).

11.3.3 In line with its prudent policies, the Bank has also made general provision of Rs. 1,250 million (30 June 2019: Nil) during the period, bringing the total of such provision to Rs. 4,250 million (31 December 2019: Rs. 3,000 million) against its loans and advances portfolio. This general provision is in addition to the requirements of the Prudential Regulations.

11.3.4 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) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
12. FIXED ASSETS			
Capital work-in-progress	12.1	1,897,452	1,597,551
Property and equipment	12.2	39,826,566	34,974,094
		<u>41,724,018</u>	<u>36,571,645</u>
12.1 Capital work-in-progress			
Civil works		491,510	652,132
Advance payment for purchase of equipments		57,841	68,212
Advance payment towards suppliers, contractors and property		1,314,777	854,366
Consultants' fee and other charges		33,324	22,841
		<u>1,897,452</u>	<u>1,597,551</u>
12.2	This includes right-of-use assets amounting to Rs. 8,721.936 million (31 December 2019: Rs. 8,198.691 million).		
12.3 Additions to fixed assets			
The following additions have been made to operating fixed assets during the period:			
		(Un-audited) Half year ended	
		30 June 2020	30 June 2019
		(Rupees in '000)	
Capital work-in-progress		1,637,451	218,846
Property and equipment			
Leasehold land		163,050	597,059
Building on leasehold land		770,236	148,750
Furniture and fixture		126,478	116,851
Electrical, office and computer equipment		683,455	328,804
Vehicles		195,676	303,644
Improvements to leasehold building		143,938	177,799
		<u>2,082,833</u>	<u>1,672,907</u>
Total		<u>3,720,284</u>	<u>1,891,753</u>
12.4 Disposal of fixed assets			
The net book value of fixed assets disposed off during the period is as follows:			
Furniture and fixture		1,278	2,068
Electrical, office and computer equipment		1,281	3,205
Vehicles		18,675	12,624
Improvements to leasehold building		—	1,067
Total		<u>21,234</u>	<u>18,964</u>



- 12.5 In accordance with the Bank's accounting policy, the Bank's leasehold land and buildings on leasehold land were revalued at 01 June 2020. The revaluation was carried out by an independent valuer M/s. Iqbal A. Nanjee & Co. on the basis of present physical condition and location of leasehold land and buildings on leasehold land. Fair values were ascertained by the independent valuer through various enquiries conducted by them at site from real estate agents and brokers. The revaluation resulted in net surplus of Rs. 3,618.097 million over the book value of the respective properties. The carrying value of revalued leasehold land and buildings on leasehold land was Rs. 24,378 million as at 30 June 2020. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 30 June 2020 would have been as follows:

	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
Leasehold land	8,730,369	4,788,144
Buildings on leasehold land	7,110,120	4,670,487
13. INTANGIBLE ASSETS		
Computer software	249,701	366,340
TRE certificates	2,500	2,500
Goodwill	58,686	-
	310,887	368,840
	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
13.1 Additions to intangible assets		
Computer software - Directly purchased	39,709	139,494
	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
14. OTHER ASSETS		
Income / mark-up accrued in local currency - net of provision	19,078,520	19,900,665
Income / mark-up accrued in foreign currencies - net of provision	735,703	600,408
Advances, deposits, advance rent and other prepayments	850,267	583,324
Advance taxation (payments less provisions)	244,505	708,375
Non-banking assets acquired in satisfaction of claims	872,190	874,900
Mark to market gain on forward foreign exchange contracts	3,067,922	1,032,137
Acceptances	35,054,952	36,264,680
Stationery and stamps on hand	314,129	240,307
Receivable from SBP on encashment of Government Securities	43,828	41,680
ATM settlement account	3,064,482	239,233
Others	937,160	1,299,552
	64,263,658	61,785,261
Less: Provision held against other assets	14.1 (8,219)	(7,383)
Other Assets (net of provision)	64,255,439	61,777,878
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	33,519	34,482
Other Assets - total	64,288,958	61,812,360



	Note	(Un-audited) 30 June 2020 (Rupees in '000)	(Audited) 31 December 2019
14.1 Provision held against other assets			
Receivable against consumer loans	14.1.1	<u>8,219</u>	<u>7,383</u>
14.1.1 Movement in provision held against other assets			
Opening balance		7,383	7,279
Charge for the period / year		3,266	2,108
Reversals for the period / year		(1,593)	(1,658)
		1,673	450
Amount written off		(837)	(346)
Closing balance		<u>8,219</u>	<u>7,383</u>
15. CONTINGENT ASSETS			
There were no contingent assets of the Group as at 30 June 2020 (31 December 2019: Nil).			
16. BILLS PAYABLE			
In Pakistan		<u>21,200,423</u>	<u>20,168,673</u>
17. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme		49,692,725	42,657,650
Under renewable energy		4,948,203	3,946,903
Under long term financing for imported and locally manufactured plant and machinery		21,244,054	19,796,175
Under modernisation of small and medium enterprises		309,767	310,422
Under women entrepreneurship		19,428	19,159
Under refinance scheme for payment of wages and salaries		2,813,694	-
Under financing facility for storage of agricultural produce		86,446	2,869
		79,114,317	66,733,178
Repurchase agreement borrowings		220,333,950	153,365,059
Borrowing from financial institutions		1,596,481	7,742,380
Total secured		<u>301,044,748</u>	<u>227,840,617</u>
Unsecured			
Overdrawn nostro accounts		232,704	904,417
		<u>301,277,452</u>	<u>228,745,034</u>



18. DEPOSITS AND OTHER ACCOUNTS

	30 June 2020 (Un-audited)			31 December 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	332,730,179	37,546,254	370,276,433	280,838,911	34,758,774	315,597,685
Savings deposits	255,933,383	41,861,010	297,794,393	222,230,042	38,657,119	260,887,161
Term deposits	183,348,305	35,611,854	218,960,159	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	114,198,866	657,099	114,855,965	96,456,401	771,529	97,227,930
Others	17,767,317	8,711,473	26,478,790	11,695,770	8,186,073	19,881,843
	903,978,050	124,387,690	1,028,365,740	773,337,324	116,364,047	889,701,371
Financial institutions						
Current deposits	2,671,235	201,961	2,873,196	1,717,690	1,234,067	2,951,757
Savings deposits	565,131	17	565,148	4,298,015	16	4,298,031
Term deposits	555,000	125,534	680,534	1,750,000	114,123	1,864,123
Current deposits - remunerative	8,875,411	239,502	9,114,913	4,578,433	192,643	4,771,076
Others	-	-	-	6,622	-	6,622
	12,666,777	567,014	13,233,791	12,350,760	1,540,849	13,891,609
	916,644,827	124,954,704	1,041,599,531	785,688,084	117,904,896	903,592,980

	Note	(Un-audited)	(Audited)
		30 June 2020	31 December 2019
		(Rupees in '000)	
19. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	19.1	3,993,600	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	19.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	19.3	3,997,600	3,998,400
		14,991,200	14,992,800



19.1 Term Finance Certificates - V (Unquoted)

Issue amount	Rupees 4,000 million
Issue date	March 2016
Maturity date	March 2026
Rating	AA
Profit payment frequency	semi - annually
Redemption	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each
Mark-up	Payable six monthly at six months' KIBOR plus 0.75% without any floor and cap
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") 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).

19.2 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	Neither 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
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)	(Audited)
	30 June	31 December
	2020	2019
	(Rupees in '000)	

20. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on:

Accelerated tax depreciation	816,075	960,906
Surplus on revaluation of fixed assets / non - banking assets	1,632,432	984,461
Remeasurement of defined benefit plan	165,629	165,629
Surplus on revaluation of available for sale investments	4,680,178	829,057
	7,294,314	2,940,053

Deductible Temporary Differences on:

Provision against diminution in the value of investments	(778,695)	(677,904)
Provision against loans and advances, off-balance sheet, etc.	(1,167,845)	(731,573)
Impairment as per IFRS 9 in overseas branches	(180,895)	(149,087)
Provision for compensated absences	(1,200)	(292)
Recognised tax losses	(36,542)	(2,863)
Intangible assets	(994)	(627)
Others	(3,205)	-
	(2,169,376)	(1,562,346)
	5,124,938	1,377,707



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
Note	(Rupees in '000)	
21. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	2,144,521	4,945,307
Mark-up / return / interest payable in foreign currencies	178,521	253,120
Unearned commission income	250,247	241,742
Accrued expenses	2,652,187	1,283,934
Acceptances	35,054,952	36,264,680
Unclaimed dividends	484,247	426,525
Mark to market loss on forward foreign exchange contracts	1,190,511	1,767,178
Branch adjustment account	3,272,155	2,336,825
Payable to defined benefit plan	686,226	473,227
Charity payable	47,906	43,474
Provision against off - balance sheet items	21.1 115,535	129,369
Security deposits against leases / ijarah	6,368,273	6,532,535
Provision for compensated absences	788,475	722,300
Special exporters' accounts in foreign currencies	41,791	194,604
Other security deposits	617,445	592,271
Workers' welfare fund	2,041,741	1,752,086
Payable to SBP / NBP	1,026,381	210,373
Payable to supplier against murabaha	351,217	186,648
Insurance payable	497,651	455,266
Lease liability against right - of - use assets	9,061,484	8,316,718
Others	5,143,756	1,200,889
	<u>72,015,222</u>	<u>68,329,071</u>
21.1 Provision against off-balance sheet obligations		
Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	2,142	9,738
Charge for the period / year	4,735	30,897
Reversals for the period / year	(20,711)	(27,866)
	(15,976)	3,031
Closing balance	<u>115,535</u>	<u>129,369</u>



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
Note	(Rupees in '000)	
22. SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of:		
- Investments	22.1 13,427,076	2,436,773
- Fixed assets	9,159,532	5,495,269
- Non-banking assets acquired in satisfaction of claims	33,519	34,482
	22,620,127	7,966,524
Deferred tax on surplus on revaluation of:		
- Investments	4,684,322	829,984
- Fixed assets	1,697,579	1,049,269
- Non-banking assets acquired in satisfaction of claims	5,202	5,540
	6,387,103	1,884,793
	16,233,024	6,081,731
22.1 Investments		
- Available for sale securities	13,378,971	2,374,823
- Unrealised surplus on equity accounting	43,976	62,485
- Non-controlling interest	4,129	(535)
	13,427,076	2,436,773
Less: related deferred tax	4,684,322	829,984
	8,742,754	1,606,789
22.2 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at 01 January	5,495,269	5,605,295
Surplus on revaluation of the Bank's fixed assets during the period / year	3,726,240	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of tax	(40,285)	(71,517)
Related deferred tax liability on incremental depreciation charged during the period / year	(21,692)	(38,509)
	9,159,532	5,495,269
Less: related deferred tax liability on		
- revaluation as at 01 January	1,049,269	1,087,778
- revaluation recognised during the period / year	670,002	-
- incremental depreciation charged during the period / year	(21,692)	(38,509)
	1,697,579	1,049,269
	7,461,953	4,446,000
23. NON-CONTROLLING INTEREST		
Opening balance	105,510	106,678
Loss attributable to non-controlling interest	(108)	(3,736)
(Loss) / gain on equity attributable to non-controlling interest	(4,664)	2,568
Closing balance	100,738	105,510



	(Un-audited) 30 June 2020	(Audited) 31 December 2019
Note	(Rupees in '000)	
24. CONTINGENCIES AND COMMITMENTS		
Guarantees	24.1 95,595,058	81,086,627
Commitments	24.2 262,956,990	346,877,061
Other contingent liabilities	24.3 4,643,206	4,673,685
	<u>363,195,254</u>	<u>432,637,373</u>
24.1 Guarantees:		
Financial guarantees	17,936,413	16,237,352
Performance guarantees	77,658,645	64,849,275
	<u>95,595,058</u>	<u>81,086,627</u>
24.2 Commitments:		
Documentary credits and short term trade-related transactions - letters of credit	152,826,914	145,745,358
Commitments in respect of:		
- forward foreign exchange contracts	24.2.1 104,088,178	197,844,773
- forward lendings	24.2.2 5,061,345	2,214,998
Commitments for acquisition of:		
- Operating fixed assets	980,553	1,071,932
	<u>262,956,990</u>	<u>346,877,061</u>
24.2.1 Commitments in respect of forward foreign exchange contracts		
Purchase	65,069,777	106,704,798
Sale	39,018,401	91,139,975
	<u>104,088,178</u>	<u>197,844,773</u>
The maturities of above contracts are spread over the periods upto one year.		
24.2.2 Commitments in respect of forward lending	<u>5,061,345</u>	<u>2,214,998</u>
24.2.2.1 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) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
24.3 Claims against the Bank not acknowledged as debts	<u>4,643,206</u>	<u>4,673,685</u>



24.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 2018 (Tax Year 2019). The income tax assessments of the Bank are complete upto tax year 2017.

For tax year 2012 and 2013, the Additional Commissioner Inland Revenue (ACIR) has passed order u/s. 122(5A) of the Income Tax Ordinance, 2001 disallowing certain expenses. Subsequently, amended order was received from ACIR based on a rectification application filed by the Bank resulting an impact of Rs. 482.233 million. After filing of appeal with Commissioner Inland Revenue (Appeals) by the Bank, orders have been passed by CIR (Appeals) 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.

Deputy Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2014 (Accounting Year 2013) by disallowing certain expenses resulting in an impact of Rs. 150.769 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2015 (Accounting Year 2014) by disallowing certain expenses resulting in an impact of Rs. 301.855 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2016 (Accounting Year 2015) by disallowing certain expenses resulting in an impact of Rs. 207.679 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Additional Commissioner Inland Revenue has finalized order u/s. 122(5A) for Tax Year 2017 (Accounting Year 2016) by disallowing certain expenses resulting in an impact of Rs. 198.516 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

Deputy Commissioner Inland Revenue has passed an order levying Federal Excise Duty on certain items for the period January 2013 to December 2015, resulting in an impact of Rs. 80.766 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals).

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.

Assistant Commissioner Inland Revenue, Mirpur AJ&K has finalized audit of the Bank's Azad Kashmir operations for Tax Years 2014 to 2019 by disallowing certain expenses resulting in an impact of Rs. 185.754 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.



25. 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.

25.1 Product Analysis

Counter Parties	30 June 2020 (Un-audited)					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
			(Rupees in '000)			
Banks						
Hedging	17,159,812	(36,742)	42,209,588	(488,352)	59,369,400	(525,094)
Other Entities						
Hedging	<u>44,718,778</u>	<u>2,402,505</u>	<u>-</u>	<u>-</u>	<u>44,718,778</u>	<u>2,402,505</u>
Total						
Hedging	<u>61,878,590</u>	<u>2,365,763</u>	<u>42,209,588</u>	<u>(488,352)</u>	<u>104,088,178</u>	<u>1,877,411</u>
			31 December 2019 (Audited)			
			(Rupees in '000)			
Banks						
Hedging	6,661,765	26,468	129,746,798	(917,715)	136,408,563	(891,247)
Other Entities						
Hedging	61,436,210	156,206	-	-	61,436,210	156,206
Total						
Hedging	<u>68,097,975</u>	<u>182,674</u>	<u>129,746,798</u>	<u>(917,715)</u>	<u>197,844,773</u>	<u>(735,041)</u>



25.2 Maturity Analysis

	Number of contracts	Notional Principal	30 June 2020 (Un-audited)		
			Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	254	36,071,656	(483,593)	623,248	139,655
1 to 3 months	409	44,702,732	(667,225)	1,295,320	628,095
3 to 6 months	276	18,037,734	(39,399)	830,848	791,449
6 months to 1 year	94	5,276,056	(295)	318,507	318,212
	1,033	104,088,178	(1,190,512)	3,067,923	1,877,411

	Number of contracts	Notional Principal	31 December 2019 (Audited)		
			Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 month	233	72,985,102	(770,198)	272,735	(497,463)
1 to 3 months	445	73,198,078	(840,319)	238,992	(601,327)
3 to 6 months	396	37,979,403	(132,541)	260,852	128,311
6 months to 1 year	258	13,682,190	(24,120)	259,558	235,438
	1,332	197,844,773	(1,767,178)	1,032,137	(735,041)

(Un-audited) Half year ended

30 June 2020	30 June 2019
(Rupees in '000)	

26. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	25,354,680	22,783,127
On investments	39,540,308	20,667,228
On deposits with financial institutions	270,741	268,863
On securities purchased under resale agreements	89,884	1,181,711
On call money lendings	125,110	154,122
	65,380,723	45,055,051



	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
27. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	27,479,523	21,167,253
Borrowings from SBP	750,323	546,772
Subordinated debt	1,047,775	867,625
Cost of foreign currency swaps	380,886	623,429
Repurchase agreement borrowings	8,092,615	1,839,822
Mark-up expense on lease liability against right-of-use assets	441,948	344,367
Other borrowings	109,506	133,972
	<u>38,302,576</u>	<u>25,523,240</u>
28. FEE AND COMMISSION INCOME		
Branch banking customer fees	484,335	542,087
Consumer finance related fees	4,323	24,024
Card related fees (debit and credit cards)	233,150	374,397
Credit related fees	155,007	77,744
Commission on trade	1,862,050	1,683,493
Commission on guarantees	166,622	195,117
Commission on cash management	82,377	97,754
Commission on home remittances	71,694	24,725
Others	2,076	9,807
	<u>3,061,634</u>	<u>3,029,148</u>
29. GAIN / (LOSS) ON SECURITIES - NET		
Realised gain / (loss) on:		
Federal Government Securities	17	100
Shares	-	(65,886)
	<u>17</u>	<u>(65,786)</u>
30. OTHER INCOME		
Gain on sale of fixed assets - net	106,476	145,861
Recovery of expenses from customers	153,337	137,793
Lockers rent	5,511	4,847
Gain on acquisition of HAML	20,125	-
Others	2,920	1,431
	<u>288,369</u>	<u>289,932</u>



	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
31. OPERATING EXPENSES		
Total compensation expenses	7,889,815	5,892,108
Property expenses		
Rent and taxes	188,508	211,590
Insurance	4,460	8,922
Utilities cost	435,737	425,240
Security (including guards)	492,464	418,764
Repair and maintenance (including janitorial charges)	141,583	101,098
Depreciation	1,243,563	1,068,790
Amortisation	-	3,805
	2,506,315	2,238,209
Information technology expenses		
Software maintenance	3,876	3,300
Hardware maintenance	277,230	183,579
Depreciation	76,129	144,509
Amortisation	156,694	70,017
Network charges	206,259	194,326
	720,188	595,731
Other operating expenses		
Directors' fees and allowances	12,777	22,300
Fees and allowances to Shariah Board	6,332	4,881
Insurance	241,059	178,218
Legal and professional charges	64,077	91,785
Outsourced services costs	995,019	761,496
Travelling and conveyance	95,321	112,291
NIFT and other clearing charges	72,711	57,174
Depreciation	811,944	672,624
Repair and maintenance	670,247	564,633
Training and development	14,662	26,230
Postage and courier charges	117,120	89,573
Communication	180,004	134,870
Stationery and printing	322,327	354,503
Marketing, advertisement and publicity	250,018	128,991
Donations	72,600	36,500
Auditors remuneration	3,286	2,529
Commission and brokerage	432,523	252,736
Entertainment and staff refreshment	136,558	140,424
Vehicle running expenses	527,770	397,276
Subscriptions and publications	100,262	71,434
CNIC verification charges	33,505	48,083
Security charges	152,967	123,173
Others	414,894	107,187
	5,727,983	4,378,911
	16,844,301	13,104,959



		(Un-audited) Half year ended	
		30 June 2020	30 June 2019
		(Rupees in '000)	
32. OTHER CHARGES			
	Penalties imposed by the State Bank of Pakistan	502	34,481
33. PROVISIONS AND WRITE OFFS - NET			
	Provision for diminution in value of investments	411,436	1,104,165
	Provision against loans and advances - net	1,679,315	1,041,871
	(Reversal) / provision against off - balance sheet items	(15,976)	7,895
	Provision against other assets	1,673	279
	Loss on revaluation of fixed assets	122,190	-
		<u>2,198,638</u>	<u>2,154,210</u>
34. TAXATION			
	Current	5,616,387	4,222,687
	Prior years	4,592	571,907
	Deferred	(772,202)	(707,514)
		<u>4,848,777</u>	<u>4,087,080</u>
35. 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>7,243,753</u>	<u>4,445,874</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>6.52</u>	<u>4.00</u>
36. 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 December 31, 2019.		



36.1 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:

	30 June 2020 (Un-audited)			Total
	Level 1	Level 2 (Rupees in '000)	Level 3	
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	606,051,552	-	606,051,552
Shares	2,709,588	-	-	2,709,588
Non-Government Debt Securities	3,266,562	2,385,484	-	5,652,046
Foreign Securities	-	5,675,908	-	5,675,908
Mutual funds	-	5,802,969	-	5,802,969
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	176,706,128	-	176,706,128
Foreign Securities	-	505,412	-	505,412
Associates				
Listed shares	518,180	-	-	518,180
Mutual funds	-	1,468,702	-	1,468,702
Off balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	-	65,069,777	-	65,069,777
Forward sale of foreign exchange contracts	-	(39,018,401)	-	(39,018,401)



31 December 2019 (Audited)

Level 1	Level 2	Level 3	Total
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(Rupees in '000)

On balance sheet financial instruments

Financial assets - measured at fair value

	Level 1	Level 2	Level 3	Total
Investments				
Federal Government Securities	-	421,258,014	-	421,258,014
Shares	3,193,692	-	-	3,193,692
Non-Government Debt Securities	3,310,377	1,849,049	-	5,159,426
Foreign Securities	-	6,434,579	-	6,434,579
Mutual funds	-	2,984,292	-	2,984,292

Financial assets - disclosed but not measured at fair value

	Level 1	Level 2	Level 3	Total
Investments				
Federal Government Securities	-	138,050,135	-	138,050,135
Foreign Securities	-	407,752	-	407,752
Associates				
Listed shares	538,332	-	-	538,332
Mutual funds	-	869,301	-	869,301

Off balance sheet financial instruments - measured at fair value

Forward purchase of foreign exchange contracts	-	106,704,798	-	106,704,798
Forward sale of foreign exchange contracts	-	(91,139,975)	-	(91,139,975)

36.2 Fixed assets have been carried at revalued amounts determined by professional valuer (level 2 measurement) based on their assessment of the market value.

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



37. SEGMENT INFORMATION

Segment Details with respect to Business Activities

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

	Half year ended 30 June 2020 (Un-audited)				
	Commercial banking	Retail banking	Retail brokerage	Asset Management	Total
	(Rupees in '000)				
Profit and loss					
Mark-up / return / profit	61,129,494	4,241,452	9,221	556	65,380,723
Inter segment revenue - net	24,827	15,476,049	-	-	15,500,876
Non mark-up / return / interest income	1,136,261	3,168,131	33,970	9,010	4,347,372
Total income	62,290,582	22,885,632	43,191	9,566	85,228,971
Segment direct expenses	(37,092,548)	(18,295,343)	(39,718)	(9,426)	(55,437,035)
Inter segment expense allocation	(15,476,050)	-	(5,211)	(19,615)	(15,500,876)
Total expenses	(52,568,598)	(18,295,343)	(44,929)	(29,041)	(70,937,911)
Provisions	(2,157,774)	(40,864)	-	-	(2,198,638)
Profit before tax	7,564,210	4,549,425	(1,738)	(19,475)	12,092,422
	As at 30 June 2020 (Un-audited)				
Statement of financial position					
Cash and bank balances	98,489,057	17,313,427	178,768	3,131	115,984,383
Investments	792,067,110	-	243,261	607,541	792,917,912
Net inter segment lending	949,262	591,733,527	-	-	592,682,789
Lendings to financial institutions	6,677,906	-	-	-	6,677,906
Advances - performing	433,117,211	76,013,822	7	-	509,131,040
- non-performing	977,119	197,281	-	-	1,174,400
Others	90,249,054	15,834,864	224,702	15,243	106,323,863
Total assets	1,422,526,719	701,092,921	646,738	625,915	2,124,892,293
Borrowings	301,273,554	-	3,898	-	301,277,452
Subordinated debt	14,991,200	-	-	-	14,991,200
Deposits and other accounts	402,860,132	638,739,399	-	-	1,041,599,531
Net inter segment borrowing	591,733,527	-	199,262	750,000	592,682,789
Others	40,899,050	57,129,047	342,496	(30,010)	98,340,583
Total liabilities	1,351,757,463	695,868,446	545,656	719,990	2,048,891,555
Equity	70,769,256	5,224,475	101,082	(94,075)	76,000,738
Total equity and liabilities	1,422,526,719	701,092,921	646,738	625,915	2,124,892,293
Contingencies and commitments	248,243,796	178,176	-	-	248,421,972



	Half year ended 30 June 2019 (Un-audited)				
	Commercial banking	Retail banking	Retail brokerage (Rupees in '000)	Asset Management	Total
Profit and loss					
Mark-up / return / profit	41,006,314	4,040,773	7,964	–	45,055,051
Inter segment revenue - net	5,534	14,362,010	–	–	14,367,544
Non mark-up / return / interest income	1,790,694	2,699,224	18,722	–	4,508,640
Total income	42,802,542	21,102,007	26,686	–	63,931,235
Segment direct expenses	(21,593,285)	(17,252,582)	(33,926)	–	(38,879,793)
Inter segment expense allocation	(14,362,010)	–	(5,534)	–	(14,367,544)
Total expenses	(35,955,295)	(17,252,582)	(39,460)	–	(53,247,337)
Provisions	(2,154,210)	–	–	–	(2,154,210)
Profit before tax	4,693,037	3,849,425	(12,774)	–	8,529,688
	As at 30 June 2019 (Un-audited)				
Statement of financial position					
Cash and bank balances	92,932,501	16,128,888	50,052	–	109,111,441
Investments	452,100,370	–	234,905	–	452,335,275
Net inter segment lending	200,102	519,987,929	–	–	520,188,031
Lendings to financial institutions	2,296,274	–	–	–	2,296,274
Advances - performing	427,871,305	74,360,415	41	–	502,231,761
- non-performing	976,829	30,958	–	–	1,007,787
Others	81,486,987	14,135,162	132,968	–	95,755,117
Total assets	1,057,864,368	624,643,352	417,966	–	1,682,925,686
Borrowings	136,951,384	–	6,849	–	136,958,233
Subordinated debt	14,994,400	–	–	–	14,994,400
Deposits and other accounts	315,919,261	559,722,658	–	–	875,641,919
Net inter segment borrowing	519,987,929	–	200,102	–	520,188,031
Others	29,924,340	52,983,620	108,927	–	83,016,887
Total liabilities	1,017,777,314	612,706,278	315,878	–	1,630,799,470
Equity	40,087,054	11,937,074	102,088	–	52,126,216
Total equity and liabilities	1,057,864,368	624,643,352	417,966	–	1,682,925,686
Contingencies and commitments	187,948,623	70,830	–	–	188,019,453

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:



	30 June 2020 (Un-audited)				31 December 2019 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	1,472,165	-	-	-	957,449	-
Investment made during the period / year	-	-	-	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the period / year	-	-	514,717	-	-	-	(10,284)	-
Closing balance	-	-	1,986,882	-	-	-	1,472,165	-
Advances								
Opening balance	1,487	76,626	3,015,256	-	1,313	53,257	1,359,059	-
Addition during the period / year	9,221	147,071	20,831,180	-	55,443	363,717	33,451,951	-
Repaid during the period / year	(10,648)	(126,599)	(21,550,612)	-	(55,269)	(340,348)	(31,795,754)	-
Closing balance	60	97,098	2,295,824	-	1,487	76,626	3,015,256	-
Operating fixed assets								
Right of use	-	-	5,504	-	-	-	7,076	-
Other assets								
Interest / mark-up accrued	-	31	1,278	-	-	55	10,067	-
L/C acceptances	-	-	762,093	-	-	-	350,867	-
Unrealised gain on foreign exchange contracts	-	-	53,243	-	-	-	-	-
Other receivable	-	-	7,350	-	-	-	1,575	-
Subordinated debt								
Opening balance	-	-	44,000	-	-	-	-	-
Issued / purchased during the period / year	-	-	-	-	-	-	44,000	-
Redemption / sold during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	44,000	-	-	-	44,000	-
Deposits and other accounts								
Opening balance	955,078	624,163	3,536,956	513,730	587,452	816,406	4,876,833	536,801
Received during the period / year	4,370,831	1,720,308	67,588,858	2,172,052	11,221,419	2,996,758	150,071,628	29,846,047
Withdrawn during the period / year	(4,249,537)	(1,687,714)	(64,316,163)	(2,181,477)	(10,853,793)	(3,189,001)	(151,411,505)	(29,869,118)
Closing balance	1,076,372	656,757	6,809,651	504,305	955,078	624,163	3,536,956	513,730
Other liabilities								
Interest / mark-up payable	54	435	22,984	10,058	3,799	4,118	15,309	2,216
Payable to staff retirement fund	-	-	-	686,226	-	-	-	473,226
L/C acceptances	-	-	762,093	-	-	-	350,867	-
Unrealised loss on foreign exchange contracts	-	-	-	-	-	-	16,187	-
Other liabilities	-	19	5	-	-	19	19,093	-
Contingencies and commitments								
	-	-	2,867,910	-	-	-	3,385,253	-
Other Transactions - Investor Portfolio Securities								
Opening balance	-	-	749,840	4,237,000	-	-	201,000	8,132,000
Increased during the period / year	-	-	150,000	473,000	30,000	-	1,534,940	8,487,000
Decreased during the period / year	-	-	(50,000)	-	(30,000)	-	(986,100)	(12,382,000)
Closing balance	-	-	849,840	4,710,000	-	-	749,840	4,237,000



38.1 RELATED PARTY TRANSACTIONS

	30 June 2020 (Un-audited)				30 June 2019 (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	2,703	129,484	–	–	2,516	115,737	–
Fee and commission income	9	28	13,308	–	13	59	9,211	–
Dividend income	–	–	52,002	–	–	–	46,050	–
Other income	–	–	147	55	1	–	149	82
Expense								
Mark-up / return / interest expensed	44,215	29,964	184,760	25,233	32,758	18,638	120,812	42,648
Operating expenses	–	–	3,739	–	–	–	3,041	–
Salaries and allowances	–	278,994	–	–	–	254,638	–	–
Bonus	–	61,378	–	–	–	25,981	–	–
Contribution to defined contribution plan	–	12,910	–	–	–	12,769	–	–
Contribution to defined benefit plan	–	42,316	–	–	–	43,849	–	–
Staff provident fund	–	–	–	298,177	–	–	–	263,309
Staff gratuity fund	–	–	–	213,000	–	–	–	204,000
Directors' fees	12,227	–	–	–	21,850	–	–	–
Donation	–	–	3,000	–	–	–	3,000	–
Insurance premium paid	–	–	119,861	–	–	–	121,211	–
Insurance claims settled	–	–	7,695	–	–	–	20,495	–



39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital	<u>11,114,254</u>	<u>11,114,254</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>56,718,493</u>	53,214,684
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,639,570</u>	6,690,557
Total Eligible Tier 1 Capital	<u>63,358,063</u>	59,905,241
Eligible Tier 2 Capital	<u>20,116,777</u>	16,643,063
Total Eligible Capital (Tier 1 + Tier 2)	<u>83,474,840</u>	<u>76,548,304</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>477,108,864</u>	443,518,148
Market Risk	<u>10,369,074</u>	12,343,837
Operational Risk	<u>75,070,648</u>	74,991,311
Total	<u>562,548,586</u>	<u>530,853,296</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>10.082%</u>	10.024%
Tier 1 Capital Adequacy Ratio	<u>11.263%</u>	11.285%
Total Capital Adequacy Ratio	<u>14.839%</u>	14.420%
Leverage Ratio (LR):		
Eligible Tier 1 Capital	<u>63,358,063</u>	59,905,241
Total Exposures	<u>1,744,932,593</u>	1,498,187,417
Leverage Ratio	<u>3.631%</u>	3.999%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>465,627,851</u>	363,806,793
Total Net Cash Outflow	<u>170,854,232</u>	132,953,270
Liquidity Coverage Ratio	<u>272.529%</u>	273.635%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>920,768,432</u>	808,044,723
Total Required Stable Funding	<u>693,587,122</u>	606,312,286
Net Stable Funding Ratio	<u>132.755%</u>	133.272%



40. ISLAMIC BANKING BUSINESS

The Bank is operating 92 (31 December 2019: 83) Islamic banking branches and 142 (31 December 2019: 142) Islamic banking windows at the end of the period / year.

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
Note	2020	2019
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	6,394,843	4,553,339
Balances with other banks	52,882	7,297,026
Due from financial institutions	40.1 2,084,334	1,857,575
Investments	40.2 49,761,956	21,669,565
Islamic financing and related assets - net	40.3 50,134,406	50,689,875
Fixed assets	418,305	402,062
Intangible assets	-	-
Due from Head Office	-	-
Other assets	1,161,918	7,595,621
Total Assets	110,008,644	94,065,063
LIABILITIES		
Bills payable	105,801	45,838
Due to financial institutions	12,077,043	9,718,686
Deposits and other accounts	40.4 78,150,511	67,981,321
Due to Head Office	8,011,800	3,282,835
Subordinated debt	-	-
Other liabilities	3,103,955	3,773,952
	(101,449,110)	(84,802,632)
NET ASSETS	8,559,534	9,262,431
REPRESENTED BY		
Islamic Banking Fund	7,600,000	6,800,000
Reserves	-	-
Deficit on revaluation of assets	(195,967)	(88,942)
Unremitted profit	40.5 1,155,501	2,551,373
	8,559,534	9,262,431
CONTINGENCIES AND COMMITMENTS	40.6	



The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2020 is as follows:

	Note	(Un-audited) Half year ended	
		30 June 2020	30 June 2019
(Rupees in '000)			
Profit / return earned	40.7	4,248,463	3,626,122
Profit / return expensed	40.8	(2,176,560)	(1,834,151)
Net Profit / return		2,071,903	1,791,971
Other income			
Fee and commission income		124,630	111,622
Dividend income		69,663	3,011
Foreign exchange income		40,396	34,406
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		-	-
Other income		44,603	49,564
Total other income		279,292	198,603
Total income		2,351,195	1,990,574
Other expenses			
Operating expenses		(1,118,901)	(826,774)
Other charges		(44)	-
Total other expenses		(1,118,945)	(826,774)
Profit before provisions		1,232,250	1,163,800
Provisions and write offs - net		(76,749)	(22,009)
Profit for the period		1,155,501	1,141,791
		(Un-audited) 30 June 2020	(Audited) 31 December 2019
(Rupees in '000)			

40.1 Due from Financial Institutions

In local currency			
Bai Muajjal Receivable from the State Bank of Pakistan		2,084,334	1,857,575



	30 June 2020 (Un-audited)				31 December 2019 (Audited)			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
	(Rupees in '000)							
40.2 Investments by segments:								
Federal Government Securities								
- Ijarah Sukuks	7,000,000	-	(145,400)	6,854,600	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	4,125,000	-	-	4,125,000	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	10,727,844	-	-	10,727,844	10,133,361	-	-	10,133,361
- Pakistan Energy Sukuk II	20,000,000	-	-	20,000,000	-	-	-	-
	<u>41,852,844</u>	<u>-</u>	<u>(145,400)</u>	<u>41,707,444</u>	<u>16,602,111</u>	<u>-</u>	<u>(20,000)</u>	<u>16,582,111</u>
Shares								
- Listed Companies	97,442	(63,384)	4,819	38,877	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,413,372	-	(95,457)	1,317,915	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,185,535	-	-	2,185,535	1,984,707	-	-	1,984,707
	<u>3,598,907</u>	<u>-</u>	<u>(95,457)</u>	<u>3,503,450</u>	<u>3,438,922</u>	<u>-</u>	<u>(94,777)</u>	<u>3,344,145</u>
Units of mutual funds	4,000,000	(52,886)	40,071	3,987,185	1,200,000	(47,401)	16,436	1,169,035
Associates								
- First Habib Islamic Income Fund	525,000	-	-	525,000	525,000	-	-	525,000
Total Investments	<u>50,074,193</u>	<u>(116,270)</u>	<u>(195,967)</u>	<u>49,761,956</u>	<u>21,863,475</u>	<u>(104,968)</u>	<u>(88,942)</u>	<u>21,669,565</u>

	(Un-audited) 30 June 2020	(Audited) 31 December 2019
	(Rupees in '000)	
40.3 Islamic financing and related assets		
Ijarah	2,012,502	2,365,239
Murabaha	6,720,727	8,255,703
Diminishing Musharaka	12,035,225	13,499,915
Islamic Long Term Financing Facility (ILTF)	1,681,037	1,449,640
Istisna	2,928,230	3,929,818
Islamic Export Refinance - Istisna	1,048,000	1,685,500
Musawamah	1,605,981	3,979,048
Islamic Export Refinance - Musawamah	500,000	200,000
Running Musharaka	130,406	2,845,780
Islamic Refinance for Renewable Energy (IFRE)	3,875	-
Islamic Export Refinance - Running Musharaka	4,170,000	2,318,300
Staff Financing	504,764	431,960
Advance against Musawamah	1,827,977	920,594
Advance against Istisna	7,548,783	4,168,944
Advance against Istisna - IERF	4,658,800	3,694,450
Advance against Ijarah	97,120	52,940
Advance against Diminishing Musharaka	564,961	815,069
Advance against IFRE	3,903	-
Advance against IRE Wages and Salaries	963,668	-
Advance against ILTF	900,021	121,424
Financing against Bills - Musawamah	349,050	10,900
Gross Islamic financing and related assets	50,255,030	50,745,224
Less: provision against Islamic financings		
- Specific	98,168	32,893
- General	22,456	22,456
	(120,624)	(55,349)
Islamic financing and related assets - net of provision	50,134,406	50,689,875



40.9 PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

40.9.1 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.

40.9.2 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.



40.9.3 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 2019: 50%) of net income and the depositors' profit sharing ratio was 50% (31 December 2019: 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.

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

	30 June 2020 (Un-audited)				
	Distributable Income (Rupees in '000)	Mudarib Share	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	2,974,417	1,294,726	43.53%	314,145	24.26%
FCY Pool	35,542	32,258	90.76%	3,469	10.75%
	30 June 2019 (Un-audited)				
LCY Pool	2,405,685	878,875	36.53%	222,192	25.28%
FCY Pool	10,035	9,540	95.07%	440	4.61%



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

	(Un-audited) Half year ended	
	30 June 2020	30 June 2019
	(Percentage)	
Profit rate earned	9.99%	9.95%
Profit rate distributed	5.82%	6.16%

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. However, there were no material reclassification to report.

42. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue in the Board of Directors' meeting held on 17 August 2020.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

SYED HASAN ALI BUKHARI
Director

ABBAS D. HABIB
Chairman