
هَذَا مِنْ فَضْلِ رَبِّنَا



VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT



CORPORATE INFORMATION



IFRS 9 Committee Syed Hasan Ali Bukhari
Arshad Nasar
Qumail R. Habib *Chairman*
Member
Member

Company Secretary Mohammad Taqi Lakhani

Chief Financial Officer Ashar Husain

Statutory Auditors EY Ford Rhodes
Chartered Accountants

Legal Advisor LMA Ebrahim Hosain
Barristers, Advocates & Corporate Legal Consultants

Registered Office 126-C, Old Bahawalpur Road,
Multan

Principal Office 2nd Floor, Mackinnons Building,
I.I. Chundrigar Road,
Karachi

Share Registrar CDC Share Registrar Services Limited
CDC House 99-B, Block-B, S.M.C.H.S.
Main Shahrah-e-Faisal, Karachi-74400.

Website www.bankalhabib.com

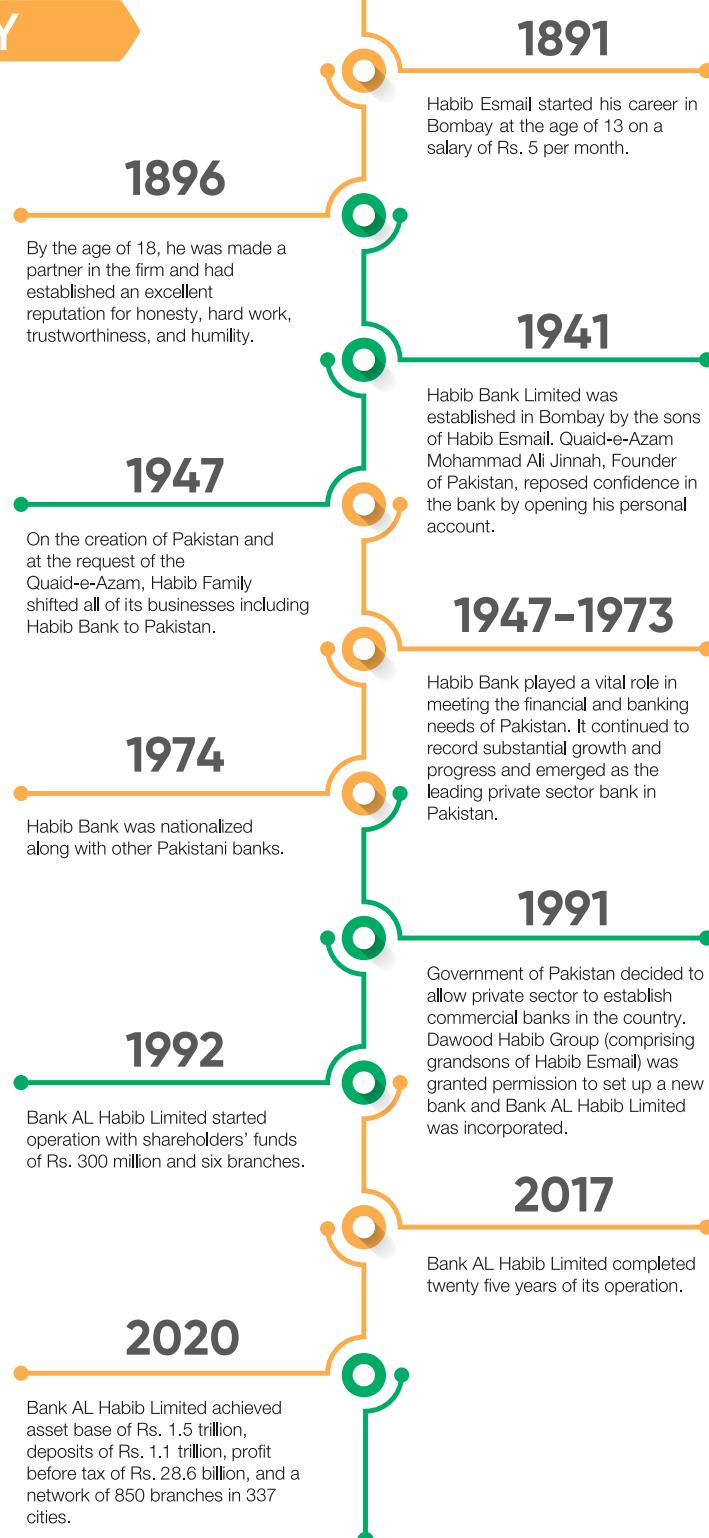


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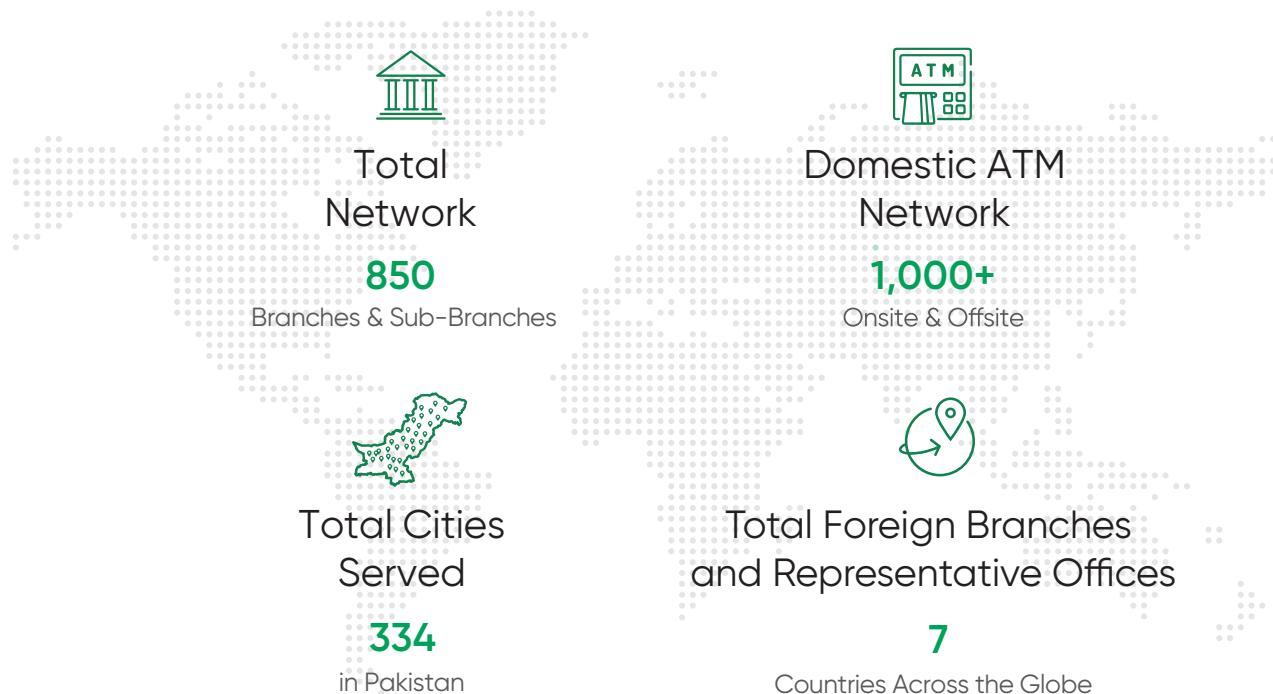


HISTORY

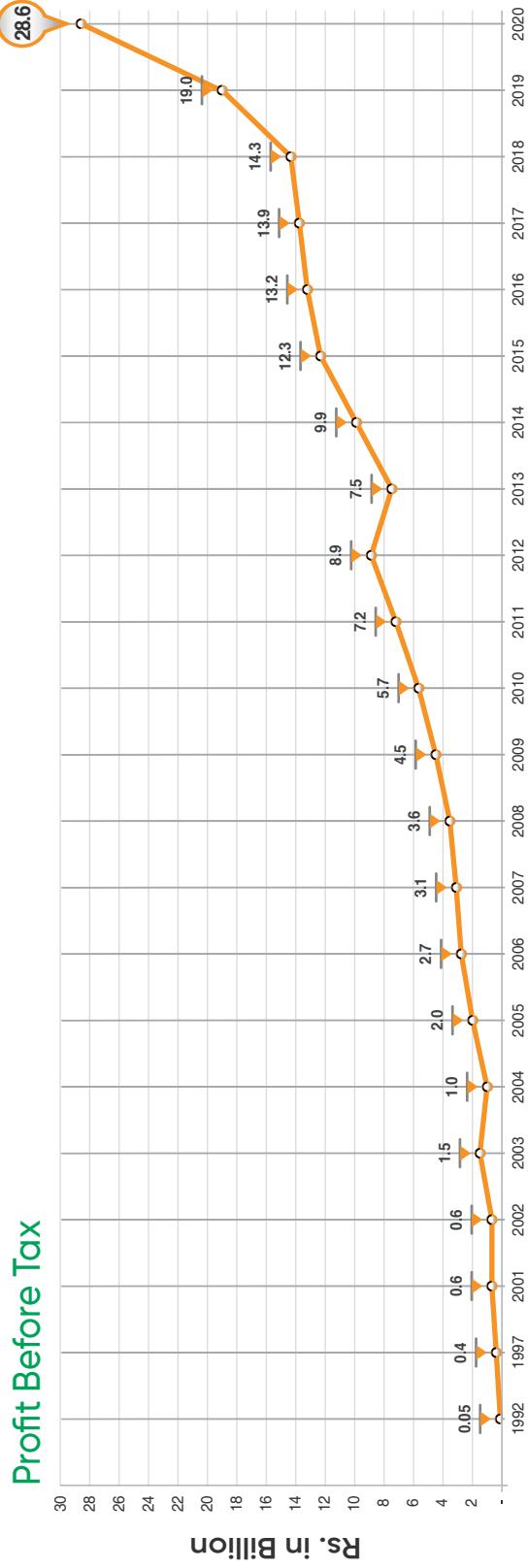
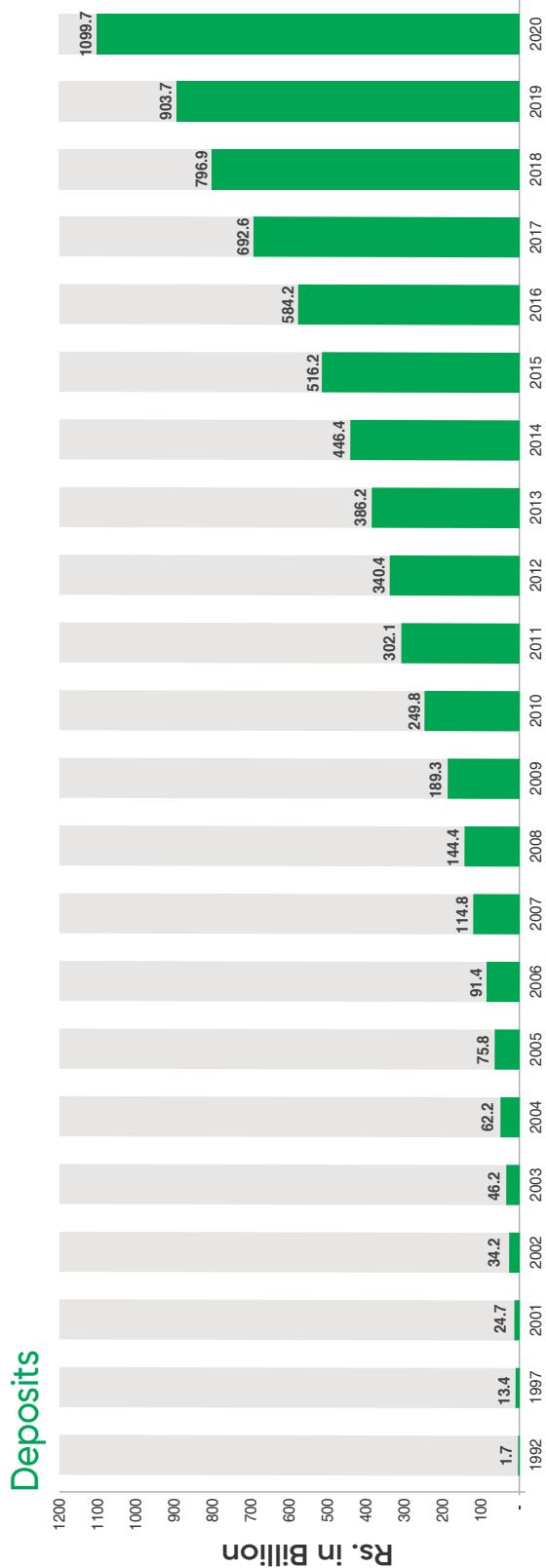




HIGHLIGHTS YEAR 2020

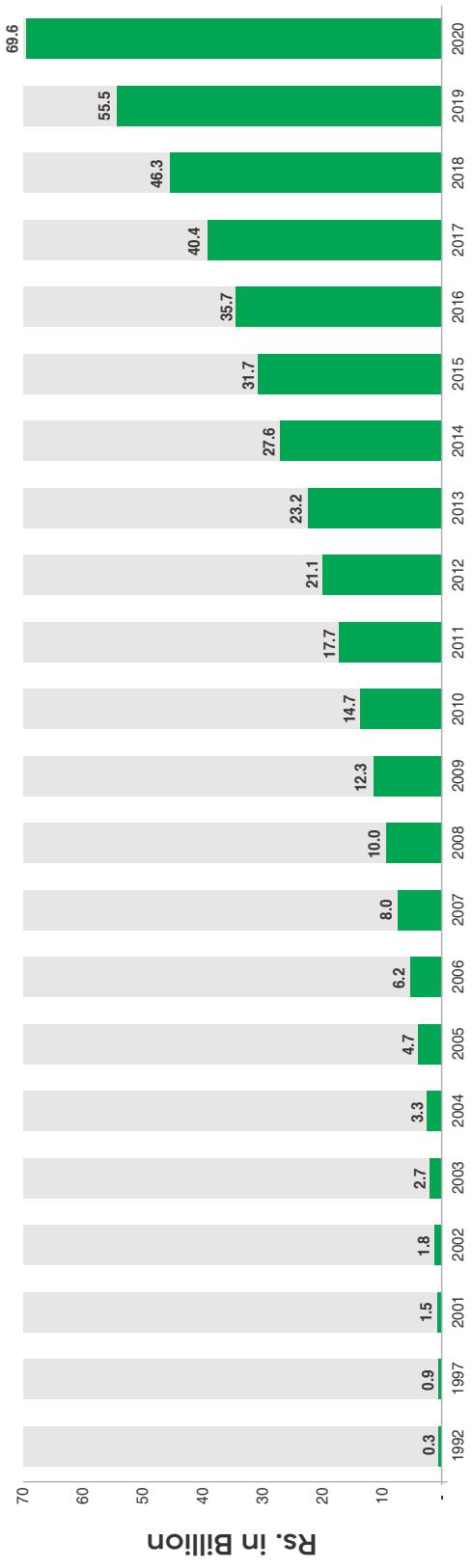


PERFORMANCE 1992-2020

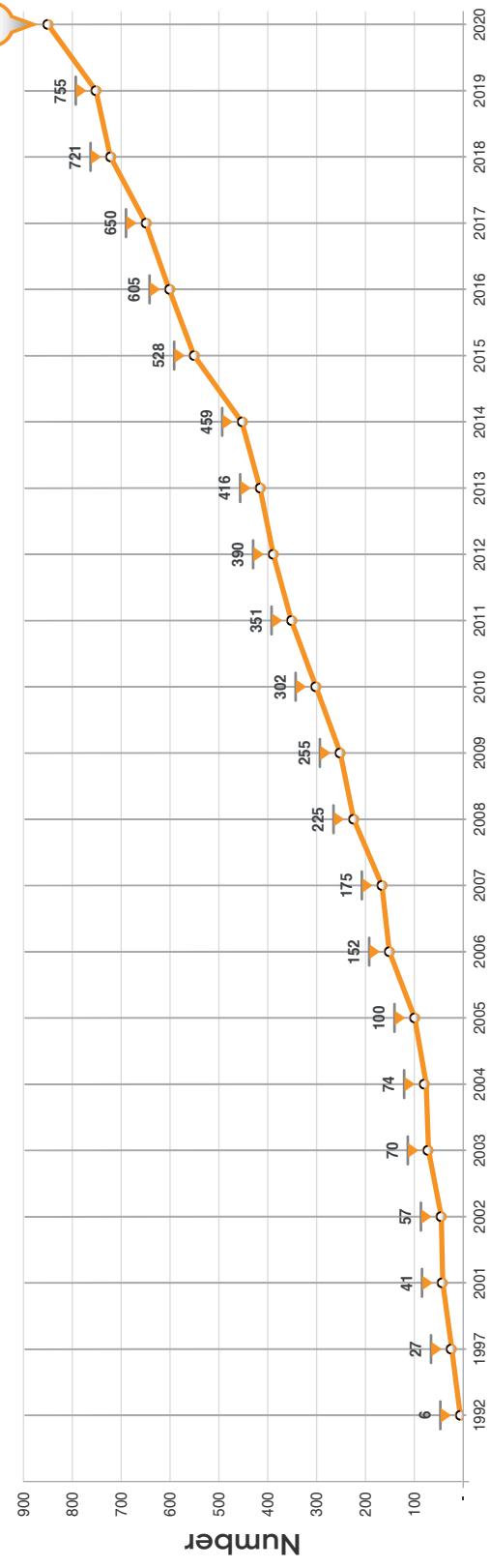


PERFORMANCE 1992-2020

Shareholders' Equity excluding surplus on revaluation of assets



Branches / Sub - Branches



Performance 1992-2020

Years	Assets	Deposits	Advances	Investments	Shareholders' Equity excluding surplus on revaluation of assets	Profit Before Tax	Profit After Tax	Cash Dividend	Stock Dividend	(Rupees in Million)
1992	2,727	1,679	607	1,060	325	51	25	-	-	-
1993	5,590	3,372	1,647	1,907	421	151	96	-	-	-
1994	8,346	5,200	3,067	1,932	528	224	107	-	-	-
1995	11,395	6,353	4,254	2,055	611	255	127	15.0%	-	-
1996	11,248	8,573	5,664	2,489	718	341	153	15.0%	10.0%	-
1997	16,515	13,445	7,372	7,440	851	442	199	20.0%	15.0%	-
1998	16,897	13,226	7,564	6,999	1,016	445	203	10.0%	32.0%	-
1999	19,870	14,113	10,925	4,601	1,169	373	153	-	20.0%	-
2000	24,226	17,823	14,722	1,289	1,322	403	153	-	20.0%	-
2001	29,025	24,697	15,902	5,664	1,532	551	246	5.0%	20.0%	-
2002	49,437	34,240	23,775	18,831	1,822	620	290	-	25.0%	-
2003	58,066	46,178	35,232	14,109	2,726	1,513	1,012	10.0%	25.0%	-
2004	77,436	62,171	47,367	14,414	3,274	1,039	541	-	35.0%	-
2005	91,502	75,796	55,304	19,758	4,746	2,022	1,464	15.0%	40.0%	-
2006	114,998	91,420	70,796	21,023	6,186	2,689	1,761	15.0%	40.0%	-
2007	141,234	114,819	79,224	35,287	8,014	3,052	2,211	15.0%	30.0%	-
2008	177,324	144,390	100,197	48,234	9,967	3,579	2,425	12.5%	27.5%	-
2009	249,807	189,280	105,985	111,018	12,287	4,512	2,856	20.0%	20.0%	-
2010	301,552	249,774	125,773	137,168	14,706	5,656	3,602	20.0%	20.0%	-
2011	384,282	302,099	114,872	222,959	17,723	7,155	4,533	25.0%	15.0%	-
2012	453,106	340,393	147,869	249,754	21,058	8,878	5,455	30.0%	-	-
2013	460,727	386,161	167,579	239,753	23,227	7,513	5,155	20.0%	10.0%	-
2014	579,394	446,409	181,737	331,423	27,555	9,917	6,349	30.0%	-	-
2015	639,973	516,213	207,289	356,649	31,698	12,332	7,405	35.0%	-	-
2016	768,018	584,172	261,440	405,028	35,673	13,164	8,119	35.0%	-	-
2017	944,134	692,576	339,833	476,125	40,409	13,890	8,501	30.0%	-	-
2018	1,048,239	796,901	478,215	414,605	46,283	14,264	8,418	25.0%	-	-
2019	1,298,682	903,703	488,669	586,141	55,489	19,011	11,169	35.0%	-	-
2020	1,522,091	1,099,686	510,252	764,944	69,570	28,581	17,812	45.0%	-	-





REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD

Alhamdolillah, I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objectives.

Powers for management and control of affairs of the Bank rest with the Board of Directors, except for powers expressly required to be exercised by shareholders in general meeting. The Directors delegate day-to-day operations of the Bank to the Management, but such delegation remains subject to the control and direction of the Board, to the best of their knowledge. The Directors are required to carry out their fiduciary duties and exercise their independent judgement to the best of their abilities in the interests of the Bank.

The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation.

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Bank, with focus on the following areas:

- (a) Board Composition and Functioning
- (b) Corporate Strategy and Business Plan
- (c) Monitoring of Bank Performance
- (d) Internal Audit and Internal Control
- (e) Risk Management and Compliance
- (f) Disclosure of Material Information
- (g) Ideas for Improvement

Accordingly, performance evaluation of the Board was conducted in 2020 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Bank's objectives, was found to be generally satisfactory.

Abbas D. Habib
Chairman
Board of Directors

Karachi: January 27, 2021



DIRECTORS' REPORT

Alhamdolillah, the Directors of Bank AL Habib Limited are pleased to present the Thirtieth Annual Report together with the audited financial statements of the Bank for the year ended December 31, 2020.

The operating results and appropriations, as recommended by the Board, are given below:

	(Rupees in '000)
Profit for the year before tax	28,581,064
Taxation	<u>(10,769,528)</u>
Profit for the year after tax	17,811,536
Unappropriated profit brought forward	27,907,758
Transfer from surplus on revaluation of fixed assets – net of tax	104,484
Other comprehensive income – net of tax	<u>(128,275)</u>
	27,883,967
Profit available for appropriations	45,695,503
Appropriations:	
Transfer to Statutory Reserve	(1,781,154)
Cash dividend – 2019	<u>(3,889,988)</u>
	(5,671,142)
Unappropriated profit carried forward	40,024,361
Basic / Diluted earnings per share – after tax	<u>Rs. 16.03</u>

For the year ended December 31, 2020, the Directors propose a cash dividend of 45%, i.e., Rs. 4.50 per share.

Performance Review

Alhamdolillah, the performance of your Bank continued to be satisfactory during the year. Deposits rose to Rs. 1,099.7 billion against Rs. 903.7 billion a year earlier, while advances increased to Rs. 510.3 billion from Rs. 488.7 billion. Foreign Trade Business handled by the Bank during the year was Rs. 1,704.6 billion. Profit before tax for the year was Rs. 28.6 billion as compared to Rs. 19.0 billion last year, while profit after tax was Rs. 17.8 billion against Rs. 11.2 billion last year.

During the year, the Bank opened 95 new branches and converted 5 sub-branches into full-fledged branches, bringing our network to 854, which comprises 818 branches (including 106 Islamic Banking Branches and 3 Overseas Branches, one each in Bahrain, Malaysia, and Seychelles), 32 sub-branches, and 4 Representative Offices, one each in Dubai, Istanbul, Beijing, and Nairobi. The Bank will continue to expand its network in Pakistan and abroad.

Investment in AL Habib Asset Management Limited (AHAML) (Formerly Habib Asset Management Limited)

We are pleased to inform you that during the year your Bank has acquired remaining 70% shares of AL Habib Asset Management Limited (AHAML) in addition to 30% shares by us earlier. As a result of this acquisition, AHAML has become a wholly owned subsidiary of the Bank. Further, the Bank has injected additional equity of Rs. 450 million in AHAML.



AWARDS AND RECOGNITION

Top 25 Companies Award for the Year 2019

By the Grace of Allah, we are pleased to advise that your Bank has been selected for “Top 25 Companies Award” for the year 2019 by the Pakistan Stock Exchange (PSX). Criteria for the award include capital efficiency, profitability, free-float of shares, transparency, corporate governance & investors relation, and compliance with listing of companies and securities regulations. Alhamdolillah, this is the eighth time that the Bank has been selected for this award.

COMPOSITION OF BOARD OF DIRECTORS

Total number of Directors are as follows:

- Male 09
- Female 01

10

The composition of the Board is as follows:

Independent Directors	Syed Hasan Ali Bukhari Mr. Arshad Nasar Mr. Safar Ali Lakhani
Non-Executive Directors	Mr. Abbas D. Habib Mr. Anwar Haji Karim Syed Mazhar Abbas Mr. Murtaza H. Habib Mr. Adnan Afridi
Executive Director	Mr. Qumail R. Habib
Female Director-Non Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being CEO of the Bank, he is deemed to be a Director.

Board Meetings

During the year, four meetings of the Board were held and the attendance of each Director was as follows:

Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib	4	4
Mr. Anwar Haji Karim	4	4
Ms. Farhana Mowjee Khan	4	4
Syed Mazhar Abbas	4	4
Mr. Qumail R. Habib	4	4
Mr. Safar Ali Lakhani	4	4
Syed Hasan Ali Bukhari	4	4
Mr. Murtaza H. Habib	4	4
Mr. Arshad Nasar	4	4
Mr. Adnan Afridi	4	4
Mr. Mansoor Ali Khan, Chief Executive	4	4



Committees Meetings

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee, and IFRS 9 Committee.

During the year, seven meetings of the Audit Committee, and three meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, and IT Committee, and two meetings of IFRS 9 Committee were held, and the attendance of members was as follows:

Audit Committee			Human Resource & Remuneration Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. Safar Ali Lakhani, Chairman	7	7	Syed Hasan Ali Bukhari, Chairman	3	3
Syed Mazhar Abbas	7	6	Syed Mazhar Abbas	3	3
Mr. Anwar Haji Karim	7	7	Mr. Abbas D. Habib	3	3
Syed Hasan Ali Bukhari	7	7	Ms. Farhana Mowjee Khan	3	3
Mr. Arshad Nasar	7	7	Mr. Arshad Nasar	3	3

Credit Risk Management Committee			Risk Management Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Syed Mazhar Abbas, Chairman	3	3	Mr. Adnan Afridi, Chairman	3	3
Mr. Safar Ali Lakhani	3	2	Mr. Qumail R. Habib	3	3
Mr. Qumail R. Habib	3	3	Ms. Farhana Mowjee Khan	3	3
Syed Hasan Ali Bukhari	3	3	Mr. Anwar Haji Karim	3	2
Mr. Murtaza H. Habib	3	3	Mr. Safar Ali Lakhani	3	3

IT Committee			IFRS 9 Committee		
Name of Director	Meetings Held	Meetings Attended	Name of Director	Meetings Held	Meetings Attended
Mr. Abbas D. Habib, Chairman	3	3	Syed Hasan Ali Bukhari, Chairman	2	2
Mr. Qumail R. Habib	3	3	Mr. Arshad Nasar	2	2
Mr. Arshad Nasar	3	3	Mr. Qumail R. Habib	2	2
Syed Mazhar Abbas	3	3			
Mr. Mansoor Ali Khan	3	3			

Directors Training Programme

Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.



Directors' Remuneration Policy

The shareholders of the Bank have approved a 'Policy & Procedure for Fixing Remuneration of Directors', which states that:

- The remuneration of Non-Executive Directors for attending Board and Committee meetings shall be decided by the Board within the maximum limit as specified by the State Bank of Pakistan from time to time.
- The Chairman of the Board is also entitled to have 20% additional remuneration fee of the remuneration set for him for attending Board and its Committee meeting considering the Chairman's vast knowledge, experience, insight, sense of judgement and market contacts. The Chairman of the Board shall also monitor the performance of the Bank's management and implementation of the Business Plan of the Bank on behalf of the Board.
- A full time Director shall receive such remuneration as the members (shareholders) may fix.
- The Chairman of the Board (in case of individual Directors) and Independent Directors with the help of other Directors (in case of Chairman of the Board) shall decide regarding reconsideration in remuneration of underperforming Director/Chairman if the overall performance of the Director/Chairman consistently remains in "Needs Improvement" category for the two consecutive years as per Annual Performance Evaluation of the Board members.

Credit Rating

Alhamdolillah, 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.

Future Outlook

At the beginning of the year 2020, the economy of Pakistan was moving progressively towards stabilization as a result of prudent monetary and fiscal policies. However, just when this progress was under way, the global spread of COVID-19 affect our country, causing health hazards for the general population, and disrupting economic activities of the country. The GDP of the country contracted for the first time since 1952. Alhamdolillah, timely and effective steps taken by the Government and the State Bank of Pakistan provided significant relief to businesses and individuals, mitigated the effects of COVID-19 to a large extent in Pakistan when compared with several other countries. Foreign investment and workers' remittances have continued to rise. Foreign reserves have been maintained at a level higher than before, inflation has remained under control, and bank deposits have recorded the highest growth in five years. Major initiatives like the State Bank's Temporary Economic Refinance Facility, which provides subsidized financing for industrial investment, the Government's focus on housing and construction sectors, and availability of COVID-19 vaccine are expected to help the economy recover. We are confident that, adhering to our usual prudent policies, the Bank will InshaAllah continue to grow and progress.

Auditors

The present auditors EY Ford Rhodes, Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Bank for the year ending December 31, 2021, at a fee to be mutually agreed.



Risk Management Framework

The Bank always had a risk management framework commensurate with the size of the Bank and the nature of its business. This framework has developed over the years and continues to be refined and improved. A key guiding principle of the Bank is to treat the depositors' money as a trust which must be protected. Therefore, the Bank aims to take business risks in a prudent manner, guided by a conservative outlook. Salient features of the Bank's risk management framework are summarized below:

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; use of internal risk ratings; prescribed documentation requirements; post-disbursement administration, review, and monitoring of credit facilities; and continuous assessment of credit worthiness of counterparties. The Bank has also established a mechanism for independent, post-disbursement review of large credit risk exposures. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the market risk policy approved by the Board; approval of counterparty limits and dealer limits; treasury & investment policy; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Decisions regarding the investment portfolio are taken mainly by ALCO. Risk Management Committee of the Board provides overall guidance in managing the Bank's market and liquidity risks, capital adequacy, and integrated risk management (also known as enterprise risk management).
- Operational risk is managed through the audit policy, the operational risk policy, the compliance policy & programme, IT and IT security policies, human resource policy, consumer protection framework, and outsourcing policy approved by the Board, along with the fraud prevention policy; consumer grievance handling policy; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; a Business Continuity Plan, including a Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

In addition, Risk Management Policy, Risk Tolerance Statement, and Country Risk Management Policy provide further guidance on managing the potential risk exposures of the Bank.

In order to comply with SBP's guidelines on risk management, the Bank has established a separate Risk Management Division, including a Middle Office, that independently monitors and analyses the risks inherent in Treasury operations. The steps taken by the Division include: sensitivity testing of Government Securities portfolio; computation of portfolio duration and modified duration; analysis of maturity mismatch and rate sensitive assets and liabilities, analysis of forward foreign exchange gap positions; more detailed reporting of TFCs and equities portfolios; development of improved procedures for dealing in equities and settlements; monitoring of off-market foreign exchange rates and foreign exchange earnings; collecting operational loss data, developing Key Risk Indicators; identifying Top Ten Risks of the Bank; conducting risk evaluation of products and processes; and establishment of a mechanism for independent, post-disbursement review of large credit risk exposures. Assessment of enterprise-wide integrated risk profile of the Bank is carried out, using the Basel Framework, Key Risk Indicators, Internal Capital Adequacy Assessment Process, Stress Testing and Recovery Plan.

Corporate Social Responsibility (CSR)

Your Bank is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- corporate philanthropy amounting to Rs. 543.59 million by way of donations & charities during the year for social and educational development and welfare of people;



- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and “No Smoking Zone”, and providing a safe and healthy work environment;
- business ethics and anti-corruption measures, requiring all staff members to comply with the Bank’s “Code of Conduct” and “Anti-Bribery And Corruption Policy”.
- consumer protection measures, requiring disclosure of the schedule of charges and terms and conditions that apply to the Bank’s products and services;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc., including employment of special persons;
- expansion of the Bank’s branch network to rural areas, which helps in rural development;
- contribution to the national exchequer by the Bank by way of direct taxes of about Rs. 12.10 billion paid to the Government of Pakistan during the year; furthermore, an additional amount of over Rs. 17.25 billion was deducted/collected by the Bank on account of withholding taxes, federal excise duties and sales tax on services, and paid to the Government of Pakistan/Provincial Governments.
- During the last five years, the Bank has disbursed Rs. 46.31 million under the Prime Minister’s Youth Business Loan programme.

Statement on Corporate and Financial Reporting

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account have been maintained by the Bank.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements; changes, if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, if any, has been adequately disclosed.
5. The system of internal controls is sound in design and has been effectively implemented and monitored. The Board’s endorsement of the management’s evaluation related to Internal Control over Financial Reporting, along with endorsement of overall Internal Controls is given on page 31.
6. Going concern assumption is appropriate. There is no identifiable material uncertainty that raises doubt about the ability of the Bank to continue as a going concern.
7. Key operating and financial data for last six years are summarized below:

	(Rupees in million)					
	2020	2019	2018	2017	2016	2015
Total customer deposits	1,099,686	903,703	796,901	692,576	584,172	516,213
Total advances	510,252	488,669	478,215	339,833	261,440	207,289
Profit before tax	28,581	19,011	14,264	13,890	13,164	12,332
Profit after tax	17,812	11,169	8,418	8,501	8,119	7,405
Shareholders' Equity	69,570	55,489	46,283	40,409	35,673	31,698
Earnings per share (Rs.)	16.03	10.05	7.57	7.65	7.31	6.66
Cash Dividend (%)	45	35	25	30	35	35



8. Value of investments of Provident Fund and Gratuity Fund Schemes based on latest audited financial statements as at December 31, 2019 was as follows:

(Rupees in '000)	
Provident Fund	7,441,961
Gratuity Fund	2,701,041

9. The pattern of shareholding and additional information regarding pattern of shareholding is given on pages 133, 134 & 135.

10. The Board has approved a formal process for its performance evaluation. The Bank has adopted In-House Approach and Quantitative Technique with scored questionnaires for Board evaluation. Scope of Board evaluation covers evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive. Consolidated results/findings will be discussed with the relevant parties. Any areas of improvement identified during the evaluation will be noted for appropriate action. Evaluation process for each calendar year will be completed latest by March 31 of the next year. Additionally, performance evaluation of the Board will be conducted by an external independent evaluator at least every three years. We have appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the Board.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

11. No trade in the shares of the Bank was carried out by the Directors, CEO, CFO, Head of Internal Audit, Company Secretary, and Executives and their spouses and minor children, during the year, except the following:

- 10,299 shares sold by three Executives.
- 9,299 shares purchased by three Executives.

For the purpose of this disclosure, the definition of "Executive" includes Assistant General Managers and above, in addition to officials already mentioned in the Rule Book of the Pakistan Stock Exchange regulations.

General

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

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 27, 2021



CORPORATE GOVERNANCE

Corporate Governance Culture

Habib Family has been engaged in the business of banking for over 70 years, and is well known for commitment to its traditional values of integrity, prudence, and trust. We are committed to continue all our business activities as per highest ethical and professional standards and practices. We ensure good corporate governance culture by remaining true to our values and by following the Prudential Regulations issued by the State Bank of Pakistan and the Code of Corporate Governance Regulations issued by the Securities & Exchange Commission of Pakistan. Board of Directors of the Bank comprises reputable businessmen, bankers, professional managers, and chartered accountants, representing a range of industries. They carry out their fiduciary duties to protect the interests of shareholders, depositors, and creditors, and exercise their independent judgement in the best interests of the Bank. We have clearly defined the responsibilities of the Board, Chief Executive, and Senior Management.

Nomination and Selection of Board Members

There is a defined procedure for election of Directors in Companies Act, 2017 and the Bank's Articles of Association which has been strictly followed by the Bank. Accordingly, the Bank announces the schedule of election of Directors in the year when the election is due. Any person desirous to become a Director can submit his/her nomination papers as per the requirements of the Companies Act, 2017 and regulations of State Bank of Pakistan. The person elected by the shareholders shall hold the office of Director, subject to Fit and Proper Criteria and approval of the State Bank of Pakistan. Any casual vacancy on the Board is filled up by the Directors, subject to applicable regulations.

Profile of Board Members

1. Mr. Abbas D. Habib – Chairman

Mr. Abbas D. Habib, Founder Member & Chairman of the Board, has over 50 years' commercial, industrial and banking experience in the domestic and international markets. He is a Fellow Member of the Institute of Bankers, Pakistan. He has held senior management positions with various organizations of the Habib Group and gained international banking experience while working with Habibsons Bank Limited, London, as Regional Director and later as Executive Director. Upon the inception of Bank AL Habib Limited in 1991, he became its Director and Joint Managing Director. He assumed responsibilities as Managing Director and Chief Executive of the Bank on May 8, 1994 and served in that position till October 31, 2016. He has been on the Board of Habib Insurance Company Limited since June 13, 2000. He became Chairman of Bank AL Habib Limited on November 1, 2016. He is also the Chairman of the Board of AL Habib Asset Management Limited (formerly Habib Asset Management Limited), a wholly owned subsidiary of the Bank since August 11, 2020.

2. Mr. Anwar Haji Karim

Mr. Anwar Haji Karim holds a Bachelor's degree in commerce and has over 40 years' experience in business and industry. He belongs to the Al Karam Group, a reputable business group of Pakistan, with interests in textiles. He is Chief Executive of Al Karam Textile Mills (Private) Limited and Iqbal Textile Mills (Private) Limited. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991.

3. Ms. Farhana Mowjee Khan

Ms. Farhana Mowjee Khan, Director of Razaque Steels (Private) Limited, has over 30 years' experience in the local and international environment. She has also served as Managing Director of Razaque Steels (Private) Limited from 1994 to 2006. She graduated from University College London, UK and is a qualified Chartered Accountant from Institute of Chartered Accountants in England and Wales, UK. Ms. Farhana Mowjee Khan is also a director of Shabbir Tiles and Ceramics Limited. She joined the Board of Bank AL Habib Limited in April 2019.



4. Syed Mazhar Abbas

Syed Mazhar Abbas studied at American University of Beirut. He has over 45 years' experience in commercial banking, including senior executive positions at Habib Bank Limited and Bank AL Habib Limited. He has had extensive exposure to international banking in several countries including Bahrain, Lebanon, France, UK, Egypt, and Hong Kong. He joined Bank AL Habib Limited in 1992 as a senior executive and became its Director in 2000.

5. Mr. Qumail R. Habib – Executive Director

Mr. Qumail R. Habib is a graduate of the University of California in Business Economics and has over 25 years' commercial, industrial, and banking experience. He is a Founder Member of the Board and Executive Director of the Bank since its inception in 1991. Prior to that, he was Resident Director of Al Ghazi Tractors Limited. He has been actively involved with the operations of the Bank since its inception. He is responsible for enhanced oversight on Enterprise Risk and Corporate Strategy, and for monitoring Fraud Investigation Unit. He has been on the Board of Habib Insurance Company Limited since October 03, 2017.

6. Mr. Safar Ali Lakhani

Mr. Safar A. Lakhani holds a Bachelor's degree in Commerce and is also a Law graduate. He is a Diplomaed Associate of the Institute of Bankers, Pakistan. He has extensive experience of working in banks in senior positions. He served in Habib Bank Limited as Senior Executive Vice President & General Manager for East & Pacific Region, based in Singapore. Also served as the founder President of Soneri Bank from 1991 until his retirement in 2010. He has been associated with Bank AL Habib Limited as advisor/consultant during the years 2011-2013 and was appointed as a Director in January 2014.

7. Syed Hasan Ali Bukhari

Syed Hasan Ali Bukhari is a Commerce graduate and a Fellow of the Institute of Chartered Accountant of Pakistan (FCA). Mr. Bukhari has also attended General Management Course at Henley Management College, England. He has vast experience in a professional accounting firm and the shipping industry. His corporate experience span over 36 years in various positions with Mackinnon Mackenzie & Co. of Pakistan, until his retirement as Chief Executive & Managing Director of the company in 2010. Mr. Bukhari is Advisor to Chairman of Hilton Pharma (Private) Limited since 2011. Mr. Bukhari has served as a Board member of Karachi Port Trust and Pakistan Institute of Corporate Governance, and he is currently a Director of Pakistan Oxygen Limited, Quick Food Industries (Private) Limited, and Pakistan Gum & Chemicals Limited. He was appointed as a Director of Bank AL Habib Limited in June 2014.

8. Mr. Murtaza H. Habib

Mr. Murtaza H. Habib holds a Bachelor's degree in finance from Texas A&M University, USA, and has over 25 years' experience in business and industry. He is currently Executive Director of Habib Sugar Mills, and also holds Directorships in several other companies of Habib Group. He is actively involved with social welfare activities of the Group. He is a Founder Member of the Board of Directors of the Bank since its inception in 1991, except for a gap of one year.

9. Mr. Arshad Nasar

Mr. Arshad Nasar served as Chairman and Chief Executive of Oil & Gas Development Company Ltd (OGDCL) from 2005 - 2008. Under his watch, OGDCL successfully launched a Global Depository Receipt (GDR) issue and was listed on London Stock Exchange. Mr. Nasar previously served as Country Chairman and Managing Director of Caltex Oil (Chevron) Pakistan Ltd from 1998 – 2004, the first Pakistani to lead Caltex Oil in Pakistan. He retired from the Company after 36 years of service. He holds a Master's Degree in Economics and has extensive functional and Management experience in a wide ranging international corporate career spanning more than 40 years. Mr. Nasar has served as Director on the Boards of: Oil & Gas Development Company Limited (OGDCL), Caltex Oil (Chevron) Pakistan Ltd, Engro Corporation Pakistan Ltd, Engro Fertilizer Ltd, Pakistan Industrial Development Corporation (PIDC), Pakistan Refinery Limited (PRL), Mari Gas Company, The American Business Council of Pakistan, and Petroleum Institute of Pakistan. Presently, he is also on the Board of FAST National University of Computer and Emerging Sciences. He joined the Board of Bank AL Habib Limited in March 2016.



10. Mr. Adnan Afridi

Mr. Adnan Afridi holds a Bachelor's degree in Economics and a Juris Doctor degree in Law from Harvard University, USA. He assumed charge as Managing Director, National Investment Trust Limited (NITL) in February 2019. He has 25 years' international experience in change management, business transformation, innovation and profitability enhancement in blue chip companies, public sector, and start-up situations. He had a distinguished local career in financial services and capital markets, including the position of Managing Director of the Karachi Stock Exchange, CEO of Overseas Chamber of Commerce and Industry, Chairman of National Clearing Corporation of Pakistan, and a Director of Central Depository Company. He is also a Member of the SECP Policy Board. He represents NITL as a Director on the Boards of several well-known and multinational companies in Pakistan. He joined the Board of Bank AL Habib Limited as a nominee of NITL in April 2019. Mr. Afridi also serves as Vice Chairman of the Board of Governors of The Kidney Center Post Graduate Institute.

Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
1	Mr. Abbas D. Habib	15/10/1991	Non-Executive	<ul style="list-style-type: none">Human Resource and Remuneration CommitteeIT Committee	<ul style="list-style-type: none">1. Habib Insurance Company Limited2. Habib & Sons (Private) Limited3. AL Habib Asset Management Limited
2	Mr. Anwar Haji Karim	15/10/1991	Non-Executive	<ul style="list-style-type: none">Audit CommitteeRisk Management Committee	<ul style="list-style-type: none">1. AL - Karam Textile Mills (Private) Limited2. Iqbal Textile Mills (Private) Limited
3	Ms. Farhana Mowjee Khan	17/04/2019	Non-Executive	<ul style="list-style-type: none">Human Resource and Remuneration CommitteeRisk Management Committee	<ul style="list-style-type: none">1. Razaque Steels (Private) Limited2. Shabbir Tiles and Ceramics Limited
4	Syed Mazhar Abbas	10/10/2000	Non-Executive	<ul style="list-style-type: none">Audit CommitteeHuman Resource and Remuneration CommitteeCredit Risk Management CommitteeIT Committee	-
5	Mr. Qumail R. Habib	15/10/1991	Executive	<ul style="list-style-type: none">Credit Risk Management CommitteeRisk Management CommitteeIT CommitteeIFRS 9 Committee	Habib Insurance Company Limited
6	Mr. Safar Ali Lakhani	29/01/2014	Independent	<ul style="list-style-type: none">Audit CommitteeCredit Risk Management CommitteeRisk Management Committee	-



Details of Membership on the Bank's & other Boards

Sr. No.	Name of Director	Date of Joining /Leaving the Board (dd/mm/yyyy)	Status of Director (Independent, Non-Executive, Executive)	Member of Board Committees	Number of other Board Memberships along with name of Company(ies)
7	Syed Hasan Ali Bukhari	02/06/2014	Independent	<ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee Credit Risk Management Committee IFRS 9 Committee 	1. Pakistan Gum & Chemicals Limited 2. Pakistan Oxygen Limited 3. Quick Food Industries (Private) Limited
8	Mr. Murtaza H. Habib	15/10/1991 to 22/12/1997 and 24/11/1998 to date	Non-Executive	<ul style="list-style-type: none"> Credit Risk Management Committee 	1. Habib Sugar Mills Limited 2. Habib & Sons (Private) Limited 3. Investment Consultancy (Private) Limited 4. Habib Capital Management (Private) Limited 5. Habib Leasing Corporation (Private) Limited 6. Habib Management Services (Private) Limited 7. Habib Energy (Private) Limited 8. HSM Energy Limited
9	Mr. Arshad Nasar	28/03/2016	Independent	<ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee IT Committee IFRS 9 Committee 	–
10	Mr. Adnan Afridi	17/04/2019	Non-Executive	<ul style="list-style-type: none"> Risk Management Committee 	1. Habib Sugar Mills Limited 2. Dynea Pakistan Limited 3. International Industries Limited 4. Mari Petroleum Company Limited 5. Lotte Chemical Pakistan Limited

Appointment of the Shariah Board (SB) Members

Shariah scholars who meet the Fit and Proper Criteria as laid down by State Bank of Pakistan are appointed as SB members for a term of three years by the Board of Directors and are eligible for re-appointment. Their appointment and re-appointment is subject to prior written clearance of SBP. The three years' term of SB commenced from the date of SBP's clearance for appointment / re-appointment. Any SB member (including Chairperson) may be re-appointed as a member of SB for another term by the Board of Directors, at least two months prior to expiry of the term, subject to a fresh prior written clearance of SBP and pursuant to Fit and Proper Criteria of SBP.

Casual vacancy

Board of Directors of the Bank fills the casual vacancy on the SB that may occur as a result of resignation, removal, termination or death of a member, within three months from the date on which such vacancy arises. However, the SB member appointed on casual vacancy shall hold the office till the expiry of the existing term of the SB.



Profile of each of the Shariah Board member

Mufti Ismatullah Hamdullah

Mufti Ismatullah holds the degrees of "Shahadat-ul-Aalamiyah" and "Takhassus Fil Fiqh" from Jamia Dar-ul-Uloom, Karachi. He is a PhD in Islamic Economics from University of Karachi. He has been associated with Islamic Banking Division of Bank AL Habib Limited since 2006 as Shariah Advisor prior to his appointment as the Chairman of Shariah Board.

He has been teaching Quran, Hadith, Fiqh, Philosophy and Arabic Grammar in Dar-ul-Uloom since 1993. He has a vast experience in issuing Shariah rulings (Fatwa) and is currently serving Dar-ul-Ifta' of Dar-ul-Uloom. So far, he has issued about 20,000 Fatwas regarding various topics and Shariah issues.

His thesis – Zar (Money) in light of Shariah – is considered as one of the most useful research on Islamic Economics and has already been published. He is a renowned research scholar; his research papers have been published in Monthly "Al Balaagh". He wrote a book "Guide to Takaful or Islamic Insurance" that has also been published.

Mufti Mohib ul Haq

Mufti Mohib ul Haq Siddiqui graduated from Jamia Dar-ul-Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Master's in Arabic and Islamic Studies) and Al-Takhassus fi al-Iftaa' (Specialization in Islamic Jurisprudence and Fatwa) qualifications from Darul Uloom.

He joined the Shariah Board of Bank AL Habib Limited – Islamic Banking in November 2015 as a Member. With substantial and diversified experience in the field of Islamic Finance, he has served several financial institutions as a member of their Shariah Boards.

Mufti Mohib ul Haq is currently associated with Faysal Barkat Islamic Banking as the Chairman of Shariah Board. He is also a member of the State Bank of Pakistan's Forum for Shariah review, standardization of Islamic products and processes, and formalization of Shariah Accounting standards for the Pakistan banking industry.

He is a member of the Shariah Board of Bank Alfalah Islamic Banking Division and JS Islamic Fund. Formerly, he was also member of the Shariah Board of Takaful Pakistan Limited and Royal Bank of Scotland Berhad, Malaysia. He has over twelve years of teaching experience at renowned institutions and is also a Faculty Member/ Visiting Faculty Member of various well-known institutions such as:

- Jamia Dar-ul-Uloom Karachi – Centre for Islamic Economics
- National Institute of Banking and Finance (NIBAF) – SBP

Hafiz Mufti Sarfraz Nihal - Resident Shariah Board Member (RSBM)

Mufti Muhammad Sarfraz Nihal is a well-known Shariah Scholar in Islamic Banking. He joined Bank AL Habib Islamic Banking Division in 2015 as RSBM.

Mufti Nihal obtained Shahadat-ul-Aalamiyah (Master's in Arabic and Islamic Studies) and Al-Takhassus fi al-Iftaa' (Specialisation in Islamic Fiscal Jurisprudence and Fatwa) from Jamia Farooqia, Karachi.

Further, he holds the degree of Master of Philosophy (MPhil) in Economics, MSc in Economics, and BSc in Mathematics, Statistics and Economics from University of Karachi and is currently pursuing PhD in Islamic Finance at University of Karachi.

He is FAA Certified Training professional from Malaysia and also a frequent visiting faculty of leading Institutions including NIBAF and IBA.

Prior joining BAHL, he has also served Al Baraka Bank Pakistan Limited as Shariah Auditor and Faysal Bank (Barkat Islamic) as Product Manager.



Details of Membership on Bank's and other Shariah Boards

Sr. No.	Name of Shariah Board Member	Date of Joining /Leaving the Shariah Board (dd/mm/yyyy)	Status of Shariah Board Member	Number of other Shariah Board Memberships along with name of Company(ies)
1	Mufti Ismatullah Hamdullah	8/10/2015	Chairman	<ul style="list-style-type: none"> Member, Shariah Board - Askari Bank Limited Member, Shariah Board - Pak Qatar Takaful Group Shariah Advisor - IGI Life Takaful Shariah Advisor - AL Habib Asset Management Limited
2	Mufti Mohib ul Haq	8/10/2015	Member	<ul style="list-style-type: none"> Chairman, Shariah Board - Faysal Bank Limited Member, Shariah Board - Bank Alfalah Limited
3	Mufti Muhammad Sarfaraz Nihal	8/10/2015	Resident Member	—

Composition of Board Committees and their Terms of References (TORs)

The Listed Companies (Code of Corporate Governance) Regulations, 2019 requires the Bank to disclose the composition of all Committees of the Board, viz. Audit Committee, Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee and IFRS - 9 Committee.

Composition of Board's Committees					
Audit Committee	Human Resource & Remuneration Committee	Credit Risk Management Committee	Risk Management Committee	IT Committee	IFRS 9 Committee
Mr. Safar Ali Lakhani, Chairman	Syed Hasan Ali Bukhari, Chairman	Syed Mazhar Abbas, Chairman	Mr. Adnan Afridi, Chairman	Mr. Abbas D. Habib, Chairman	Syed Hasan Ali Bukhari, Chairman
Syed Mazhar Abbas	Syed Mazhar Abbas	Mr. Safar Ali Lakhani	Mr. Qumail R. Habib	Mr. Qumail R. Habib	Mr. Qumail R. Habib
Mr. Anwar Haji Karim	Mr. Abbas D. Habib	Mr. Qumail R. Habib	Ms. Farhana Mowjee Khan	Mr. Arshad Nasar	Mr. Arshad Nasar
Syed Hasan Ali Bukhari	Ms. Farhana Mowjee Khan	Syed Hasan Ali Bukhari	Mr. Anwar Haji Karim	Syed Mazhar Abbas	
Mr. Arshad Nasar	Mr. Arshad Nasar	Mr. Murtaza H. Habib	Mr. Safar Ali Lakhani	Mr. Mansoor Ali Khan	

During the year, seven meetings of the Audit Committee and three meetings of Human Resource & Remuneration Committee, Credit Risk Management Committee, Risk Management Committee, IT Committee and two meetings of IFRS - 9 Committee were held, and the attendance of members was as follows:



Sr. No.	Name of Director	No. of Board Meetings Attended	Number of Board Committees Meetings Attended					
			Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IT Committee	IFRS 9 Committee
1	Mr. Abbas D. Habib	4	-	3	-	-	3	-
2	Mr. Anwar Haji Karim	4	7	-	2	-	-	-
3	Ms. Farhana Mowjee Khan	4	-	3	3	-	-	-
4	Syed Mazhar Abbas	4	6	3	-	3	3	-
5	Mr. Qumail R. Habib	4	-	-	3	3	3	2
6	Mr. Safar Ali Lakhani	4	7	-	3	2	-	-
7	Syed Hasan Ali Bukhari	4	7	3	-	3	-	2
8	Mr. Murtaza H. Habib	4	-	-	-	3	-	-
9	Mr. Arshad Nasar	4	7	3	-	-	3	2
10	Mr. Adnan Afridi	4	-	-	3	-	-	-
11	Mr. Mansoor Ali Khan	4	-	-	-	-	3	-
Total Meetings Held		4	7	3	3	3	3	2

TORs of Audit Committee of the Board

The key functions in the TORs include the following:

- Recommend to the Board the appointment / re-appointment of external auditors, their removal, audit fees and provision by external auditors of any services to the Bank in addition to audit of its financial statements for Pakistan Operations and Overseas Jurisdictions.
- Discuss with external auditors the major observations arising from interim and final audits and review management letter issued by them and management's response thereto.
- Review quarterly, half-yearly and annual financial statements of the Bank before their publication.
- Approve the half-yearly audit planning schedule and the estimated timeframe for completion of various audits.
- Ensure that policies and procedures of the Bank are in line with prevailing banking laws and regulations of the State Bank of Pakistan and other relevant statutory requirements.
- Institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the CEO, and to consider remittance of any matter to the external auditors or to any other external body.
- Recommend the amendments in the Bank's Internal Control Systems and Internal Audit Policy and Audit Manual to the Board of Directors for approval.
- Review the periodical reporting made by the Audit Division on significant findings pointed out during the testing of existing key controls relating to Internal Control over Financial Reporting (ICFR).
- Review the significant audit findings presented by Audit Division and examine the Executive Summary of Internal Audit Reports (Branch Operations, Management Audits, Information System Audits, and Islamic Banking Branches Audits) of domestic & overseas operations.
- Review the significant audit findings of Inspection Reports of the State Bank of Pakistan, regulators of overseas branches and the status of compliance submitted by the Management.



- Ensure compliance of the corrective actions as required by the Shariah Board on the reports of “Internal Shariah Audit” and “External Shariah Audit” as per Shariah Governance Framework for Islamic Banking Institutions.
- Review the reports on internal control system presented by Audit Division on quarterly basis as required under internal control guidelines issued by the State Bank of Pakistan.
- Review and approve the increments of internal auditors and recommend the performance appraisal and increment / promotion of Head of Internal Audit.
- Approve annual budget of Audit Division for expenditure and staff requirements.
- To review all other matters as required in terms of Code of Corporate Governance and instructions issued by the State Bank of Pakistan and the Policies of the Bank, as detailed in Internal Control System & Internal Audit Policy of the Bank.

TORs of Human Resource & Remuneration Committee of the Board

The key functions in the TORs include the following:

- Review and recommend to the Board for approval of Human Resource Policy & Service Rules of the Bank.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO.
- Recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO (if any), CFO, Company Secretary, and Head of Internal Audit.
- Consider and approve recommendations of CEO on above matters for key management positions who report directly to CEO or COO (if any).
- Review the manpower budget of the Bank, taking into consideration the expansion programme proposed by the Management.
- Review training activities and management development programmes for employees of the Bank.
- Review total staff strength with cadre and location-wise break-up of employees.
- Review on quarterly basis name-wise details of employees of Senior Chief Manager level and above who have joined or left service of the Bank during the period, along with reasons for their separation.
- Recommend the Remuneration Policy to the Board for approval, ensuring that the Remuneration Policy is fair and competitive, and encourages performance and motivation.
- Recommend to the Board the “structure” of compensation package of Executive Directors, Chief Executive, Key Executives, and other employees, as may be required by the Board.

TORs of Credit Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the Management has put in place effective policies and information systems to identify and mitigate credit risk.
- Review that the Management follows appropriate procedures to recognize adverse trends in the credit portfolio of the Bank, identifies weaknesses in the loan portfolio, takes corrective/remedial actions and maintains an adequate level of provisions for potential loan losses in the light of the requirements of the Prudential Regulations.
- Review and recommend to the Board any changes in the Bank's policies related to credit.
- Review the quality of the Bank's credit portfolio on a quarterly basis through various comparisons / benchmarking, including but not limited to:
 - Industry Benchmarks / Positioning.
 - Diversification of advances by industry, business segment, etc.
 - Concentration of advances in private and public sectors.



- Movement / changes in advances by region / industry / business segments.
- Details of large limits approved / enhanced during the quarter, as per the threshold prescribed by the Committee.
- Maturity profile of the loan portfolio.
- Review of Non-Performing Loans (NPLs).
- Review of Watch-List and NPL accounts, as per the threshold prescribed by the Committee.
- Review / approval of any policy exceptions.
- Review restructured / rescheduled accounts and written-off advances, as per the threshold prescribed by the Committee.
- Review any adverse findings of Credit Risk Review Department (CRRD).
- Consider Write Off/Waiver of NPLs up to Rs. 50 million.
- Recommend cases for Write Off/Waiver, exceeding Rs. 50 million, to the Board of Directors for consideration and approval.

TORs of Risk Management Committee of the Board

The key functions in the TORs include the following:

- Review from time to time that the management has put in place effective policies and information systems to identify and mitigate the following risks:
 - Market Risk, which includes Interest Rate Risk, Foreign Exchange Risk, and Equity Price Risk;
 - Liquidity Risk.
- Review summary of risk reports relating to the following risks:
 - Credit Risk,
 - Operational Risk,Which are reviewed in detail by the Credit Risk Management Committee and the Audit Committee of the Board, respectively.
- Review and provide guidance regarding integrated risk management (also known as enterprise risk management), covering various significant risk exposures of the Bank.
- Review the Bank's capital adequacy ratio and establish a process for Internal Capital Adequacy Assessment Process (ICAAP) using integrated risk management.
- Review and recommend to the Board any changes in the Bank's Treasury and Investment Policy, Market Risk Policy, Liquidity Risk Policy, Risk Management Policy, and ICAAP.
- Review the credit rating report of the Bank, issued by the credit rating agency.
- Review any changes in laws and regulations relating to Market Risk, Liquidity Risk and Capital Adequacy.
- Review changes in prevailing economic and market conditions.
- Review the financial data of other comparable banks.

TORs of IT Committee of the Board

The key functions in the TORs include the following:

- Review and recommend the Bank's IT and Digital strategies, relevant policies, frameworks and changes thereof, for the Board's approval.
- Review the role of IT as an enabler to provide competitive advantage and efficient services to customers.
- Review the level of expertise of IT personnel and assess their adequacy in number and skillset as well as continuous professional development.
- Review major IT related risks and ensure that IT Risk Management strategies are designed and implemented to address IT related risks including cyber-attacks and attacks on multiple critical infrastructure sectors in order to achieve resilience.
- Receive periodic updates from IT Steering Committee to monitor all IT related projects, particularly those which are approved by the Board.



- Ensure that IT related procurements are in line with the strategic directions provided by the Board.
- Review and recommend any IT related material outsourcing arrangement including obtaining IT experts' opinion.
- Constitute/reconstitute IT Steering Committee and approve its TORs and any revisions thereof.
- Review the MIS on incidents, logs, breaches and significant incidents on a regular basis.

TORs of IFRS 9 Committee of the Board

The key functions in the TORs include the following:

- Constitution of IFRS - 9 Project Steering Committee of management to administer the Project;
- Review and approve Bank AL Habib Limited's transition plan for IFRS - 9 implementation;
- Quarterly review of the progress made against the IFRS - 9 implementation challenges (resolution plan)
- Ensure smooth implementation of IFRS - 9 within the timelines stipulated by the State Bank of Pakistan.

Board's Oversight over Shariah Compliance Functions and Shariah Board (SB)

The Shariah Board members meet the Board of Directors on half yearly basis and give detailed briefings on the Shariah compliance environment, the issues/weaknesses (if any), and recommendations to improve Shariah compliance environment and to ensure timely and effective enforcement of the SB's decisions, Fatwas, observations and recommendations.

Further, every year, Shariah Board Report is also presented by the Shariah Board in the meeting of the Board of Directors of the Bank.

TORs of Shariah Board (SB) of the Bank

The key functions in the TORs include the following:

- The SB shall be empowered to consider, decide and supervise all Shariah related matters of Islamic Banking Division. All decisions, rulings, Fatwas of the SB shall be binding on Islamic Banking Division whereas SB shall be responsible and accountable for all its Shariah related decisions.
- The SB shall cause to develop a comprehensive Shariah compliance framework for all areas of operations of the Islamic Banking Division and shall approve all products/services to be offered and/or launched by the Islamic Banking Division.
- The SB shall review and approve all the Islamic Banking Division's procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah.
- The SB shall have at all reasonable times unhindered access to all books of accounts, records, documents and information from all sources including professional advisors and Bank's employees in the due discharge of its duties.
- Considering the importance of the SB decisions, rulings and Fatwas given by SB, it shall rigorously deliberate on the issue placed before it for consideration before giving any decision / Fatwa. All such deliberations and rationale for allowing or disallowing a particular product or service shall be duly recorded and documented.
- All reports of internal Shariah audit, external Shariah audit, Shariah compliance reviews and SBP Shariah compliance inspection shall be submitted to the SB for consideration and prescribing appropriate enforcement action. The report of Internal Shariah shall be finalized by the Internal Shariah Audit Unit (ISAU) and the final report shall be submitted to SB for prescribing appropriate enforcement/corrective actions. The SB shall take up the unresolved issues with Management and shall include all significant outstanding issues in its annual report on the Shariah compliance environment of Islamic Banking Division.



- Moreover, the Head-Shariah Compliance Department and RSBM shall discuss both the significant and unresolved issues with SBP inspection team during their onsite inspection.
- The SB shall also specify the process/procedures for changing, modifying or revisiting Fatwas/rulings/guidelines etc. already issued by SB.
- The SB shall not delegate any of its roles and responsibilities prescribed in Shariah Governance Framework (updated time to time) to any other person or any of its members.
- All the decisions and rulings of the SB of the Bank shall be in conformity with the directives, regulations, instructions and guidelines issued by SBP in accordance with the rulings of Shariah Advisory Committee of SBP.
- The SB shall, in addition to its meetings with the BOD, meet at least on quarterly basis and each member of SB shall attend at least two-thirds of the meetings during a calendar year. Further, in addition to the mandatory quarterly meeting, the Chairperson of SB may convene SB meetings as and when he deems it necessary.
- The quorum of the SB meetings, including that with BOD of the Bank, shall be at least two thirds of Shariah Board members.
- The SB decisions should preferably be made through consensus of the Shariah Board members; however, in case of difference of opinion, the decisions may be made by a majority vote of the Shariah Board members. In the event of equality of votes, the Chairman shall have a second or casting vote.
- All meetings shall be chaired by the Chairman of SB and in his absence one of the Shariah Board members, other than the RSBM, shall be elected as the acting Chairperson to preside over the meeting.
- The agenda of the SB meeting along with sufficient details and documents shall be sent to SB members well in advance enabling them to come prepared to the meeting; the specific timelines for submission of the agenda shall be set by the SB itself.
- The meetings of the SB shall be held by physical presence of the members. However, in appropriate circumstances to be determined by the Chairman of the SB, meetings(s) may be held through video conferencing subject to recording of proper minutes of the meeting.
- The SB shall ensure to cause that minutes of its meetings are properly recorded incorporating necessary details of all deliberations, decisions, rulings and Fatwas issued along with the rationale and difference of opinion or dissenting note, if any. Further, the minutes shall be signed by all the SB members who attended the meeting and a copy thereof be provided to each member of the SB.

Shariah Board Meetings

During the year, four meetings of the Shariah Board were held and the attendance of each member was as follows:

Name of Member	Meetings Held	Meetings Attended
Mufti Ismatullah Hamdullah, Chairman	4	4
Mufti Mohib ul Haq, Member	4	4
Mufti Muhammad Sarfaraz Nihal, Resident Member	4	4

The Bank had engaged KPMG Taseer Hadi & Co. to assist in developing the draft of remuneration policy, keeping in view the culture and values of the Bank, and other related matters.



Additionally, performance evaluation of the Board is to be conducted by an external independent evaluator at least every three years. The Bank has appointed Pakistan Institute of Corporate Governance (PICG) for external independent evaluation of the full Board, Individual Directors, Board Committees, the Chairman, and the Chief Executive.

There is no conflict of interest between the experts hired by the Bank and any Board member or Key Executive.

Disclosure relating to the Remuneration Policy:

Key objectives of Remuneration Policy are to:

- Attract, retain, and develop competent employees.
- Identify senior Risk Takers and Controllers.
- Offer remuneration that is fair and competitive.
- Encourage behaviour and practices, consistent with the Bank's Strategy, Vision, Mission, Values, and Guiding Principles.
- Discourage material risk taking.
- Avoid any conflict of interest between the employee and the Bank.
- Establish a management structure to administer and oversee implementation of this Policy.

Bank AL Habib has low tolerance for risk and is averse to taking material risks, i.e., risks that can have a material adverse impact on its business and financial position. Therefore, the Bank does not have any defined Bonus Policy (in any form like cash, stocks, stock options, or other types of incentive pay) to incentivise achievement of performance targets, which may prompt material risk taking. Accordingly, a fundamental principle of the Bank is that employee remuneration is paid in the form of Fixed Remuneration. This has enabled the Bank to maintain sustainable growth and profitability over the years, with a low risk profile and low staff turnover.

There are management committees/senior employees who are authorized to approve risk exposures involving large amounts and deal with other institutionally important matters. They are designated as Senior Risk Takers, who are responsible not only for taking risks, but also for mitigating, monitoring, and controlling the risks taken by the Bank. The Bank encourages and emphasizes risk control, rather than risk taking, which means that control responsibilities take precedence for employees at all levels. Therefore, in case of Senior Risk Takers also, their control responsibilities are paramount and take precedence over their other responsibilities.

Risk Controllers are employees whose professional activities include review, identification, mitigation, and control of risks to which the Bank may be exposed, or providing assistance or assurance related to such activities. Risk control is the responsibility of all functional units of the Bank, including various functions at Principal Office who provide input to line functions on risk management and control, assist them in designing and implementing adequate controls, and independently monitor that the prescribed controls and limits are being complied with.

It is a key principle of employee appraisal that employees must not get penalized or suffer as a consequence of carrying out control activities for which they are institutionally responsible and duly authorized. Any deviation from this principle will be taken very seriously.



Key criteria for evaluation of performance are as follows:

- Compliance with applicable laws and regulations.
- Commitment to the Bank's Vision, Mission, and Values.
- Compliance with the Bank's risk and control policies, procedures, and limits.
- Behaviour with customers and colleagues.
- Knowledge and quality of work.
- New ideas and suggestions.
- Growth of business and profitability vs. business objectives (as applicable).
- Persistence and productivity.
- Job performance.
- Teamwork and People Development.

Fixed Remuneration is determined on the basis of role and responsibility of the individual, professional expertise and experience, job performance, and potential for growth. In addition, all employees of the Bank are required to carry out their duties with due care and in an ethical manner. They must act in accordance with the Bank's Strategy, Vision, Mission, Values, Guiding Principles, Code of Conduct, Policies and Procedures, within the authorities and limits delegated to them. This means that protection of the Bank's reputation, trustworthiness, and safety is of paramount importance and takes precedence over profit maximization.

Risk management policies, together with the Risk Tolerance Statement, authorities, and limits approved by the Board, provide the necessary guidance on risk taking activities of the Bank. Actions taken and decisions made by the employees are institutionally owned and protected by the Bank, as long as these are within the ambit of the prescribed policies and procedures and there is no evidence of self-dealing.

Governance of remuneration is accomplished through a formal structure which includes: Board of Directors; Human Resource & Remuneration Committee; Chief Executive; Human Resource Division; and Finance, Audit, Compliance, and Risk Management Divisions.



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

FOR THE YEAR ENDED DECEMBER 31, 2020

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are ten as per the following:

- Male 09
- Female 01

2. The composition of the Board is as follows:

Independent Directors	Syed Hasan Ali Bukhari Mr. Arshad Nasar Mr. Safar Ali Lakhani
Non - Executive Directors	Mr. Abbas D. Habib Mr. Anwar Haji Karim Syed Mazhar Abbas Mr. Murtaza H. Habib Mr. Adnan Afridi
Executive Director	Mr. Qumail R. Habib
Female Director - Non - Executive	Ms. Farhana Mowjee Khan

Mr. Mansoor Ali Khan is the Chief Executive of the Bank. Being the CEO of the Bank, he is deemed to be a Director.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank.
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / Shareholders as empowered by the relevant provisions of the Act and these regulations.
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Bank is compliant with the requirement of Directors' Training Program provided in these Regulations. Directors have either attended the required training in prior years or stand exempted, as per criteria mentioned in the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.



12. The Board has formed six committees comprising of members given below:

A.	Audit Committee	Position
1	Mr. Safar Ali Lakhani	Chairman
2	Syed Mazhar Abbas	Member
3	Mr. Anwar Haji Karim	Member
4	Syed Hasan Ali Bukhari	Member
5	Mr. Arshad Nasar	Member

B.	Human Resource & Remuneration Committee	Position
1	Syed Hasan Ali Bukhari	Chairman
2	Syed Mazhar Abbas	Member
3	Mr. Abbas D. Habib	Member
4	Ms. Farhana Mowjee Khan	Member
5	Mr. Arshad Nasar	Member

C.	Credit Risk Management Committee	Position
1	Syed Mazhar Abbas	Chairman
2	Mr. Safar Ali Lakhani	Member
3	Mr. Qumail R. Habib	Member
4	Syed Hasan Ali Bukhari	Member
5	Mr. Murtaza H. Habib	Member

D.	Risk Management Committee	Position
1	Mr. Adnan Afridi	Chairman
2	Mr. Qumail R. Habib	Member
3	Ms. Farhana Mowjee Khan	Member
4	Mr. Anwar Haji Karim	Member
5	Mr. Safar Ali Lakhani	Member

E.	IT Committee	Position
1	Mr. Abbas D. Habib	Chairman
2	Mr. Qumail R. Habib	Member
3	Mr. Arshad Nasar	Member
4	Syed Mazhar Abbas	Member
5	Mr. Mansoor Ali Khan	Member



F.	IFRS 9 Committee	Position
1	Syed Hasan Ali Bukhari	Chairman
2	Mr. Arshad Nasar	Member
3	Mr. Qumail R. Habib	Member

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance.
14. The frequency of meetings of Board's Committees were as per following:

Board's Committees	Frequency
Audit Committee	Seven meetings held in the year
Human Resource & Remuneration Committee	Three meetings held in the year
Credit Risk Management Committee	Three meetings held in the year
Risk Management Committee	Three meetings held in the year
IT Committee	Three meetings held in the year
IFRS 9 Committee	Two meetings held in the year

15. The Bank has an effective internal audit division that is manned by suitably qualified and experienced personnel. The audit team is conversant with the policies and procedures of the Bank.
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 27, 2021



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Bank AL Habib Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bank AL Habib Limited (the Bank) for the year ended 31 December 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2020.

Karachi: February 15, 2021

EY Ford Rhodes
Chartered Accountants



STATEMENT ON INTERNAL CONTROLS

The Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. The Internal Control System has evolved over the years, as it is an ongoing process and is included in the Bank's policies, procedures, financial limits, etc., as detailed in various manuals, circulars and instructions issued by the Bank. This system continues to be reviewed, refined and improved from time to time and immediate corrective action is taken to minimize risks which are inherent in banking business and operations.

The Internal Control System is reviewed by the Internal Auditors as well as External Auditors and their findings and recommendations are reported to the management and to the Audit Committee of the Board, and corrective action is taken to address control deficiencies and for improving procedures and systems as they are identified. The Board, acting through the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. Accordingly, even an effective Internal Control System can only provide reasonable but not absolute assurance that the system's objectives will be achieved.

Internal Control over Financial Reporting (ICFR) aims to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable financial reporting standards. During the year, Internal Auditors tested the Bank's ICFR and reported their findings to the management and the Audit Committee of the Board. While no material deficiencies were detected, indicating that ICFR is effectively implemented in the Bank, it may be reiterated that any control system can provide reasonable but not absolute assurance that its objectives will be achieved.

In accordance with the State Bank of Pakistan (SBP) directives, the Bank has completed all the stages of ICFR. Upon satisfactory completion of ICFR roadmap, the Bank has been granted exemption by SBP from the requirement of submission of Long Form Report by the External Auditors.

The Bank has endeavored to follow the guidelines issued by SBP on internal controls. Updation and review of ICFR exercise for the year 2020 as per SBP Guidelines on Internal Controls has been successfully completed. In accordance with SBP directives, the annual assessment report for the year 2020 will be submitted by the Audit Committee of the Board to SBP within the stipulated time. Evaluation and management of significant risks is an on-going process and we will make further efforts to improve our Internal Control System during 2021.

ASHAR HUSAIN
Chief Financial Officer

ARIF SAEED KHAN
Head of Internal Audit

Karachi: January 27, 2021

BOARD OF DIRECTORS' REMARKS ON THE MANAGEMENT'S EVALUATION OF INTERNAL CONTROLS

Keeping in view the feedback received by the Board of Directors from the Audit Committee and the management, the Board of Directors endorse management's evaluation of Internal Controls, including Internal Control over Financial Reporting.

On behalf of the Board of Directors

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 27, 2021



INDEPENDENT AUDITORS' REPORT

To the members of Bank AL Habib Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Bank AL Habib Limited, which comprise the unconsolidated statement of financial position as at 31 December 2020, and the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except for twenty five branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit and loss and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Provision against non-performing loans and advances</p> <p>The Bank's advances portfolio represents 33.52% of its total assets as of 31 December 2020. A substantial portion of the advances portfolio include corporate finances to public sector entities and large to small size businesses operating in diverse sectors of the economy.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Bank to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Bank's accounting policy (refer note 4.4 to the unconsolidated financial statements), the Bank determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the unconsolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non- performing advances are included in note 4.4 and 9 respectively to the unconsolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none">- We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be.- We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations;- In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower;- In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management and the regulatory approvals in place for such policy.- We also assessed adequacy of disclosures as included in note 9 to the unconsolidated financial statements regarding the non-performing advances and provisions made for the same in the unconsolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon) have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Karachi: February 15, 2021

EY Ford Rhodes
Chartered Accountants



**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

Note 2020 2019
 (Rupees in '000)

ASSETS

Cash and balances with treasury banks	5	105,935,947	113,838,791
Balances with other banks	6	19,662,515	9,523,969
Lendings to financial institutions	7	2,175,301	1,857,575
Investments	8	764,943,506	586,140,504
Advances	9	510,251,632	488,669,447
Fixed assets	10	43,967,993	36,562,508
Intangible assets	11	211,111	365,428
Deferred tax assets		—	—
Other assets	12	74,943,322	61,723,889
		1,522,091,327	1,298,682,111

LIABILITIES

Bills payable	14	31,013,221	20,168,673
Borrowings	15	211,599,405	228,745,034
Deposits and other accounts	16	1,099,686,361	903,702,782
Liabilities against assets subject to finance lease		—	—
Subordinated debt	17	14,989,600	14,992,800
Deferred tax liabilities	18	176,751	1,380,189
Other liabilities	19	84,769,613	68,189,523
		1,442,234,951	1,237,179,001
NET ASSETS		79,856,376	61,503,110

REPRESENTED BY

Share capital	20	11,114,254	11,114,254
Reserves		18,431,277	16,467,282
Surplus on revaluation of assets	21	10,286,484	6,013,816
Unappropriated profit		40,024,361	27,907,758
		79,856,376	61,503,110

CONTINGENCIES AND COMMITMENTS 22

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 (Rupees in '000)	2019
Mark - up / return / interest earned	24	125,272,587	105,601,725
Mark - up / return / interest expensed	25	(67,652,611)	(64,415,666)
Net mark - up / interest income		57,619,976	41,186,059
NON MARK - UP / INTEREST INCOME			
Fee and commission income	26	6,678,237	6,093,104
Dividend income		486,008	451,101
Foreign exchange income		2,142,728	2,305,204
Income / (loss) from derivatives		—	—
Gain / (loss) on securities - net	27	185,622	(32,469)
Other income	28	780,255	663,931
Total non mark - up / interest income		10,272,850	9,480,871
Total income		67,892,826	50,666,930
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	29	(34,039,945)	(27,719,281)
Workers welfare fund		(671,716)	(448,415)
Other charges	30	(56,672)	(93,244)
Total non mark - up / interest expenses		(34,768,333)	(28,260,940)
Profit before provisions		33,124,493	22,405,990
Provisions and write offs - net	31	(4,543,429)	(3,394,995)
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		28,581,064	19,010,995
Taxation	32	(10,769,528)	(7,842,259)
PROFIT AFTER TAXATION		17,811,536	11,168,736
Basic and diluted earnings per share	33	16.03	10.05

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	(Rupees in '000)	
Profit after taxation for the year	17,811,536	11,168,736
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	182,841	592,878
Movement in surplus on revaluation of investments - net of tax	1,222,568	2,818,383
	1,405,409	3,411,261
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(128,275)	149,997
Movement in surplus on revaluation of operating fixed assets - net of tax	3,056,238	-
Movement in surplus on revaluation of non banking assets - net of tax	98,346	-
	3,026,309	149,997
Total comprehensive income	22,243,254	14,729,994

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves	Surplus / (deficit) on revaluation of				Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit	
(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
Profit after taxation	—	—	—	—	—	—	—	11,168,736	11,168,736
Other comprehensive income - net of tax	—	—	592,878	—	—	2,818,383	—	149,997	3,561,258
Total comprehensive income for the year	—	—	592,878	—	—	2,818,383	—	11,318,733	14,729,994
Transfer to statutory reserve	—	1,116,874	—	—	—	—	—	(1,116,874)	—
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	—	—	—	—	—	—	(72,769)	72,769	—
Transactions with owners, recorded directly in equity									
Cash dividend (Rs. 2.5 per share)	—	—	—	—	—	—	—	(2,778,564)	(2,778,564)
Balance as at 31 December 2019	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
Profit after taxation	—	—	—	—	—	—	—	17,811,536	17,811,536
Other comprehensive income - net of tax	—	—	182,841	—	—	1,222,568	3,154,584	(128,275)	4,431,718
Total comprehensive income for the year	—	—	182,841	—	—	1,222,568	3,154,584	17,683,261	22,243,254
Transfer to statutory reserve	—	1,781,154	—	—	—	—	—	(1,781,154)	—
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	—	—	—	—	—	—	(104,484)	104,484	—
Transaction with owners, recorded directly in equity									
Cash dividend (Rs. 3.5 per share)	—	—	—	—	—	—	—	(3,889,988)	(3,889,988)
Balance as at 31 December 2020	11,114,254	15,640,821	2,123,956	126,500	540,000	2,761,442	7,525,042	40,024,361	79,856,376

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

SYED HASAN ALI BUKHARI
Director

ASHAR HUSAIN
Chief Financial Officer

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

Adjustments:

Depreciation
Depreciation on right-of-use assets
Amortisation
Provisions and write - offs - net
Gain on sale of fixed assets - net
(Gain) / loss on sale / redemption of securities - net
Charge for compensated absences
Mark-up expense on lease liability against right-of-use assets

(Increase) / decrease in operating assets

Lendings to financial institutions
Held - for - trading securities
Advances
Other assets (excluding advance taxation)

Increase / (decrease) in operating liabilities

Bills payable
Borrowings from financial institutions
Deposits
Other liabilities (excluding current taxation)

Income tax paid

Net cash flow generated from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities
Net investments in held to maturity securities
Net investments in associates
Investment in subsidiary
Dividends received
Investments in operating fixed assets
Proceeds from sale of fixed assets
Exchange differences on translation of net investment in foreign branches
Net cash used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Payments of subordinated debt
Dividend paid
Payment against lease liabilities
Net cash flow from financing activities

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year
Cash and cash equivalents at end of the year

Note	2020 (Rupees in '000)	2019
	28,581,064	19,010,995
	(486,008)	(451,101)
	28,095,056	18,559,894
	2,787,181	2,472,253
	1,661,393	1,395,355
	287,387	225,556
31	4,543,429	3,394,995
	(437,189)	(377,002)
	{185,622}	32,469
	247,041	135,164
	956,906	734,780
	9,860,526	8,013,570
	37,955,582	26,573,464
	(317,726)	(1,857,575)
	(85,792)	197,562
	(24,572,057)	(12,196,267)
	(13,843,443)	(15,880,721)
	(38,819,018)	(29,737,001)
	10,844,548	(435,009)
	(16,439,509)	109,148,680
	195,983,579	106,802,257
	13,405,228	14,155,942
	203,793,846	229,671,870
	202,930,410	226,508,333
	(12,095,087)	(8,634,998)
	190,835,323	217,873,335
	(160,952,824)	(71,023,527)
	(15,538,169)	(97,530,743)
	(890,390)	(525,000)
	(683,250)	—
	471,651	464,001
	(5,262,480)	(5,205,962)
	596,045	520,644
	182,841	592,878
	(182,076,576)	(172,707,709)
	(3,200)	(3,200)
	(3,841,582)	(2,767,686)
	(1,972,143)	(2,012,087)
	(5,816,925)	(4,782,973)
	2,941,822	40,382,653
34	122,458,343	82,075,690
34	125,400,165	122,458,343

The annexed notes 1 to 47 and annexures I and II form an integral part of these unconsolidated financial statements.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 818 branches (2019: 718 branches), 32 sub - branches (2019: 37 sub - branches), 04 representative offices (2019: 04 representative offices) and 02 booths (2019: 02 booths). The branch network of the Bank includes 03 overseas branches (2019: 03 overseas branches) and 106 Islamic Banking branches (2019: 83 Islamic Banking branches).

2. BASIS OF PRESENTATION

2.1 These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

2.2 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 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.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these unconsolidated financial statements.

2.4 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.

2.5 Statement of compliance

2.5.1 These unconsolidated 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; and
- Directives issued by the State Bank of Pakistan 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.



2.5.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021. 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirement are considered for recording, classification and valuation of investment.

2.5.3 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, as amended from time to time.

2.5.4 SECP vide its notification SRO 633 (I) / 2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I) / 2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

2.6 **Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year**

The Bank has adopted the following accounting standards, interpretations and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments were intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3, 'Business Combinations' – Definition of a Business. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.
- IFRS 14, 'Regulatory Deferral Accounts' permits an entity to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of standard and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required.



- IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on the unconsolidated financial statements of the Bank.

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

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- 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 replaced 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. The Bank has been complying with the requirement of BPRD Circular Letter No. 15 of 2020 to have parallel run of IFRS 9 from July 01, 2020.
- COVID-19 -Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.



- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Annual Improvements to IFRS standards 2018-2020:
The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
 - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
 - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
 - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.



- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2023

2.8 Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the unconsolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.3, 4.13 & 31
Classification and provisioning against loans and advances	4.4, 9 & 31
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.5, 10 & 11
Determination of lease term and borrowing rate	4.5, 10 & 19
Non - banking assets acquired in satisfaction of claims	4.6 & 12
Defined benefit plan related assumptions	4.9 & 36
Provisions against off - balance sheet obligations	4.14 & 19
Current and deferred taxation	4.12, 18 & 32



3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments, certain land and buildings, certain non - banking assets acquired in satisfaction of claims, employee benefits and derivative financial instruments which are revalued as referred to in notes 4.3, 4.5, 4.6, 4.9 and 4.17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

4.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the unconsolidated cash flow statement comprise cash and balances with treasury banks and balances with other banks less overdrawn nostros accounts.

4.2 Repurchase / resale agreements

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

4.3 Investments

Investments in subsidiaries and associates are stated at cost less provision for impairment, if any. Other investments are classified as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short - term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short - term trading exists.

Held to maturity

These are investments with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

Available for sale

These are investments which do not fall under held for trading and held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.



After initial recognition, quoted securities (other than those classified as held to maturity) are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

4.4 Advances

Loans and advances

These are stated net of provisions for non - performing advances.

Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

Islamic Financing and Related Assets

Ijarah finance

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

Murabaha

Funds disbursed under murabaha arrangements for purchase of goods are recorded as advance for murabaha. On culmination of murabaha i.e. sale of goods to customers, murabaha receivables are recorded at the sale price net of deferred income. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.

Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharaka share by the customer. The customer purchases the Bank's share gradually as per his undertaking.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds, the finance is adjusted.



Provision for non-performing advances

Provision for non - performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas, requirements of respective central banks is followed in respect of overseas branches and is charged, to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant \ Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there are no realistic prospects of recovery.

4.5 Operating fixed assets and depreciation

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 10.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. The valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to unappropriated profit.



Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 10 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.13 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 11. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.6 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally



qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.7 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits / Current remunerative deposits'.

4.8 Subordinated debt

Subordinated debt is initially recorded at the amount of proceeds received. Mark - up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.9 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 36. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

Compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

4.10 Foreign currencies

Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Bank's functional and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non - monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the reporting date. The income and expense of foreign operations are translated at rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of other comprehensive income under "foreign currency translation reserve".



Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities.

4.11 Revenue recognition

- (a) Mark - up / return / interest on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark - up is recognised on receipt basis. Mark - up / return / interest on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.
- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.
- (d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.
- (e) Dividend income is recognised when the right to receive is established.
- (f) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.
- (g) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

4.12 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.



In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

4.13 Impairment

Available-for-sale equity securities

Provision for diminution in the values of securities (except for debt securities) is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

Provision for impairment against debt securities is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security is considered to determine impairment amount.

Associates

The carrying values of investments in associates are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the relevant surplus.

4.14 Provisions against off - balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fee and commission income" over the period of contracts. The Bank's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.15 Off setting

Financial assets and financial liabilities are only off - set and the net amount is reported in the financial statements when there is a legally enforceable right to set - off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off - set and the net amount is reported in the financial statements.

4.16 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are derecognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are derecognised when obligation is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liability is recognised in the profit and loss account of the current period.

4.17 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.18 Dividend distribution

Dividends and appropriations to reserves are recognised in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.



4.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2020.

4.20 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

4.21 Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc., to individual customers, small merchants and small and medium enterprises.

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and small and medium enterprises treated as corporate under the Prudential Regulations.

4.22 Geographical segments

The Bank operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa

4.23 Statutory reserve

Every Bank incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

4.24 Provisions against liabilities

These are recognised when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision against contingencies is determined based on the management judgment regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.25 Clients' assets

The Bank provides services that result in the holding of assets on behalf of its clients. Such assets are not reported in the financial statements, as they are not the assets of the Bank.

4.26 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.



	Note	2020 (Rupees in '000)	2019
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		23,716,890	19,497,716
Foreign currencies		4,761,414	2,062,958
		28,478,304	21,560,674
In transit:			
Local currency		600,285	481,699
Foreign currencies		4,412	676,471
		604,697	1,158,170
With State Bank of Pakistan in:			
Local currency current accounts	5.1	44,211,071	59,153,555
Local currency current accounts - Islamic Banking	5.1	3,339,015	3,140,622
Foreign currency deposit accounts			
Cash reserve account	5.1	3,508,365	3,236,315
Cash reserve / special cash reserve account			
- Islamic Banking		299,769	256,350
Special cash reserve account	5.1	7,016,730	9,708,945
Local US Dollar collection account	5.2	99,696	303,328
		58,474,646	75,799,115
With National Bank of Pakistan in:			
Local currency current account		16,110,129	14,944,966
Prize bonds		2,268,171	375,866
		105,935,947	113,838,791
5.1	These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve account carries interest rate ranging upto 0.76% (2019: 0.70% to 1.50%) per annum.		
5.2	This represents US Dollar collection account maintained with SBP.		
6. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		131,311	309,409
In deposit account	6.1	184,012	7,508,791
		315,323	7,818,200
Outside Pakistan:			
In current account	6.2	5,965,561	1,642,734
In deposit account	6.3	13,381,635	63,037
		19,347,196	1,705,771
Less: impairment against IFRS 9 in overseas branches		19,662,519	9,523,971
		(4)	(2)
		19,662,515	9,523,969



6.1 These carry expected profit rates ranging from 2.32% to 11.28% (2019: 1.00% to 12.50%) per annum.

6.2 These carry interest rates ranging from 0.05% to 0.75% (2019: 0.05% to 1.00%) per annum.

6.3 These carry interest rates ranging upto 1.50% (2019: 1.25% to 4.50%) per annum.

2020 **2019**
(Rupees in '000)

7. LENDING TO FINANCIAL INSTITUTIONS

In local currency:

Bai Muajjal Receivable from the State Bank of Pakistan	2,175,301	1,857,575
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7.1 Securities held as collateral against amounts due from financial institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total (Rupees in '000)	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	2,175,301	-	2,175,301	1,857,575	-	1,857,575

7.1.1 The GoP Ijarah Sukuks carry rates ranging from 8.89% to 9.08% (2019: 10.39% to 10.49%).

8. INVESTMENTS

	Note	2020				2019			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:									
		(Rupees in '000)							
<i>Held-for-trading securities</i>									
Shares		95,778	-	771	96,549	-	-	-	-
<i>Available-for-sale securities</i>									
Federal Government Securities	8.3 & 8.4	581,157,905	(226,825)	4,702,367	585,633,447	419,402,570	(187,265)	1,895,941	421,111,246
Shares		4,376,102	(1,791,073)	580,654	3,165,683	4,326,102	(1,567,064)	428,546	3,187,584
Non Government Debt Securities		5,542,664	-	(169,980)	5,372,684	5,586,804	-	(141,759)	5,445,045
Foreign Securities		6,891,856	(909,432)	(1,215,066)	4,767,358	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds		2,125,000	(444,440)	350,397	2,030,957	3,125,000	(373,875)	233,167	2,984,292
		600,093,527	(3,371,770)	4,248,372	600,970,129	438,964,699	(2,169,452)	2,367,499	439,162,746
<i>Held-to-maturity securities</i>									
Federal Government Securities	8.3 & 8.5	159,496,264	(130,790)	-	159,365,474	145,152,375	(41,871)	-	145,110,504
Non Government Debt Securities		-	-	-	-	46,632	-	-	46,632
Foreign Securities		1,708,659	(127,901)	-	1,580,758	467,747	(471)	-	467,276
Other		4,481	(4,481)	-	-	-	-	-	-
		161,209,404	(263,172)	-	160,946,232	145,666,754	(42,342)	-	145,624,412
<i>Associates</i>	8.6	2,047,346	-	-	2,047,346	1,153,346	-	-	1,153,346
<i>Subsidiaries</i>	8.7	883,250	-	-	883,250	200,000	-	-	200,000
<i>Total Investments</i>		764,329,305	(3,634,942)	4,249,143	764,943,506	585,984,799	(2,211,794)	2,367,499	586,140,504



8.2 Investments by segments:

	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
(Rupees in '000)								
Federal Government Securities								
Market Treasury Bills	143,416,675	-	490,699	143,907,374	295,433,821	-	798,050	296,231,871
Pakistan Investment Bonds	515,252,493	-	4,083,498	519,335,991	242,283,659	-	894,877	243,178,536
Foreign Currency Bonds	10,724,047	(357,615)	198,212	10,564,644	6,932,009	(163,826)	208,400	6,976,583
Ijarah Sukuks	26,952,616	-	(209,517)	26,743,099	14,865,277	(65,310)	(5,386)	14,794,581
Sukuks	44,022,624	-	139,475	44,162,099	4,468,750	-	-	4,468,750
Term Finance Certificates - Unlisted	285,714	-	-	285,714	571,429	-	-	571,429
	740,654,169	(357,615)	4,702,367	744,998,921	564,554,945	(229,136)	1,895,941	566,221,750
Shares								
Listed Companies	4,317,644	(1,785,373)	581,425	3,113,696	4,221,866	(1,561,364)	428,546	3,089,048
Unlisted Companies	154,236	(5,700)	-	148,536	104,236	(5,700)	-	98,536
	4,471,880	(1,791,073)	581,425	3,262,232	4,326,102	(1,567,064)	428,546	3,187,584
Non Government Debt Securities								
Term Finance Certificates and Sukuks								
Listed								
Term Finance Certificates	1,995,195	-	(73,522)	1,921,673	1,947,922	-	(46,982)	1,900,940
Sukuks	1,322,529	-	(96,458)	1,226,071	1,504,215	-	(94,777)	1,409,438
	3,317,724	-	(169,980)	3,147,744	3,452,137	-	(141,759)	3,310,378
Unlisted								
Term Finance Certificates	199,940	-	-	199,940	199,960	-	-	199,960
Sukuks	2,025,000	-	-	2,025,000	1,981,339	-	-	1,981,339
	2,224,940	-	-	2,224,940	2,181,299	-	-	2,181,299
Others								
Unlisted Company	4,481	(4,481)	-	-	-	-	-	-
Foreign Securities								
Government Securities	8,600,515	(1,037,333)	(1,215,066)	6,348,116	6,991,970	(41,719)	(48,396)	6,901,855
Associates								
Habib Sugar Mills Limited	182,690	-	-	182,690	182,690	-	-	182,690
AL Habib Asset Management Limited (formerly Habib Asset Management Limited)	-	-	-	-	81,000	-	-	81,000
First Habib Income Fund	150,000	-	-	150,000	150,000	-	-	150,000
First Habib Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Cash Fund	1,650,000	-	-	1,650,000	150,000	-	-	150,000
First Habib Islamic Stock Fund	10,000	-	-	10,000	10,000	-	-	10,000
First Habib Islamic Income Fund	24,656	-	-	24,656	549,656	-	-	549,656
First Habib Asset Allocation Fund	20,000	-	-	20,000	20,000	-	-	20,000
	2,047,346	-	-	2,047,346	1,153,346	-	-	1,153,346
Subsidiaries								
AL Habib Capital Markets (Private) Limited	200,000	-	-	200,000	200,000	-	-	200,000
AL Habib Asset Management Limited (formerly Habib Asset Management Limited)	683,250	-	-	683,250	-	-	-	-
	883,250	-	-	883,250	200,000	-	-	200,000
Units of Mutual Funds								
	2,125,000	(444,440)	350,397	2,030,957	3,125,000	(373,875)	233,167	2,984,292
Total Investments								
	764,329,305	(3,634,942)	4,249,143	764,943,506	585,984,799	(2,211,794)	2,367,499	586,140,504



		2020	2019
		(Rupees in '000)	
8.2.1	Investments given as collateral		
	Market Treasury Bills		
Carrying value		98,003,080	153,188,536
Surplus		424,285	276,366
		98,427,365	153,464,902
8.3	Provision for diminution in value of investments		
Opening balance		2,211,794	558,769
Exchange adjustments against IFRS 9 in overseas branches		3,978	2,909
Charge / reversals			
Charge for the year		295,807	1,418,245
Charge of impairment as per IFRS 9 in overseas branches		1,120,117	231,871
Reversal on disposal		(1,235)	—
		1,414,689	1,650,116
Others		4,481	—
Closing balance		3,634,942	2,211,794
8.4	Quality of Available for Sale Securities		
Details regarding quality of available for securities are as follows:			
		Cost	
		2020	2019
		(Rupees in '000)	
8.4.1	Federal Government Securities - Government guaranteed		
Market Treasury Bills		143,416,675	295,433,821
Pakistan Investment Bonds		360,611,418	109,035,246
Foreign Currency Bonds		6,510,541	5,784,962
Ijarah Sukuk		26,952,616	4,108,362
Sukuk		43,380,941	4,468,750
Term Finance Certificates - Unlisted		285,714	571,429
		581,157,905	419,402,570
8.4.2	Shares		
8.4.2.1	Listed Companies		
Automobile Assembler		199,842	199,842
Cement		292,921	292,921
Commercial Banks		150,024	150,024
Fertiliser		923,380	923,380
Food and Personal Care Products		23,211	23,211
Insurance		29,975	29,975
Securities Companies		92,509	92,509
Oil and Gas Marketing Companies		788,541	788,541
Paper and Board		38,264	38,264
Pharmaceuticals		21,775	21,775
Power Generation and Distribution		1,607,640	1,607,640
Technology and Communication		13,140	13,140
Textile Composite		40,644	40,644
		4,221,866	4,221,866



8.4.2.2 Unlisted Companies	Break up value as at	2020		2019	
		Cost	Breakup value (Rupees in '000)	Cost	Breakup value
Khushhali Bank Limited	December 31, 2019	30,000	165,372	30,000	144,255
Pakistan Export Finance Guarantee Agency Limited	—	5,700	—	5,700	—
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	—	18,536	—	18,536	—
Pakistan Mortgage Refinance Company Limited	December 31, 2019	50,000	64,183	50,000	50,746
1LINK (Guarantee) Limited	December 31, 2019	50,000	202,032	—	—
		<u>154,236</u>	<u>431,587</u>	<u>104,236</u>	<u>195,001</u>
Cost					
8.4.3 Non Government Debt Securities		2020		2019	
		(Rupees in '000)			
8.4.3.1 Listed					
AA+		1,267,724		1,449,410	
AA		200,000		152,727	
AA-		500,000		500,000	
A		1,300,000		1,300,000	
A-		50,000		—	
		<u>3,317,724</u>		<u>3,402,137</u>	
8.4.3.2 Unlisted					
AA		1,200,000		900,000	
AA-		750,000		750,000	
A+		75,000		284,707	
A		100,000		100,000	
A-		—		149,960	
BBB+		99,940		—	
		<u>2,224,940</u>		<u>2,184,667</u>	
8.4.4 Mutual funds					
AAA(f)		50,000		50,000	
AA(f)		550,000		1,650,000	
AA-(f)		200,000		200,000	
A+(f)		100,000		—	
Unrated		1,225,000		1,225,000	
		<u>2,125,000</u>		<u>3,125,000</u>	



8.4.5 Foreign Securities	2020		2019	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Bahrain	319,668	B+	309,695	BB-
Srilanka	3,723,756	CCC	4,247,753	B
Egypt	2,097,411	B+	1,246,574	B+
Turkey	751,021	BB-	720,201	BB-
	6,891,856		6,524,223	
Cost				
	2020		2019	
				(Rupees in '000)

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	154,641,075	133,248,413
Foreign Currency Bonds	4,213,506	1,147,047
Ijarah Sukuks	—	10,756,915
Sukuks	641,683	—
	159,496,264	145,152,375

Non Government Debt Securities - Unlisted

- A+	—	46,632
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Others

Pakistan Corporate Restructuring Company Limited (PCRCL)	4,481	—
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Foreign Securities	2020		2019	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Egypt	482,090	B+	467,747	B+
Srilanka	1,226,569	CCC	—	—
	1,708,659		467,747	

8.5.1 The market value of securities classified as held to maturity at 31 December 2020 amounted to Rs. 168,809 million (2019: Rs. 148,608 million).



8.6 Associates

			Name of companies / funds	Note	2020	2019
		No. of ordinary shares / units				(Rupees in '000)
		9,415,312	9,415,312 Habib Sugar Mills Limited % of holding: 6.28% (2019: 6.28%) Par value per share: Rs. 5 Market value: Rs. 319,273 million (2019: Rs. 360,136 million) Chief Executive: Mr. Raeesul Hasan	8.6.2	182,690	182,690
		-	9,000,000 AL Habib Asset Management Limited (formerly Habib Asset Management Limited)	8.6.3	-	81,000
		1,363,808	1,363,808 First Habib Income Fund % of holding: 17.86% (2019: 21.91%) Average cost per unit: Rs. 109.99 (2019: Rs. 109.99) Net asset value: Rs. 103.48 (2019: Rs. 106.01) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		150,000	150,000
		100,000	100,000 First Habib Stock Fund % of holding: 7.09% (2019: 6.67%) Average cost per unit: Rs. 100 (2019: Rs. 100) Net asset value: Rs. 86.07 (2019: Rs. 84.68) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		10,000	10,000
		16,288,303	1,392,189 First Habib Cash Fund % of holding: 12.47% (2019: 6.61%) Average cost per unit: Rs. 101.30 (2019: Rs. 107.74) Net asset value: Rs. 100.98 (2019: Rs. 100.23) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		1,650,000	150,000
		100,929	100,929 First Habib Islamic Stock Fund % of holding: 8.23% (2019: 7.16%) Average cost per unit: Rs. 99.08 (2019: Rs. 99.08) Net asset value: Rs. 84.99 (2019: Rs. 82.08) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		10,000	10,000
		250,421	5,493,453 First Habib Islamic Income Fund % of holding: 0.22% (2019: 14.32%) Average cost per unit: Rs. 98.46 (2019: Rs. 100.85) Net asset value: Rs. 100.58 (2019: Rs. 100.17) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		24,656	549,656
		200,149	200,149 First Habib Asset Allocation Fund % of holding: 19.75% (2019: 17.87%) Average cost per unit: Rs. 99.93 (2019: Rs. 99.93) Net Asset Value: Rs. 101.98 (2019: Rs. 90.70) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		20,000	20,000
					2,047,346	1,153,346

8.6.1 The place of business and incorporation of associates is Pakistan.



Associates - Key Information
(Based on latest audited financial statements)

	Habib Sugar Mills Limited	First Habib Income Fund	First Habib Stock Fund	First Habib Cash Fund (Rupees in '000)	First Habib Islamic Stock Fund	First Habib Islamic Income Fund	First Habib Asset Allocation Fund
Assets	11,106,205	1,507,587	111,069	4,540,353	119,489	9,050,920	107,688
Liabilities	2,483,243	384,865	6,227	903,419	16,084	20,828	1,136
Total income	10,138,211	100,485	3,020	280,375	3,806	470,279	3,792
Profit / (loss) before taxation	804,295	85,788	(1,564)	254,764	(355)	425,663	(314)
Profit / (loss) after taxation	694,295	85,788	(1,564)	254,764	(355)	425,663	(314)
Other comprehensive income	265,474	-	-	-	-	-	-

8.6.2 Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.

8.6.3 During the year, the Bank has acquired 21,000,000 shares of AL Habib Asset Management Limited and increased its shareholding to 100%. Accordingly, the investment is reclassified as investment in subsidiary. Subsequent to acquisition, the Bank has also made additional investment of Rs. 450 million.

8.7 Subsidiaries

2020	2019	Name of companies	Note	2020	2019
		No. of ordinary shares		(Rupees in '000)	
20,000,000	20,000,000	AL Habib Capital Markets (Private) Limited % of holding: 66.67% (2019: 66.67%) Par value per share: Rs. 10 Break up value per share: Rs. 10.63 Chief Executive: Mr. Aftab Q. Munshi Principal place of business: Pakistan		200,000	200,000
75,000,000	-	AL Habib Asset Management Limited (formerly Habib Asset Management Limited) % of holding: 100% (2019: Nil) Par value per share: Rs. 10 Break up value per share: Rs. 9.08 Chief Executive: Mr. Kashif Rafi Principal place of business: Pakistan	8.6.3	683,250	-
				883,250	200,000

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019 (Rupees in '000)	2020	2019
Loans, cash credits, running finances, etc.	9.1	429,521,092	407,463,485	6,970,943	6,989,020	436,492,035	414,452,505
Islamic financing and related assets		58,248,930	50,662,682	218,174	82,542	58,467,104	50,745,224
Bills discounted and purchased		27,742,924	32,876,085	192,356	186,354	27,935,280	33,062,439
Advances - gross		515,512,946	491,002,252	7,381,473	7,257,916	522,894,419	498,260,168
Provision against advances							
- Specific		-	-	6,497,479	6,201,412	6,497,479	6,201,412
- General as per regulations		267,290	263,290	-	-	267,290	263,290
- General		5,750,000	3,000,000	-	-	5,750,000	3,000,000
- As per IFRS 9 in overseas branches		128,018	126,019	-	-	128,018	126,019
		6,145,308	3,389,309	6,497,479	6,201,412	12,642,787	9,590,721
Advances - net of provision		509,367,638	487,612,943	883,994	1,056,504	510,251,632	488,669,447



9.1 Includes net investment in finance lease as disclosed below:

	2020			2019		
	Not later than one year	Later than one and less than five years	Total (Rupees in '000)	Not later than one year	Later than one and less than five years	Total
Lease rentals receivable	7,448,062	12,376,700	19,824,762	8,477,197	9,784,780	18,261,977
Residual value	1,707,629	2,978,287	4,685,916	1,426,512	4,826,361	6,252,873
Minimum lease payments	9,155,691	15,354,987	24,510,678	9,903,709	14,611,141	24,514,850
Financial charges for future periods	(1,059,738)	(1,702,182)	(2,761,920)	(1,884,098)	(1,717,790)	(3,601,888)
Present value of minimum lease payments	8,095,953	13,652,805	21,748,758	8,019,611	12,893,351	20,912,962

9.2 Particulars of advances (Gross)

2020 2019
(Rupees in '000)

In local currency	453,533,720	409,294,620
In foreign currencies	69,360,699	88,965,548
	522,894,419	498,260,168

9.3 Advances include Rs. 7,381.473 million (2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	62,671	292	82,730	456
Substandard	165,014	33,385	377,335	84,250
Doubtful	1,118,292	499,908	1,014,818	503,459
Loss	3,987,501	3,965,101	3,696,404	3,681,349
	5,333,478	4,498,686	5,171,287	4,269,514
Overseas				
Overdue by:				
181 to 365 days	136,600	87,398	913,445	758,714
> 365 days	1,911,395	1,911,395	1,173,184	1,173,184
	2,047,995	1,998,793	2,086,629	1,931,898
Total	7,381,473	6,497,479	7,257,916	6,201,412



9.4 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
Opening balance	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments	68,496	5,158	73,654	104,015	16,608	120,623
Charge for the year						
- Specific provision	887,878	-	887,878	2,092,790	-	2,092,790
- General provision as per regulations	-	4,000	4,000	-	25,191	25,191
- As per IFRS 9 in overseas branches	-	(3,159)	(3,159)	-	(30,774)	(30,774)
- General provision for loans and advances 9.4.2	-	2,750,000	2,750,000	-	-	-
Reversals	(648,847)	-	(648,847)	(345,809)	-	(345,809)
	239,031	2,750,841	2,989,872	1,746,981	(5,583)	1,741,398
Amounts written off 9.5	(6,979)	-	(6,979)	(1,479)	-	(1,479)
Others 9.6	(4,481)	-	(4,481)	-	-	-
Closing balance	<u>6,497,479</u>	<u>6,145,308</u>	<u>12,642,787</u>	<u>6,201,412</u>	<u>3,389,309</u>	<u>9,590,721</u>

9.4.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	4,498,686	6,017,290	10,515,976	4,269,514	3,263,290	7,532,804
In foreign currencies	1,998,793	128,018	2,126,811	1,931,898	126,019	2,057,917
	<u>6,497,479</u>	<u>6,145,308</u>	<u>12,642,787</u>	<u>6,201,412</u>	<u>3,389,309</u>	<u>9,590,721</u>

9.4.2 In line with its prudent policies, the Bank has also made general provision of Rs. 2,750 million (2019: Nil), bringing the total of such provision to Rs. 5,750 million (2019: Rs. 3,000 million). This general provision is in addition to the requirements of the Prudential Regulations.

9.4.3 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.

9.5	PARTICULARS OF WRITE OFFs	Note	2020 (Rupees in '000)	2019
9.5.1	Against Provisions Directly charged to Profit and Loss account	9.4	6,979 -	1,479 -
			<u>6,979</u>	<u>1,479</u>
9.5.2	Write Offs of Rs. 500,000 and above - Domestic Write Offs of below Rs. 500,000	9.7	4,360 2,619	815 664
			<u>6,979</u>	<u>1,479</u>



9.6 This represents Rs. 4.481 million of non-performing loan was transferred to Pakistan Corporate Restructuring Company Limited (PCRCL) during the year.

9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2020 (Rupees in '000)	2019					
10. FIXED ASSETS								
Capital work - in - progress	10.1	2,279,324	1,597,551					
Property and equipment	10.2	41,688,669	34,964,957					
		43,967,993	36,562,508					
10.1 Capital work - in - progress								
Civil works		454,808	652,132					
Advance payment for purchase of equipments		51,867	68,212					
Advance payment towards suppliers, contractors and property		1,740,546	854,366					
Consultants' fee and other charges		32,103	22,841					
		2,279,324	1,597,551					
10.2 Property and Equipment								
		2020						
			Right of use					
	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment (Rupees in '000)	Vehicles	Improvements to leasehold building	assets - building on leasehold land	Total
At 01 January 2020								
Cost / Revalued amount	10,724,438	10,083,880	1,420,179	8,831,843	3,390,210	2,766,206	9,594,046	46,810,802
Accumulated depreciation	-	(779,371)	(576,463)	(5,761,312)	(1,601,324)	(1,732,020)	(1,395,355)	(11,845,845)
Net book value	10,724,438	9,304,509	843,716	3,070,531	1,788,886	1,034,186	8,198,691	34,964,957
Year ended 31 December 2020								
Opening net book value	10,724,438	9,304,509	843,716	3,070,531	1,788,886	1,034,186	8,198,691	34,964,957
Additions	291,338	1,100,546	274,354	1,439,840	947,251	394,308	-	4,447,637
Additions to ROUs	-	-	-	-	-	-	3,224,658	3,224,658
Movement in surplus on assets revalued during the year	1,703,806	1,914,291	-	-	-	-	-	3,618,097
Disposals	-	(14,051)	(2,207)	(3,680)	(137,195)	(1,723)	-	(158,856)
Depreciation charge	-	(434,007)	(128,696)	(1,075,530)	(623,281)	(518,608)	(1,661,393)	(4,441,515)
Other adjustments / transfers	130,450	(72,826)	-	-	(2,720)	(21,213)	-	33,691
Closing net book value	12,850,032	11,798,462	987,167	3,431,161	1,975,661	905,443	9,740,743	41,688,669
At 31 December 2020								
Cost / Revalued amount	12,850,032	12,082,997	1,681,760	10,117,278	3,731,350	3,114,048	12,652,438	56,229,903
Accumulated depreciation	-	(284,535)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(2,911,695)	(14,541,234)
Net book value	12,850,032	11,798,462	987,167	3,431,161	1,975,661	905,443	9,740,743	41,688,669
Rate of depreciation (percentage)	-	2.22% - 20%	10%	20%	20%	20%	-	



2019

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
At 01 January 2019								
Cost / Revalued amount	9,005,011	9,495,459	1,234,055	8,146,278	3,114,891	2,488,339	8,139,524	41,623,557
Accumulated depreciation	–	(460,141)	(496,056)	(4,942,336)	(1,562,803)	(1,273,423)	–	(8,734,759)
Net book value	<u>9,005,011</u>	<u>9,035,318</u>	<u>737,999</u>	<u>3,203,942</u>	<u>1,552,088</u>	<u>1,214,916</u>	<u>8,139,524</u>	<u>32,888,798</u>
Year ended 31 December 2019								
Opening net book value	9,005,011	9,035,318	737,999	3,203,942	1,552,088	1,214,916	8,139,524	32,888,798
Additions	1,706,068	601,780	220,951	874,149	921,505	301,388	–	4,625,841
Additions to ROUs	–	–	–	–	–	–	1,454,522	1,454,522
Disposals	–	–	(3,587)	(5,747)	(130,093)	(4,235)	–	(143,662)
Depreciation charge	–	(319,230)	(111,647)	(1,001,813)	(554,614)	(477,883)	(1,395,355)	(3,860,542)
Other adjustments / transfers	13,359	(13,359)	–	–	–	–	–	–
Closing net book value	<u>10,724,438</u>	<u>9,304,509</u>	<u>843,716</u>	<u>3,070,531</u>	<u>1,788,886</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,964,957</u>
At 31 December 2019								
Cost / Revalued amount	10,724,438	10,083,880	1,420,179	8,831,843	3,390,210	2,766,206	9,594,046	46,810,802
Accumulated depreciation	–	(779,371)	(576,463)	(5,761,312)	(1,601,324)	(1,732,020)	(1,395,355)	(11,845,845)
Net book value	<u>10,724,438</u>	<u>9,304,509</u>	<u>843,716</u>	<u>3,070,531</u>	<u>1,788,886</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,964,957</u>
Rate of depreciation (percentage)	–	2.22% - 12.50%	10%	20%	20%	20%	–	–

10.3 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 surplus of Rs. 3,618.097 million over the book value of the respective properties and also net deficit of Rs. 122.190 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2020 would have been as follows:

	2020	2019
	(Rupees in '000)	
Leasehold land	<u>8,730,369</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>6,932,544</u>	<u>4,670,487</u>

10.4 The gross carrying amount of fully depreciated assets still in use is as follows:

Furniture and fixture	<u>225,879</u>	<u>200,124</u>
Electrical, office and computer equipment	<u>4,099,451</u>	<u>3,144,841</u>
Vehicles	<u>514,711</u>	<u>450,511</u>
	<u>4,840,041</u>	<u>3,795,476</u>

10.5 Details of disposal of fixed assets during the year:

Particulars	2020		
	Cost	Book value	Insurance claim
	(Rupees in '000)		
Habib Insurance Company Limited - (Related Party - Karachi)			
Furniture and fixture	<u>1,396</u>	<u>371</u>	<u>833</u>
Electrical, office and computer equipment	<u>12,754</u>	<u>1,034</u>	<u>11,153</u>
Vehicles	<u>7,480</u>	<u>2,321</u>	<u>6,681</u>



11. INTANGIBLE ASSETS

11. INTANGIBLE ASSETS	2020	2019
	(Rupees in '000)	
Computer software		
At 01 January,		
Cost	1,279,007	862,562
Accumulated amortisation	(913,579)	(695,632)
Net book value	<u>365,428</u>	<u>166,930</u>
Year ended 31 December,		
Opening net book value	365,428	166,930
Additions directly purchased	133,070	416,445
Amortisation charge	(287,387)	(217,947)
Closing net book value	<u>211,111</u>	<u>365,428</u>
At 31 December,		
Cost	1,412,077	1,279,007
Accumulated amortisation	(1,200,966)	(913,579)
Net book value	<u>211,111</u>	<u>365,428</u>
Rate of amortisation (percentage)	<u>50%</u>	<u>50%</u>
Useful life	<u>2 years</u>	<u>2 years</u>

11.1 As at 31 December 2020, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 867.542 million (2019: Rs. 632.194 million).

12. OTHER ASSETS

12. OTHER ASSETS	Note	2020 (Rupees in '000)	2019
Income / mark - up accrued in local currency - net of provision		16,941,538	19,895,629
Income / mark - up accrued in foreign currencies - net of provision		691,713	600,408
Advances, deposits, advance rent and other prepayments		672,169	581,084
Advance taxation (payments less provisions)		—	682,237
Non - banking assets acquired in satisfaction of claims	12.1	814,912	874,900
Mark to market gain on forward foreign exchange contracts		931,153	1,032,137
Acceptances		52,522,498	36,264,680
Stationery and stamps on hand		393,693	240,307
Receivable from SBP on encashment of Government Securities		33,013	41,680
Non - refundable deposits		—	35,845
ATM settlement account		943,062	239,233
Others		867,290	1,208,650
		74,811,041	61,696,790
Less: Provision held against other assets	12.2	(6,884)	(7,383)
Other Assets (net of provision)		74,804,157	61,689,407
Surplus on revaluation of non - banking assets acquired in satisfaction of claims	12.1	139,165	34,482
Other Assets - total		74,943,322	61,723,889
12.1 Market value of non - banking assets acquired in satisfaction of claims		957,093	1,013,291



Market value of the non-banking assets acquired in satisfaction of claims has been carried out by an independent valuers, M/s. K.G.Traders (Pvt.) Ltd. and MYK Associates (Pvt.) Ltd. based on present physical condition and location of non - banking assets. Fair values were ascertained by the independent valuers through various enquiries conducted by them at site from real estate agents and brokers.

		2020	2019
		(Rupees in '000)	
12.1.1	Non - banking assets acquired in satisfaction of claims		
Opening balance		909,382	836,448
Additions		-	80,000
Revaluations		106,658	-
Transferred to fixed assets		(54,904)	-
Depreciation		(7,059)	(7,066)
Closing balance		954,077	909,382
12.2	Provision held against other assets		
Receivable against consumer loans		6,884	7,383
12.2.1	Movement in provision held against other assets		
Opening balance		7,383	7,279
Charge for the year		6,080	2,108
Reversals		(5,255)	(1,658)
Amount written off		825	450
Closing balance		6,884	7,383
13.	CONTINGENT ASSETS		
There were no contingent assets of the Bank as at 31 December 2020 (2019: Nil).			
		Note	2020
			(Rupees in '000)
14.	BILLS PAYABLE		
In Pakistan		31,013,221	20,168,673
15.	BORROWINGS		
Secured			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	15.1	58,086,099	42,657,650
Under renewable energy	15.2	8,958,686	3,946,903
Under long term financing for imported and locally manufactured plant and machinery	15.3	25,128,756	19,796,175
Under modernisation of small and medium enterprises	15.4	331,848	310,422
Under women entrepreneurship	15.5	26,957	19,159
Under financing facility for storage of agricultural produce	15.6	416,073	2,869
Under refinance scheme for payment of wages and salaries	15.7	15,720,186	-
Under temporary economic refinance facility	15.8	4,387,473	-
Repurchase agreement borrowings	15.9	113,056,078	66,733,178
Borrowings from financial institutions		98,345,030	153,365,059
Total secured		211,401,108	227,840,617
Unsecured			
Overdrawn nostro accounts		198,297	904,417
		211,599,405	228,745,034



15.1 These carry mark - up rates ranging from 1% to 2% (2019: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.

15.2 These carry mark - up rates of 2% to 3% (2019: 2% to 3%) per annum having maturity periods over ten years.

15.3 These carry mark - up rates ranging from 2% to 6% (2019: 2% to 6%) per annum having maturity periods over ten years.

15.4 These carry mark - up rates of 2% (2019: 2%) per annum having maturity periods upto seven years.

15.5 These carry mark - up rate of Nil (2019: Nil) per annum having maturity periods upto five years.

15.6 These carry mark - up rates from 2.5% to 3.5% (2019: 2.00%) per annum having maturity periods upto seven years.

15.7 These carry mark - up rates upto 1% (2019: Nil) per annum having maturity periods upto three years.

15.8 These carry mark - up rates of 1% (2019: Nil) per annum having maturity periods upto ten years.

15.9 These repurchase agreement borrowings are secured against market treasury bills. These carry effective mark - up rates of 7.05% (2019: 13.10% to 13.45%) per annum, having maturity periods upto one week.

15.10 Particulars of borrowings with respect to currencies	2020		2019	
	(Rupees in '000)			
In local currency			211,401,108	220,098,237
In foreign currencies			198,297	8,646,797
			211,599,405	228,745,034

16. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In local currency	In foreign currencies	Total (Rupees in '000)	In local currency	In foreign currencies	Total
Customers						
Current deposits	351,389,228	40,963,348	392,352,576	280,838,981	34,758,774	315,597,755
Savings deposits	283,179,499	43,773,628	326,953,127	222,230,042	38,657,119	260,887,161
Term deposits	177,719,569	40,377,454	218,097,023	162,116,200	33,990,552	196,106,752
Current deposits - remunerative	120,360,146	2,247,064	122,607,210	96,456,401	771,529	97,227,930
Others	15,419,195	7,337,309	22,756,504	11,695,770	8,186,073	19,881,843
	948,067,637	134,698,803	1,082,766,440	773,337,394	116,364,047	889,701,441
Financial institutions						
Current deposits	3,568,698	203,742	3,772,440	1,717,725	1,234,067	2,951,792
Savings deposits	576,096	18	576,114	4,407,712	16	4,407,728
Term deposits	1,335,500	135,060	1,470,560	1,750,000	114,123	1,864,123
Current deposits - remunerative	10,381,784	697,737	11,079,521	4,578,433	192,643	4,771,076
Others	21,286	—	21,286	6,622	—	6,622
	15,883,364	1,036,557	16,919,921	12,460,492	1,540,849	14,001,341
	963,951,001	135,735,360	1,099,686,361	785,797,886	117,904,896	903,702,782



2020 **2019**
(Rupees in '000)

16.1 Composition of deposits

- Individuals	694,690,728	582,949,390
- Government (Federal and Provincial)	43,377,359	29,894,596
- Public Sector Entities	52,701,961	36,377,166
- Banking Companies	341,145	3,888,753
- Non-Banking Financial Institutions	16,578,776	10,112,588
- Private Sector	291,996,392	240,480,289
	<hr/> 1,099,686,361	<hr/> 903,702,782

16.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 787,834.683 million (2019: Rs. 623,000.257 million).

Note **2020** **2019**
(Rupees in '000)

17. SUBORDINATED DEBT - Unsecured

Term Finance Certificates (TFCs) - V - (Unquoted)	17.1	3,992,800	3,994,400
Term Finance Certificates (TFCs) - VI - (Unquoted)	17.2	7,000,000	7,000,000
Term Finance Certificates (TFCs) - VII - (Unquoted)	17.3	3,996,800	3,998,400
		<hr/> 14,989,600	<hr/> 14,992,800

17.1 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).



17.2 Term Finance Certificates - VI (Unquoted)

Issue amount	Rupees 7,000 million
Issue date	December 2017
Maturity date	Perpetual
Rating	AA-
Profit payment frequency	semi - annually
Redemption	No fixed or final redemption date
Mark - up	Payable six monthly at six months' KIBOR plus 1.5% without any floor and cap. The issuer will have full discretion over the amount and timing of profit distribution, and waiver of any profit distribution or other payment will not constitute an event of default.
Call option	On or after five years. As per SBP's requirement, the Bank shall not exercise call option unless the called instrument is replaced with capital of same or better quality.
Lock - in - clause	No profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).

17.3 Term Finance Certificates - VII (Unquoted)

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



18. DEFERRED TAX LIABILITIES

	2020		
	At 01 January 2020	Recognised in profit and loss account	Recognised in other comprehensive income
	(Rupees in '000)		
Taxable Temporary Differences on			
Accelerated tax depreciation	960,038	(32,608)	–
Surplus on revaluation of fixed assets / non - banking assets	984,461	(56,261)	678,314
Remeasurement of defined benefit plan	165,629	(165,629)	–
Surplus on revaluation of available for sale investments	828,625	–	658,305
Surplus on revaluation of held for trading securities	–	270	–
	2,938,753	(254,228)	1,336,619
			4,021,144
Deductible Temporary Differences on			
Provision against diminution in the value of investments	(772,704)	(498,101)	–
Provision against loans and advances, off balance sheet, etc.	(785,860)	(939,576)	–
Workers' welfare fund	–	(848,152)	–
	(1,558,564)	(2,285,829)	–
	1,380,189	(2,540,057)	1,336,619
			176,751
	2019		
	At 01 January 2019	Recognised in profit and loss account	Recognised in other comprehensive income
	(Rupees in '000)		
Taxable Temporary Differences on			
Accelerated tax depreciation	1,042,090	(82,052)	–
Surplus on revaluation of fixed assets / non - banking assets	1,023,644	(39,183)	–
Remeasurement of defined benefit plan	246,397	(80,768)	–
Surplus on revaluation of available for sale investments	(688,967)	–	1,517,592
	1,623,164	(202,003)	1,517,592
			2,938,753
Deductible Temporary Differences on			
Provision against diminution in the value of investments	(194,145)	(578,559)	–
Provision against loans and advances, off balance sheet, etc.	(71,145)	(714,715)	–
Surplus on revaluation of held for trading investments	(7,671)	7,671	–
	(272,961)	(1,285,603)	–
	1,350,203	(1,487,606)	1,517,592
			1,380,189



Note 2020 2019
(Rupees in '000)

19. OTHER LIABILITIES

Mark - up / return / interest payable in local currency	1,683,612	4,945,307
Mark - up / return / interest payable in foreign currencies	196,066	253,120
Unearned commission income	304,009	241,742
Accrued expenses	2,532,647	1,281,288
Acceptances	52,522,498	36,264,680
Unclaimed dividends	474,931	426,525
Mark to market loss on forward foreign exchange contracts	490,822	1,767,178
Branch adjustment account	2,639,104	2,336,825
Payable to defined benefit plan	683,514	473,227
Charity payable	41,298	43,474
Provision against off - balance sheet items	19.1 146,692	129,369
Security deposits against leases / ijarah	5,690,619	6,532,535
Provision for compensated absences	19.2 969,754	722,300
Special exporters' accounts in foreign currencies	43,518	194,604
Other security deposits	647,203	592,271
Workers' welfare fund	2,423,293	1,751,577
Payable to SBP / NBP	455,014	210,373
Payable to supplier against murabaha	166,017	186,648
Insurance payable	470,883	455,266
Lease liability against right-of-use assets	10,526,139	8,316,718
Current taxation (payments less provisions)	450,248	—
Others	1,211,732	1,064,496
	<u>84,769,613</u>	<u>68,189,523</u>

19.1 Provision against off - balance sheet obligations

Opening balance	129,369	116,600
Exchange adjustment against IFRS 9 in overseas branches	1,470	9,738
Charge for the year	19,748	30,897
Reversals	(3,895)	(27,866)
	<u>15,853</u>	<u>3,031</u>
Closing balance	<u>146,692</u>	<u>129,369</u>

19.1.1 The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantee.

19.2 Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:

	2020 (% per annum)	2019 (% per annum)
Discount rate	<u>10.25%</u>	<u>12.25%</u>
Expected rate of increase in salary in future years	<u>9.25%</u>	<u>11.25%</u>



20. SHARE CAPITAL

20.1 Authorised Capital

2020	2019		2020	2019
		Number of shares	(Rupees in '000)	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>15,000,000</u>	<u>15,000,000</u>

20.2 Issued, subscribed and paid up capital

2020	2019		2020	2019
		Number of shares	(Rupees in '000)	
30,000,000	30,000,000	Fully paid in cash	300,000	300,000
<u>1,081,425,416</u>	<u>1,081,425,416</u>	Issued as bonus shares	<u>10,814,254</u>	<u>10,814,254</u>
<u>1,111,425,416</u>	<u>1,111,425,416</u>		<u>11,114,254</u>	<u>11,114,254</u>

20.3 As of statement of financial position date 162,818,503 (2019: 180,881,503) ordinary shares of Rs. 10/- each were held by the related parties.

Note 2020 2019
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS

Surplus on revaluation of:

- Available for sale securities	8.1	4,248,372	2,367,499
- Fixed Assets	21.1	9,062,739	5,495,269
- Non - banking assets acquired in satisfaction of claims	21.2	139,165	34,482
		13,450,276	7,897,250

Deferred tax on surplus on revaluation of:

- Available for sale securities	21.1	1,486,930	828,625
- Fixed Assets	21.1	1,663,701	1,049,269
- Non - banking assets acquired in satisfaction of claims	21.2	13,161	5,540
		3,163,792	1,883,434
		10,286,484	6,013,816

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at 01 January
 Surplus on revaluation of the Bank's fixed assets during the year
 Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax
 Related deferred tax liability on incremental depreciation charged during the year
 Surplus on revaluation of fixed assets as at 31 December

5,495,269	5,605,295
3,726,240	—
(103,200)	(71,517)
(55,570)	(38,509)
9,062,739	5,495,269

Less: related deferred tax liability on:

- revaluation as at 01 January	1,049,269	1,087,778
- revaluation recognised during the year	670,002	—
- incremental depreciation charged during the year	(55,570)	(38,509)
	1,663,701	1,049,269
	7,399,038	4,446,000



	Note	2020 (Rupees in '000)	2019
21.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims			
Surplus on revaluation of non-banking assets as at 01 January		34,482	36,408
Surplus on revaluation of non-banking assets during the year		106,658	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,284)	(1,252)
Related deferred tax liability on incremental depreciation charged during the year		(691)	(674)
Surplus on revaluation of non-banking assets as at 31 December		139,165	34,482
Less: related deferred tax liability on:			
- revaluation as at 01 January		5,540	6,214
- revaluation recognised during the year		8,312	–
- incremental depreciation charged during the year		(691)	(674)
		13,161	5,540
		126,004	28,942
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	92,814,672	81,086,627
- Commitments	22.2	351,718,547	346,877,061
- Other contingent liabilities	22.3	1,537,827	4,673,685
		446,071,046	432,637,373
22.1 Guarantees:			
Financial guarantees		20,716,906	16,237,352
Performance guarantees		72,097,766	64,849,275
		92,814,672	81,086,627
22.2 Commitments:			
Documentary credits and short term trade - related transactions			
- letters of credit		207,740,057	145,745,358
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	128,823,137	197,844,773
- forward lending	22.2.2	7,124,914	2,214,998
Commitments for acquisition of:			
- operating fixed assets		8,030,439	1,071,932
		351,718,547	346,877,061
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		75,472,905	106,704,798
Sale		53,350,232	91,139,975
		128,823,137	197,844,773
The maturities of above contracts are spread over the periods upto one year.			
22.2.2 Commitments in respect of forward lending		7,124,914	2,214,998
22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			



	2020	2019
	(Rupees in '000)	

22.3	Claims against the Bank not acknowledged as debts	1,537,827	4,673,685
22.4	Other contingent liabilities		

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

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

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

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses resulting in an impact of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses resulting in an impact of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2017 (Accounting Year 2016) by allowing certain expenses resulting in an impact of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order u/s. 122(5A) of Tax Year 2018 (Accounting Year 2017) by disallowing certain expenses resulting in an impact of Rs. 260.098 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

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

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

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

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

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

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



23. DERIVATIVE INSTRUMENTS

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

23.1 Product Analysis

Counter Parties	2020				TOTAL	
	CONTRACT		SWAP		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	9,107,115	(27,012)	68,172,458	372,325	77,279,573	345,313
Other Entities						
Hedging	51,543,564	95,018	–	–	51,543,564	95,018
Total						
Hedging	<u>60,650,679</u>	<u>68,006</u>	<u>68,172,458</u>	<u>372,325</u>	<u>128,823,137</u>	<u>440,331</u>
	2019					
	(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

	Number of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	297	51,974,821	(112,849)	296,381	183,532
1 to 3 months	412	46,596,575	(218,736)	340,228	121,492
3 to 6 months	352	19,991,703	(128,829)	161,815	32,986
6 months to 1 year	177	10,260,038	(30,408)	132,729	102,321
	<u>1,238</u>	<u>128,823,137</u>	<u>(490,822)</u>	<u>931,153</u>	<u>440,331</u>
	2019				
	(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
	<u>1,332</u>	<u>197,844,773</u>	<u>(1,767,178)</u>	<u>1,032,137</u>	<u>(735,041)</u>



	Note	2020 (Rupees in '000)	2019
24. MARK - UP / RETURN / INTEREST EARNED			
On loans and advances		43,412,475	50,320,400
On investments		81,094,310	53,033,167
On deposits with financial institutions		350,731	671,641
On securities purchased under resale agreements		198,514	1,291,640
On call money lendings		216,557	284,877
		125,272,587	105,601,725
25. MARK - UP / RETURN / INTEREST EXPENDED			
Deposits		48,041,028	49,250,286
Borrowings from SBP		1,616,923	1,166,339
Subordinated debt		1,753,337	1,944,179
Cost of foreign currency swaps		1,165,922	1,637,026
Repurchase agreement borrowings		13,923,326	9,404,347
Mark-up expense on lease liability against right-of-use assets		956,906	734,780
Other borrowings		195,169	278,709
		67,652,611	64,415,666
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,052,854	1,086,265
Investment banking fees		127,450	70,380
Consumer finance related fees		54,645	44,287
Card related fees (debit and credit cards)		533,648	626,717
Credit related fees		147,185	121,788
Commission on trade		4,046,591	3,454,118
Commission on guarantees		406,053	411,148
Commission on cash management		176,337	196,473
Commission on home remittances		118,958	54,728
Others		14,516	27,200
		6,678,237	6,093,104
27. GAIN / (LOSS) ON SECURITIES			
Realised	27.1	184,851	(32,469)
Unrealised - held for trading		771	—
		185,622	(32,469)
27.1 Realised gain / (loss) on:			
Federal Government Securities		5,494	100
Shares		10,960	(33,325)
Mutual funds		168,397	756
		184,851	(32,469)
28. OTHER INCOME			
Rent on property		5,990	2,100
Gain on sale of fixed assets - net		437,189	377,002
Recovery of expenses from customers	28.1	322,776	271,455
Lockers rent		13,176	10,085
Others		1,124	3,289
		780,255	663,931
28.1	Includes courier, SWIFT, postage and other charges recovered from customers.		



	Note	2020 (Rupees in '000)	2019
29. OPERATING EXPENSES			
Total compensation expenses	29.1	15,442,454	12,232,953
Property expenses			
Rent and taxes		310,778	364,045
Insurance		19,265	16,710
Utilities cost		1,094,841	1,047,320
Security (including guards)		1,029,806	871,860
Repair and maintenance (including janitorial charges)		326,252	240,392
Depreciation		2,621,067	2,199,534
Amortisation		—	7,609
		5,402,009	4,747,470
Information technology expenses			
Software maintenance		4,667	4,417
Hardware maintenance		1,194,369	465,967
Depreciation		223,401	251,689
Amortisation		287,387	217,947
Network charges		430,124	390,911
		2,139,948	1,330,931
Other operating expenses			
Directors' fees and allowances		35,037	45,650
Fees and allowances to Shariah Board		12,679	9,819
Insurance		494,678	357,902
Legal and professional charges		171,636	180,822
Outsourced services costs		1,639,293	1,435,776
Travelling and conveyance		188,097	243,601
NIFT and other clearing charges		136,532	126,269
Depreciation		1,604,106	1,416,385
Repair and maintenance		1,453,085	1,203,134
Training and development		27,116	45,691
Postage and courier charges		231,505	216,537
Communication		344,705	280,696
Stationery and printing		782,915	898,758
Marketing, advertisement and publicity		628,577	264,463
Donations	29.3	157,132	110,700
Auditors remuneration	29.4	8,117	6,600
Commission and brokerage		408,345	614,359
Entertainment and staff refreshment		285,541	307,372
Vehicle running expenses		1,097,251	863,258
Subscriptions and publications		209,754	167,579
CNIC verification charges		92,171	131,145
Security charges		311,961	278,742
Others		735,301	202,669
		11,055,534	9,407,927
		34,039,945	27,719,281



	2020 (Rupees in '000)	2019
29.1 Total compensation expense		
Fees and allowances etc.	663,964	438,579
Managerial remuneration	9,748,008	7,519,463
Charge for defined benefit plan	424,170	403,923
Contribution to defined contribution plan	600,454	527,940
Rent and house maintenance	2,592,508	2,239,780
Utilities	648,628	560,065
Medical	505,450	394,481
Charge for employees compensated absences	247,041	135,164
Social security	1,477	1,681
Staff indemnity	10,754	11,877
	15,442,454	12,232,953

The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

29.2 Total cost for the year included in other operating expenses relating to material outsourced activities is Rs. 35.885 million (2019: Rs. 30.693 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of Service Provider	Nature of Service
1.	Merchant On - Boarding and Terminal Management Services	M/s. Wemsol (Private) Limited	Point of Sale (POS) acquiring
2.	Credit Card system	M/s. Arab Financial Services (AFS)	Credit Card

29.3 The detail of donations is given below:

	2020 (Rupees in '000)	2019
Al-Sayyeda Benevolent Trust	3,000	3,000
Childlife Foundation	10,000	—
Habib Education Trust*	3,000	3,000
Habib Medical Trust	3,000	3,000
Habib Poor Fund**	3,000	3,000
Jinnah Foundation (Memorial) Trust	—	2,000
Panah Trust	—	500
Patients' Aid Foundation	50,000	85,000
Rahmatbai Habib Food and Clothing Trust	3,000	3,000
Rahmatbai Habib Widows and Orphans Trust	3,000	3,000
The Citizens Foundation	5,600	5,200
Masoomeen Hospital	13,000	—
The Indus Hospital	10,000	—
The Kidney Centre	25,000	—
Prime Minister's Corona Philanthropy Drive	25,532	—
	157,132	110,700

* Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

** Mr. Murtaza H. Habib, Director, is Trustee of Habib Poor Fund.

29.4 Auditors' remuneration

Audit fee	3,135	2,613
Half yearly review	990	825
Special certifications	2,759	2,301
Gratuity fund	109	91
Out of pocket expenses	1,124	770
	8,117	6,600

30. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	56,672	93,244
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	Note	2020 (Rupees in '000)	2019
31. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	8.3	1,414,689	1,650,116
Provision against loans and advances - net	9.4	2,989,872	1,741,398
Provision against off - balance sheet items	19.1	15,853	3,031
Provision against other assets	12.2.1	825	450
Deficit on revaluation of fixed asset - net	10.3	122,190	—
		4,543,429	3,394,995
32. TAXATION			
Current		13,300,165	8,757,958
Prior years		9,420	571,907
Deferred		(2,540,057)	(1,487,606)
		10,769,528	7,842,259
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		28,581,064	19,010,995
Tax at the applicable rate of 35% (2019: 35%)		10,003,372	6,653,848
Tax effects of:			
Expenses that are not deductible in determining taxable income		215,073	115,977
Tax effect of super tax		1,351,810	1,468,844
Others	32.1.1	(800,727)	(396,410)
		10,769,528	7,842,259

32.1.1 This includes adjustments to temporary differences pertaining to the prior years.

	Note	2020 (Rupees in '000)	2019
33. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		17,811,536	11,168,736
		(Number)	
Weighted average number of ordinary shares		1,111,425,416	1,111,425,416
		(Rupees)	
Basic and diluted earnings per share		16.03	10.05
		2020 (Rupees in '000)	2019
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	105,935,947	113,838,791
Balances with other banks	6	19,662,515	9,523,969
Overdrawn nostro accounts	15	(198,297)	(904,417)
		125,400,165	122,458,343



34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020		
	Subordinated debt	Lease liability	Dividend
			(Rupees in '000)
Balance as at 01 January 2020			
	14,992,800	8,316,718	426,525
Changes from financing cash flows			
Payments against subordinated debt	(3,200)	–	–
Payment against lease liability	–	(1,972,143)	–
Dividend paid	–	–	(3,841,582)
Total changes from financing cash flows	(3,200)	(1,972,143)	(3,841,582)
Other changes			
Addition to right-of-use-assets	–	3,224,658	–
Mark-up expense on lease liability against right-of-use assets	–	956,906	–
Cash dividend (Rs. 3.50 per share)	–	–	3,889,988
		4,181,564	3,889,988
Balance as at 31 December 2020	14,989,600	10,526,139	474,931
	2019		
	Subordinated debt	Lease liability	Dividend
			(Rupees in '000)
Balance as at 01 January 2019			
	14,996,000	–	415,647
Changes from financing cash flows			
Payments against subordinated debt	(3,200)	–	–
Payment against lease liability	–	(2,012,087)	–
Dividend paid	–	–	(2,767,686)
Total changes from financing cash flows	(3,200)	(2,012,087)	(2,767,686)
Other changes			
Addition to right-of-use-assets - net	–	9,594,025	–
Mark-up expense on lease liability against right-of-use assets	–	734,780	–
Cash dividend (Rs. 2.5 per share)	–	–	2,778,564
		10,328,805	2,778,564
Balance as at 31 December 2019	14,992,800	8,316,718	426,525



		2020	2019
		(Number)	
35.	STAFF STRENGTH		
	Permanent	12,485	11,315
	Temporary / on contractual basis	243	220
	Bank's own staff at end of the year	<u>12,728</u>	11,535
	Outsourced	2,768	2,594
	Total staff strength	<u><u>15,496</u></u>	14,129
35.1	Domestic	15,443	14,080
	Offshore	53	49
		<u><u>15,496</u></u>	14,129

36. DEFINED BENEFIT PLAN

36.1 General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
Less than 5 years	Nil
5 years or more but less than 10 years	1/3rd of basic salary for each year served
10 years or more but less than 15 years	2/3rd of basic salary for each year served
15 years or more	Full basic salary for each year served

The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

36.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 12,459 (2019: 11,073).

36.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2020 and the significant assumptions used for actuarial valuation were as follows:

	2020	2019
Discount Rate	10.25%	12.25%
Expected rate of return on plan assets	14.83%	23.73%
Expected rate of salary increase : Year 1	9.25%	11.25%
Year 2	9.25%	11.25%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



36.4 Reconciliation of payable to defined benefit plan	Note	2020		2019
		(Rupees in '000)		
Present value of obligations		4,323,932		3,590,184
Fair value of plan assets		(3,640,418)		(3,116,957)
Payable		683,514		473,227
36.5 Movement in defined benefit obligations				
Obligation at the beginning of the year		3,590,184		2,993,002
Current service cost		369,454		319,391
Interest cost		450,696		389,264
Benefits paid during the year		(72,206)		(120,225)
Remeasurement (gain) / loss		(14,196)		8,752
Obligation at the end of the year		4,323,932		3,590,184
36.6 Movement in fair value of plan assets				
Fair value at the beginning of the year		3,116,957		2,289,010
Interest income on plan assets		395,980		304,732
Contribution by the Bank - net		424,170		403,923
Actual benefits paid during the year		(72,206)		(120,225)
Remeasurement (loss) / gain on plan assets	36.8.2	(224,483)		239,517
Fair value at the end of the year		3,640,418		3,116,957
36.7 Movement in payable under defined benefit scheme				
Opening balance		473,227		703,992
Charge for the year		424,170		403,923
Contribution by the Bank		(424,170)		(403,923)
Remeasurement loss / (gain) recognised in Other Comprehensive Income during the year	36.8.2	210,287		(230,765)
Closing Balance		683,514		473,227
36.8 Charge for defined benefit plan				
36.8.1 Cost recognised in profit and loss				
Current service cost		369,454		319,391
Net interest on defined benefit liability		54,716		84,532
		424,170		403,923



	2020 (Rupees in '000)	2019
36.8.2 Re-measurements recognised in OCI during the year		
(Gain) / loss on obligation		
- Financial assumptions	(47,418)	(9,703)
- Experience assumptions	33,222	18,455
	(14,196)	8,752
Actuarial loss / (gain) on plan assets	224,483	(239,517)
Total Remeasurement loss / (gain) recognised in OCI	<u>210,287</u>	<u>(230,765)</u>
36.9 Components of plan assets		
Cash and cash equivalents - net	30,183	265,219
Unquoted investments		
Government securities	<u>3,610,235</u>	2,851,738
Total fair value of plan assets	<u>3,640,418</u>	<u>3,116,957</u>
36.10 Sensitivity analysis	2020 (Rupees in '000)	
1% increase in discount rate	3,915,527	
1% decrease in discount rate	<u>4,802,959</u>	
1% increase in expected rate of salary increase	<u>4,824,891</u>	
1% decrease in expected rate of salary increase	<u>3,890,634</u>	
36.11 Expected contributions to be paid to the funds in the next financial year	2021 (Rupees in '000)	
	<u>491,345</u>	
36.12 Expected charge for the next financial year	<u>491,345</u>	
36.13 Maturity profile	2020 (Rupees in '000)	
The weighted average duration of the obligation is 10.20 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)	248,812	
between 2 and 5 years	1,558,487	
between 5 and 10 years	3,563,167	
	<u>5,370,466</u>	



36.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

36.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 47.55% of the total Investments (Rs. 1.731 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T-Bills exposure is almost 51.61% (Rs. 1.879 billion).

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

Changes in Bond Yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in Bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant risk.

Other Risks

Though, not imminent and observable, over long term there are some risks that may crystallize. This includes:



Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the gratuity fund are also marked to market. This two-tier valuation gives rise to the model risk.

Retention Risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a Separate Entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

37. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.9.

	2020 (Rupees in '000)
Contributions made during the year :	
Employer's contribution	600,454
Employees' contribution	<u>600,454</u>

The number of employees covered under the defined contribution plan are 11,110 (2019: 10,262).



38. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense

	2020						
	Directors			Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	Chairman	Executives (other than CE)	Non- Executives				
(Rupees in '000)							
Fees and allowances etc.	6,720	—	24,400	—	—	—	—
Managerial remuneration	—	33,550	—	8,316	66,333	396,585	1,401,108
Charge for defined benefit plan	—	—	—	255	29,839	98,138	270,256
Contribution to defined contribution plan	—	—	—	212	4,600	22,850	94,759
Rent and house maintenance	—	9,460	—	3,030	18,400	112,795	402,379
Utilities	—	2,374	—	758	5,480	28,199	100,595
Medical	—	22	—	108	—	1,299	30,896
Others	3,917	—	—	—	—	5,074	25,653
Total	10,637	45,406	24,400	12,679	124,652	664,940	2,325,646
Number of persons	1	1	8	3	1	40	879
2019							
(Rupees in '000)							
Fees and allowances etc.	27,500	—	18,150	—	—	—	—
Managerial remuneration	—	27,000	—	6,520	47,000	273,277	1,093,039
Charge for defined benefit plan	—	6,353	—	—	19,793	38,648	106,639
Contribution to defined contribution plan	—	2,150	—	103	3,733	18,579	84,896
Rent and house maintenance	—	8,600	—	2,470	14,933	88,590	353,733
Utilities	—	2,162	—	618	4,482	22,147	88,433
Medical	—	—	—	108	—	1,080	29,016
Others	—	500	—	—	417	4,655	20,708
Total	27,500	46,765	18,150	9,819	90,358	446,976	1,776,464
Number of persons	1	1	10	3	1	35	828



Chief Executive, Executive Director, Members Shariah Board, Key Management Personal and Other Risk Takers / Controllers are entitled to Bank's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Bank. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

S.No.	Name of Director	2020							
		Meeting Fees and Allowances Paid							
		For Board Committees							
For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid		
(Rupees in '000)									
1. Mr. Abbas D. Habib	2,880	–	1,920	–	–	–	1,920	6,720	
2. Mr. Anwar Haji Karim	900	1,550	–	400	–	–	–	2,850	
3. Ms. Farhana Mowjee Khan	900	–	650	650	–	–	–	2,200	
4. Syed Mazhar Abbas	900	1,400	650	–	650	–	650	4,250	
5. Mr. Safar Ali Lakhani	900	1,550	–	650	400	–	–	3,500	
6. Syed Hasan Ali Bukhari	900	1,550	650	–	650	500	–	4,250	
7. Mr. Murtaza H. Habib	900	–	–	–	650	–	–	1,550	
8. Mr. Arshad Nasar	900	1,550	650	–	–	500	650	4,250	
9. Mr. Adnan Afridi	900	–	–	650	–	–	–	1,550	
	10,080	7,600	4,520	2,350	2,350	1,000	3,220	31,120	



2019

S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Committees							
		For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
(Rupees in '000)									
1.	Mr. Ali Raza D. Habib	150	—	—	—	—	—	—	150
2.	Mr. Anwar Haji Karim	600	1,200	—	600	—	—	—	2,400
3.	Ms. Farhana Mowjee Khan	450	—	300	300	—	—	—	1,050
4.	Syed Mazhar Abbas	600	1,050	450	—	450	—	450	3,000
5.	Mr. Safar Ali Lakhani	600	1,200	300	600	600	—	—	3,300
6.	Syed Hasan Ali Bukhari	600	1,200	600	—	600	—	—	3,000
7.	Mr. Murtaza H. Habib	600	—	—	—	600	—	—	1,200
8.	Mr. Arshad Nasar	600	1,200	600	—	—	—	600	3,000
9.	Mr. Adnan Afridi	450	—	—	300	—	—	—	750
10.	Mr. Manzoor Ahmed	150	—	—	150	—	—	—	300
		4,800	5,850	2,250	1,950	2,250	—	1,050	18,150

38.3 Remuneration paid to Shariah Board Members

Items	2020				2019		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member	
			(Rupees in '000)			(Rupees in '000)	
Managerial remuneration	3,400	2,516	2,400	2,800	1,720	2,000	—
Charge for defined benefit plan	—	255	—	—	—	—	—
Contribution to defined contribution plan	—	212	—	—	103	—	—
Rent and house maintenance	1,360	710	960	1,120	550	800	—
Utilities	340	178	240	280	138	200	—
Medical	36	36	36	36	36	36	—
Total	5,136	3,907	3,636	4,236	2,547	3,036	—
Number of persons	1	1	1	1	1	1	—



39. 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)
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 stated in notes 4.13 and 4.4.

39.1 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:

	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	21,226,600	564,406,847	—	585,633,447
Shares	3,017,147	—	—	3,017,147
Non-Government Debt Securities	3,147,744	2,224,940	—	5,372,684
Foreign Securities	—	4,767,358	—	4,767,358
Mutual funds	—	2,030,957	—	2,030,957
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	—	166,892,984	—	166,892,984
Non-Government Debt Securities	—	1,657,161	—	1,657,161
Associates				
Listed shares	319,273	—	—	319,273
Mutual funds	—	1,848,641	—	1,848,641
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	—	75,583,778	—	75,583,778
Forward sale of foreign exchange contracts	—	(53,020,774)	—	(53,020,774)
	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
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				
Investments				
Federal Government Securities	—	138,020,153	—	138,020,153
Non-Government Debt 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	—	107,736,935	—	107,736,935
Forward sale of foreign exchange contracts	—	(92,907,153)	—	(92,907,153)

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

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



40. TRUST ACTIVITIES

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

41. SEGMENT INFORMATION

41.1 Segment Details with respect to Business Activities

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

	2020		
	Commercial banking	Retail banking	Total
	(Rupees in '000)		
Profit and loss account			
Mark - up / return / profit	107,083,569	18,189,018	125,272,587
Inter segment revenue - net	—	29,560,092	29,560,092
Non mark - up / return / interest income	2,967,246	7,305,604	10,272,850
Total income	110,050,815	55,054,714	165,105,529
Segment direct expenses	(68,281,137)	(34,139,807)	(102,420,944)
Inter segment expense allocation	(29,560,092)	—	(29,560,092)
Total expenses	(97,841,229)	(34,139,807)	(131,981,036)
Provisions	(4,511,744)	(31,685)	(4,543,429)
Profit before tax	7,697,842	20,883,222	28,581,064
Statement of financial position			
Cash and bank balances	108,376,778	17,221,684	125,598,462
Investments	764,943,506	—	764,943,506
Net inter segment lending	—	663,583,850	663,583,850
Lendings to financial institutions	2,175,301	—	2,175,301
Advances - performing	439,491,420	69,876,218	509,367,638
- non-performing	796,039	87,955	883,994
Others	102,788,717	16,333,709	119,122,426
Total assets	1,418,571,761	767,103,416	2,185,675,177
Borrowings	211,599,405	—	211,599,405
Subordinated debt	14,989,600	—	14,989,600
Deposits and other accounts	412,837,148	686,849,213	1,099,686,361
Net inter segment borrowing	663,583,850	—	663,583,850
Others	43,715,576	72,244,009	115,959,585
Total liabilities	1,346,725,579	759,093,222	2,105,818,801
Equity	71,846,182	8,010,194	79,856,376
Total equity and liabilities	1,418,571,761	767,103,416	2,185,675,177
Contingencies and commitments	300,377,484	177,245	300,554,729



	2019		
	Commercial banking	Retail banking	Total
Profit and loss account			
Mark - up / return / profit	96,226,769	9,374,956	105,601,725
Inter segment revenue - net	–	31,667,850	31,667,850
Non mark - up / return / interest income	3,234,924	6,245,947	9,480,871
Total income	99,461,693	47,288,753	146,750,446
Segment direct expenses	(58,040,232)	(34,636,374)	(92,676,606)
Inter segment expense allocation	(31,667,850)	–	(31,667,850)
Total expenses	(89,708,082)	(34,636,374)	(124,344,456)
Provisions	(3,386,417)	(8,578)	(3,394,995)
Profit before tax	6,367,194	12,643,801	19,010,995
Statement of financial position			
Cash and bank balances	113,906,872	9,455,888	123,362,760
Investments	586,140,504	–	586,140,504
Net inter segment lending	–	581,041,519	581,041,519
Lending to financial institutions	1,857,575	–	1,857,575
Advances - performing	450,257,279	37,355,664	487,612,943
- non-performing	955,129	101,375	1,056,504
Others	91,090,056	7,561,769	98,651,825
Total assets	1,244,207,415	635,516,215	1,879,723,630
Borrowings	228,745,034	–	228,745,034
Subordinated debt	14,992,800	–	14,992,800
Deposits and other accounts	328,083,837	575,618,945	903,702,782
Net inter segment borrowing	581,041,519	–	581,041,519
Others	33,349,056	56,389,329	89,738,385
Total liabilities	1,186,212,246	632,008,274	1,818,220,520
Equity	57,995,169	3,507,941	61,503,110
Total equity and liabilities	1,244,207,415	635,516,215	1,879,723,630
Contingencies and commitments	226,672,893	159,092	226,831,985



41.2 Segment details with respect to geographical locations

GEOGRAPHICAL SEGMENT ANALYSIS

	2020				
	Pakistan	Middle East	Asia Pacific	Africa	Total
(Rupees in '000)					
Profit and loss account					
Mark - up / return / profit	122,501,000	1,268,780	1,372,606	130,201	125,272,587
Non mark - up / return / interest income	9,703,780	388,209	181,411	(550)	10,272,850
Total income	132,204,780	1,656,989	1,554,017	129,651	135,545,437
Segment direct expenses	(100,633,170)	(794,621)	(887,256)	(105,897)	(102,420,944)
Provisions	(3,422,585)	(576,013)	(528,892)	(15,939)	(4,543,429)
Profit before tax	28,149,025	286,355	137,869	7,815	28,581,064
Statement of financial position					
Cash and bank balances	125,387,063	160,218	47,955	3,226	125,598,462
Investments	745,208,314	10,132,651	7,503,288	2,099,253	764,943,506
Net inter segment lendings	4,489,540	7,006,181	829,541	2,552	12,327,814
Lending to financial institutions	2,175,301	—	—	—	2,175,301
Advances - performing	474,619,293	18,747,396	15,967,837	33,112	509,367,638
- non-performing	834,792	49,202	—	—	883,994
Others	98,626,780	2,462,635	17,992,718	40,293	119,122,426
Total assets	1,451,341,083	38,558,283	42,341,339	2,178,436	1,534,419,141
Borrowings	211,599,405	—	—	—	211,599,405
Subordinated debt	14,989,600	—	—	—	14,989,600
Deposits and other accounts	1,049,290,270	27,167,746	23,137,597	90,748	1,099,686,361
Net inter segment borrowings	5,143,103	5,307,456	394,791	1,482,464	12,327,814
Others	95,778,810	2,363,473	17,805,707	11,595	115,959,585
Total liabilities	1,376,801,188	34,838,675	41,338,095	1,584,807	1,454,562,765
Equity	74,539,895	3,719,608	1,003,244	593,629	79,856,376
Total equity and liabilities	1,451,341,083	38,558,283	42,341,339	2,178,436	1,534,419,141
Contingencies and commitments	294,581,495	5,157,900	815,334	—	300,554,729



2019

	Pakistan	Middle East	Asia Pacific	Africa	Total
(Rupees in '000)					
Profit and loss account					
Mark - up / return / profit	103,271,247	1,203,762	1,030,976	95,740	105,601,725
Non mark - up / return / interest income	9,144,967	194,062	141,368	474	9,480,871
Total income	112,416,214	1,397,824	1,172,344	96,214	115,082,596
Segment direct expenses	(91,026,511)	(731,221)	(812,685)	(106,189)	(92,676,606)
Provisions	(2,447,667)	(808,646)	(102,920)	(35,762)	(3,394,995)
Profit before tax	18,942,036	(142,043)	256,739	(45,737)	19,010,995
Statement of financial position					
Cash and bank balances	123,253,924	70,099	35,937	2,800	123,362,760
Investments	569,580,848	8,398,048	6,547,783	1,613,825	586,140,504
Net inter segment lendings	1,607,355	8,675,968	439,579	2,377	10,725,279
Lending to financial institutions	1,857,575	—	—	—	1,857,575
Advances - performing	453,318,827	19,780,937	14,513,179	—	487,612,943
- non-performing	901,773	154,731	—	—	1,056,504
Others	83,308,445	556,284	14,756,839	30,257	98,651,825
Total assets	1,233,828,747	37,636,067	36,293,317	1,649,259	1,309,407,390
Borrowings	221,002,654	7,742,380	—	—	228,745,034
Subordinated debt	14,992,800	—	—	—	14,992,800
Deposits and other accounts	861,667,642	23,867,406	18,010,982	156,752	903,702,782
Net inter segment borrowings	6,037,213	1,605,050	2,169,415	913,601	10,725,279
Others	74,623,306	494,784	14,608,357	11,938	89,738,385
Total liabilities	1,178,323,615	33,709,620	34,788,754	1,082,291	1,247,904,280
Equity	55,505,132	3,926,447	1,504,563	566,968	61,503,110
Total equity and liabilities	1,233,828,747	37,636,067	36,293,317	1,649,259	1,309,407,390
Contingencies and commitments	213,556,869	13,101,824	173,292	—	226,831,985

42. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates (including entities having directors in common with the Bank), retirement benefit funds, 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 with related parties, other than those disclosed in note 10.5, 20.3 and 38 are summarised as follows:

	2020					2019				
	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 year	-	-	683,250	1,500,000	-	-	-	-	525,000	-
Investments adjusted / redeemed / disposed off during the year	-	-	-	(606,000)	-	-	-	-	-	-
Closing balance	-	-	883,250	2,047,346	-	-	-	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 year	35,349	333,923	16,369,273	56,387,053	-	55,443	363,717	7,585,878	33,451,951	-
Repaid during the year	(36,504)	(239,005)	(16,183,722)	(57,184,560)	-	(55,269)	(340,348)	(7,570,256)	(31,795,754)	-
Closing balance	332	171,544	201,173	2,217,749	-	1,487	76,626	15,622	3,015,256	-
Operating fixed assets										
Right of use	-	-	-	3,931	-	-	-	-	7,076	-
Other assets										
Interest / mark-up accrued	-	118	-	1,289	-	-	55	-	10,667	-
L/C acceptance	-	-	-	1,090,910	-	-	-	-	350,867	-
Other receivable	-	-	3,890	-	-	-	-	-	1,525	-
Subordinated debt										
Opening balance	-	-	-	44,000	-	-	-	-	-	-
Issued / purchased during the year	-	-	-	-	-	-	-	-	44,000	-
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 year	6,891,056	3,205,958	20,436,016	189,014,948	8,825,958	11,221,419	2,996,758	8,414,981	150,071,628	29,846,047
Withdrawn during the year	(6,773,450)	(3,109,203)	(20,071,258)	(188,770,664)	(8,761,856)	(10,853,793)	(3,189,001)	(8,350,899)	(151,411,505)	(29,869,118)
Closing balance	1,072,684	720,918	476,584	3,781,240	577,832	955,078	624,163	111,826	3,536,956	513,730
Other liabilities										
Interest / mark-up payable	305	508	-	16,925	-	3,799	4,118	8	15,309	2,216
Payable to staff retirement fund	-	-	-	-	683,514	-	-	-	-	473,226
L/C acceptance	-	-	-	1,090,910	-	-	-	-	350,867	-
Unrealised loss on forward exchange contracts	-	-	-	922	-	-	-	-	16,187	-
Other liabilities	-	4	1,353	-	-	-	19	542	-	-
Contingencies and commitments										
	-	-	-	2,022,871	-	-	-	-	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 year	-	-	-	330,000	3,232,000	30,000	-	85,000	1,534,940	8,487,000
Decreased during the year	-	-	-	(570,000)	(1,858,000)	(30,000)	-	(85,000)	(986,100)	(12,382,000)
Closing balance	-	-	85,000	509,840	5,611,000	-	-	85,000	749,840	4,237,000



42.1 RELATED PARTY TRANSACTIONS

	2020					2019				
	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	6,479	4,555	203,818	-	-	5,160	932	267,442	-
Fee and commission income	21	65	16	14,619	1	23	758	32	17,227	-
Dividend income	-	-	-	56,400	-	-	-	-	56,530	-
Net gain / (loss) on sale / redemption of securities and units of mutual funds	-	-	-	-	5,442	-	-	-	-	-
Rental Income	-	-	5,990	-	-	-	-	2,100	-	-
Other income	-	-	782	292	130	1	-	785	287	169
Expense										
Mark - up / return / interest expensed	79,997	58,180	12,578	455,811	51,334	80,855	42,642	6,902	421,247	77,219
Operating expenses	-	-	-	5,491	-	-	-	-	6,466	-
Brokerage commission	-	-	8,230	-	-	-	-	2,553	-	-
Salaries and allowances	-	541,938	-	-	-	-	502,016	-	-	-
Bonus	-	154,824	-	-	-	-	77,547	-	-	-
Contribution to defined contribution plan	-	24,211	-	-	-	-	25,462	-	-	-
Contribution to defined benefit plan	-	76,250	-	-	-	-	70,610	-	-	-
Staff provident fund	-	-	-	-	600,454	-	-	-	-	527,940
Staff gratuity fund	-	-	-	-	424,170	-	-	-	-	403,923
Directors' fees	33,487	-	-	-	-	44,600	-	-	-	-
Donation	-	-	-	6,000	-	-	-	-	6,000	-
Insurance premium paid	-	-	-	133,244	-	-	-	-	130,949	-
Insurance claims settled	-	-	-	41,925	-	-	-	-	34,375	-



43. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2020	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	67,035,260	52,961,015
Eligible Additional Tier 1 (ADT 1) Capital	6,676,269	6,690,557
Total Eligible Tier 1 Capital	73,711,529	59,651,572
Eligible Tier 2 Capital	23,890,019	16,537,708
Total Eligible Capital (Tier 1 + Tier 2)	97,601,548	<u>76,189,280</u>
Risk Weighted Assets (RWAs):		
Credit Risk	539,058,015	443,548,469
Market Risk	9,834,577	12,343,837
Operational Risk	97,721,745	74,928,286
Total	646,614,337	<u>530,820,592</u>
Common Equity Tier 1 Capital Adequacy Ratio	10.367%	9.977%
Tier 1 Capital Adequacy Ratio	11.400%	11.238%
Total Capital Adequacy Ratio	15.094%	<u>14.353%</u>

Minimum Capital Requirement (MCR)

The MCR standard sets the paid-up capital that the Bank is required to hold at all times. As of the statement of financial position date, the Bank's paid - up capital stands at Rs. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

The CAR on the basis of above framework works out to be as follows:

	2020	2019
Required CAR	11.500%	12.500%
CAR on stand - alone basis	15.094%	<u>14.353%</u>

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach



2020 **2019**
(Rupees in '000)

Leverage Ratio (LR):

Eligible Tier 1 Capital	73,711,528	59,651,572
Total Exposures	1,852,877,396	1,497,222,424
Leverage Ratio	3.978%	3.984%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	490,128,291	363,806,793
Total Net Cash Outflow	187,207,371	132,953,270
Liquidity Coverage Ratio	261.810%	273.635%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	999,714,329	808,044,723
Total Required Stable Funding	702,593,516	606,312,286
Net Stable Funding Ratio	142.289%	133.272%

43.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the Bank's website. The link to the full disclosure is available at <http://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-banklevel2020>.

44. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

44.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet. These exclude investments and treasury - related exposures, which are covered under market risk.

It is the Bank's policy that all credit exposures shall be adequately collateralised, except when specially exempted by SBP as in case of personal loans and credit cards, and those at overseas branches where the accepted local banking practice is followed.

The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board, a well defined credit approval mechanism, prescribed documentation requirement, post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.



Counterparty exposure limits are approved in line with the Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow - up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non - performing loans are classified and provided for as per Prudential Regulations. The Bank has also established a mechanism for independent post - disbursement review of large credit risk exposures.

Credit facilities, both fund based and non - fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralised set - up. Its main focus is on compliance with terms of sanction of credit facilities and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark - up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of SBP. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer and SEs portfolios is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies and as per IFRS 9 for overseas branches. Particulars of provisions against advances are given in note 9.4.

The Bank uses the Standardised Approach to calculate capital charge for credit risk as per Basel regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non - performing loans and downward shift in these categories.

44.1.1 Investment in debt securities

Credit risk by industry sector	Gross investments		Non - performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Power (electricity), gas, water, sanitary	25,442,218	5,750,733	-	-	-	-
Financial	728,355,130	570,429,618	-	-	1,394,948	270,855
Iron and steel	1,000,000	1,000,000	-	-	-	-
	754,797,348	577,180,351	-	-	1,394,948	270,855
Credit risk by public / private sector						
Public / Government	740,654,169	564,554,945	-	-	357,615	225,505
Private	14,143,179	12,625,406	-	-	1,037,333	45,350
	754,797,348	577,180,351	-	-	1,394,948	270,855



44.1.2 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
(Rupees in '000)						
Agriculture, forestry, hunting and fishing	11,982,018	11,203,672	300,284	196,750	149,088	114,416
Mining and quarrying	86,946	110,030	—	—	—	—
Textile	163,702,549	141,981,518	1,824,246	1,926,502	1,753,709	1,702,741
Chemical and pharmaceuticals	16,796,308	19,178,166	5,891	3,933	4,423	3,933
Cement	8,847,702	4,504,098	—	—	—	—
Sugar	6,952,458	9,733,115	—	—	—	—
Footwear and leather garments	3,608,526	2,457,991	—	—	—	—
Automobile and transportation equipment	3,726,079	4,548,316	—	20,000	—	20,000
Electronics and electrical appliances	5,323,013	5,076,193	—	—	—	—
Construction	7,802,038	7,305,727	194,339	240,170	192,103	146,758
Power (electricity), gas, water, sanitary	48,335,823	51,903,018	155,883	—	100,810	—
Wholesale and retail trade	79,543,240	72,659,722	1,494,236	1,442,519	1,361,415	1,255,335
Transport, storage and communication	10,543,770	12,131,252	70,175	52,611	27,853	15,835
Financial	10,603,805	12,034,302	101,949	101,949	86,587	87,808
Insurance	475,167	567,307	128,426	—	31,108	—
Services (other than financial services)	14,524,500	12,232,116	112,896	70,900	33,502	35,450
Individuals	23,863,779	21,013,245	90,956	89,824	63,427	58,834
Food and allied	62,311,964	60,942,702	—	—	—	—
Iron and steel	23,895,854	27,083,285	—	—	—	—
Oil refinery / marketing	2,005,943	5,308,267	—	—	—	—
Paper and board	2,662,909	2,687,071	—	—	—	—
Plastic products	6,388,435	5,908,391	—	—	—	—
Others	8,911,593	7,690,664	2,902,192	3,112,758	2,693,454	2,760,302
	522,894,419	498,260,168	7,381,473	7,257,916	6,497,479	6,201,412

Credit risk by public / private sector

Public / Government	55,368,812	64,482,124	—	—	—	—
Private	467,525,607	433,778,044	7,381,473	7,257,916	6,497,479	6,201,412
	522,894,419	498,260,168	7,381,473	7,257,916	6,497,479	6,201,412



44.1.3 Contingencies and Commitments

Credit risk by industry sector

	2020	2019
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	1,201,754	776,904
Mining and quarrying	-	1,274
Textile	60,886,061	40,895,042
Chemical and pharmaceuticals	10,560,544	6,468,137
Cement	1,681,965	2,282,578
Sugar	445,917	209,010
Footwear and leather garments	2,400,625	1,359,686
Automobile and transportation equipment	18,054,588	7,199,853
Electronics and electrical appliances	5,306,142	4,188,959
Construction	8,396,568	8,137,417
Power (electricity), gas, water, sanitary	8,008,957	3,611,333
Wholesale and retail trade	52,552,907	44,790,286
Transport, storage and communication	415,645	926,449
Financial	12,384,053	9,487,746
Insurance	26,841	14,321
Services (other than financial services)	41,166,805	38,066,278
Individuals	177,245	159,092
Food and allied	36,490,464	22,135,184
Iron and steel	16,689,629	14,736,453
Oil refinery / marketing	3,016,513	3,133,887
Paper and board	2,129,946	1,391,654
Plastic products	11,584,210	6,832,281
Others	6,977,350	10,028,161
	300,554,729	226,831,985
<hr/>		
Credit risk by public / private sector		
Public / Government	41,435,912	35,815,701
Private	259,118,817	191,016,284
	300,554,729	226,831,985

44.1.4 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 150,619 million (2019: Rs. 139,796 million) are as following:

	2020	2019
	(Rupees in '000)	
Funded	87,140,927	93,419,738
Non Funded	63,477,948	46,376,271
Total Exposure	150,618,875	139,796,009

The sanctioned limits against these top 10 exposures aggregated to Rs. 179,596 million (2019: Rs. 146,750 million). Provision against top 10 exposures amounts to be Nil (2019: Nil).



44.1.5 Advances - Province / Region - wise Disbursement and Utilization

Province / Region	2020					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad	AJK including Gilgit- Baltistan
Punjab	201,150,395	199,695,718	202,288	222,110	33,345	980,461
Sindh	210,692,996	2,259,607	206,820,742	1,066,542	543,154	2,830
KPK including FATA	4,547,764	6,476	10,079	4,232,515	5,053	293,641
Balochistan	828,144	-	106,412	-	721,732	-
Islamabad	35,398,979	34,931	16,888	15,497	-	35,331,663
AJK including Gilgit - Baltistan	639,146	392	-	2,692	-	25,064
Total	<u>453,257,424</u>	<u>201,997,124</u>	<u>207,156,409</u>	<u>5,539,356</u>	<u>1,303,284</u>	<u>36,633,659</u>

Province / Region	2019					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad	AJK including Gilgit- Baltistan
Punjab	195,104,300	192,857,427	12,264	1,185,522	62,647	983,896
Sindh	188,567,708	481,735	180,055,998	2,103,571	5,920,715	3,750
KPK including FATA	3,862,092	3,500	2,931	3,743,439	-	112,222
Balochistan	559,379	-	111,193	1,583	446,603	-
Islamabad	35,436,568	341	-	514,838	-	34,921,389
AJK including Gilgit - Baltistan	581,097	-	-	3,588	-	3,576
Total	<u>424,111,144</u>	<u>193,343,003</u>	<u>180,182,386</u>	<u>7,552,541</u>	<u>6,429,965</u>	<u>36,024,833</u>

44.2 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, sukuks / bonds, shares and mutual funds, money market transactions and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of SBP as well as Bank's internal policy. Portfolio risks arising in banking book is also measured through Value at Risk (VAR).



44.2.1 Balance sheet split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total (Rupees in '000)	Banking book	Trading book	Total
Cash and balances with treasury banks	105,935,947	-	105,935,947	113,838,791	-	113,838,791
Balances with other banks	19,662,515	-	19,662,515	9,523,969	-	9,523,969
Lendings to financial institutions	2,175,301	-	2,175,301	1,857,575	-	1,857,575
Investments	764,846,957	96,549	764,943,506	586,140,504	-	586,140,504
Advances	510,251,632	-	510,251,632	488,669,447	-	488,669,447
Fixed assets	43,967,993	-	43,967,993	36,562,508	-	36,562,508
Intangible assets	211,111	-	211,111	365,428	-	365,428
Deferred tax assets	-	-	-	-	-	-
Other assets	74,943,322	-	74,943,322	61,723,889	-	61,723,889
	<u>1,521,994,778</u>	<u>96,549</u>	<u>1,522,091,327</u>	<u>1,298,682,111</u>	<u>-</u>	<u>1,298,682,111</u>

44.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency loans and investments, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with SBP and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2020			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items (Rupees in '000)	Net foreign currency exposure
United States Dollar	135,869,498	141,123,136	10,832,719	5,579,081
Great Britain Pound	1,660,711	11,828,815	10,088,312	(79,792)
Japanese Yen	44,539	15,462	(20,792)	8,285
Euro	4,389,562	6,272,656	1,898,410	15,316
Other currencies	858,737	481,319	(675,976)	(298,558)
	<u>142,823,047</u>	<u>159,721,388</u>	<u>22,122,673</u>	<u>5,224,332</u>



	2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items (Rupees in '000)	Net foreign currency exposure
United States Dollar	130,167,939	127,477,029	5,165,055	7,855,965
Great Britain Pound	1,836,022	11,037,651	9,284,201	82,572
Japanese Yen	15,247	953	(15,868)	(1,574)
Euro	4,139,554	5,349,188	1,205,940	(3,694)
Other currencies	754,274	625,752	(74,502)	54,020
	<u>136,913,036</u>	<u>144,490,573</u>	<u>15,564,826</u>	<u>7,987,289</u>
	2020		2019	
	Banking book	Trading book	Banking book (Rupees in '000)	Trading book
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	9,729	–	1,038	–

44.2.3 Equity Position Risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Bank's policy is to take equity positions for investment purposes and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities.

Equity position risk of the Bank is controlled through equity portfolio limits, sector limits, scrip limits, and future contracts limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices. The Bank invests mainly in blue chip securities.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
– Profit and loss account	–	4,827	–	–
– Other comprehensive income	227,609	–	230,165	–

44.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.



The Bank's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the Bank are controlled through dealer limits, counter - party exposure limits and (when necessary) type - of - instrument limits. Outright purchase and sale of securities are also approved by ALCO. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

Interest rate / yield risk in the banking book – Basel Specific

The Bank holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest - bearing financial instruments that are not held in the trading book of the Bank.

Repricing gap analysis presents the Bank's interest sensitive assets (ISA) and interest sensitive liabilities (ISL), categorised into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off - balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one - month time band, but these are not expected to be payable within a one - month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Bank reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

	2020	2019		
	Banking book	Trading book	Banking book	Trading book
			(Rupees in '000)	
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	6,113,382	–	6,742,749	–



44.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest Rate	Total	2020										Non interest bearing financial instruments		
		Exposed to Yield / Interest risk												
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years				
(Rupees in '000)														
On - balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	-	105,935,947	7,279,936	-	-	-	-	-	-	-	-	98,656,011		
Balances with other banks	0.05%	19,662,515	17,659,275	-	-	-	-	-	-	-	-	2,003,240		
Lendings to financial institutions	8.98%	2,175,301	2,175,301	-	-	-	-	-	-	-	-	-		
Investments	9.30%	764,943,506	72,567,717	75,117,948	300,591,571	125,011,937	90,533,012	29,215,595	44,087,033	19,599,391	-	8,219,302		
Advances	6.60%	510,251,632	275,925,509	100,524,346	54,004,723	23,795,801	14,468,084	10,164,684	12,231,329	12,759,516	6,371,366	6,274		
Other assets	-	72,923,383	-	-	-	-	-	-	-	-	-	72,923,383		
		1,475,892,284	375,607,738	175,642,294	354,596,294	148,807,738	105,001,096	39,380,279	56,318,362	32,358,907	6,371,366	181,808,210		
Liabilities														
Bills payable	-	31,013,221	-	-	-	-	-	-	-	-	-	31,013,221		
Borrowings	4.21%	211,599,405	145,735,236	4,863,416	10,624,222	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815	-		
Deposits and other accounts	5.66%	1,099,686,361	549,241,575	35,539,084	24,076,408	48,951,961	6,657,497	2,446,852	13,835,518	22,127	12,532	418,902,807		
Subordinated debt	8.50%	14,989,600	-	3,992,800	10,996,800	-	-	-	-	-	-	-		
Other liabilities	-	67,310,374	-	-	-	-	-	-	-	-	-	67,310,374		
		1,424,598,961	694,976,811	44,395,300	45,697,430	54,992,853	19,584,660	8,338,071	24,031,498	14,830,589	525,347	517,226,402		
On - balance sheet gap														
		51,293,323	(319,369,073)	131,246,994	308,898,864	93,814,885	85,416,436	31,042,208	32,286,864	17,528,318	5,846,019	(335,418,192)		
Off - balance sheet financial instruments														
Documentary credits and short term trade related transactions		207,740,057	133,608,804	51,510,174	11,122,373	11,498,706	-	-	-	-	-	-		
Commitments in respect of:														
Forward purchase of foreign exchange contracts		75,472,905	19,581,701	29,570,273	17,076,813	9,244,118	-	-	-	-	-	-		
Forward sale of foreign exchange contracts		(53,350,232)	(32,391,396)	(17,028,027)	(2,914,889)	(1,015,920)	-	-	-	-	-	-		
Forward commitments to extend credit		7,124,914	483,281	4,729,763	242,759	1,669,111	-	-	-	-	-	-		
Off - balance sheet gap														
		29,247,587	(12,326,414)	17,272,009	14,404,683	9,897,309	-	-	-	-	-	-		
Total Yield / Interest Risk Sensitivity Gap														
		(198,086,683)	200,029,177	334,425,920	115,210,900	85,416,436	31,042,208	32,286,864	17,528,318	5,846,019	(335,418,192)			
Cumulative Yield / Interest Risk Sensitivity Gap														
		(198,086,683)	1,942,494	336,368,414	451,579,314	536,995,750	568,037,958	600,324,822	617,853,140	623,699,159	288,280,967			



2019

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk										Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
(Rupees in '000)													
On - balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.68%	113,838,791	10,152,100	-	-	-	-	-	-	-	-	103,686,691	
Balances with other banks	10.77%	9,523,969	8,013,218	-	-	-	-	-	-	-	-	1,510,751	
Lendings to financial institutions	10.43%	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-	-	
Investments	12.84%	586,140,504	9,579,116	41,315,249	(1,222,040)	319,369,135	83,804,607	47,705,813	55,219,925	22,843,478	-	7,525,221	
Advances	10.80%	488,669,447	278,563,270	101,685,423	54,936,699	13,138,908	10,333,141	7,723,868	9,572,013	8,000,584	4,709,616	5,925	
Other assets	-	59,275,034	-	-	-	-	-	-	-	-	-	59,275,034	
		1,259,305,320	306,292,653	144,873,298	53,714,659	332,508,043	94,137,748	55,429,681	64,791,938	30,844,062	4,709,616	172,003,622	
Liabilities													
Bills payable	-	20,168,673	-	-	-	-	-	-	-	-	-	20,168,673	
Borrowings	9.68%	228,745,034	187,985,960	10,403,899	6,043,994	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574	-	
Deposits and other accounts	10.38%	903,702,782	450,473,851	21,948,126	19,137,128	49,697,169	5,291,864	4,915,071	13,769,205	18,361	13,995	338,438,012	
Subordinated debt	14.76%	14,992,800	-	3,994,400	10,998,400	-	-	-	-	-	-	-	
Other liabilities	-	54,690,992	-	-	-	-	-	-	-	-	-	54,690,992	
		1,222,300,281	638,459,811	36,346,425	36,179,522	51,167,881	8,687,002	8,509,968	20,612,099	9,016,327	23,569	413,297,677	
On - balance sheet gap													
		37,005,039	(332,167,158)	108,526,873	17,535,137	281,340,162	85,450,746	46,919,713	44,179,839	21,827,735	4,686,047	(241,294,055)	
Off - balance sheet financial instruments													
Documentary credits and short term trade related transactions		145,745,358	39,075,909	59,634,787	12,898,478	15,932,547	14,580,990	3,490,782	131,865	-	-	-	
Commitments in respect of:													
Forward purchase of foreign exchange contracts		106,704,798	33,362,935	34,471,904	25,668,967	13,200,992	-	-	-	-	-	-	
Forward sale of foreign exchange contracts		(91,139,975)	(42,027,617)	(37,025,513)	(12,086,845)	-	-	-	-	-	-	-	
Forward commitments to extend credit		2,214,998	487,000	810,000	500,000	417,998	-	-	-	-	-	-	
Off - balance sheet gap													
		17,779,821	(8,177,682)	(1,743,609)	14,082,122	13,618,990	-	-	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap													
			(301,268,931)	166,418,051	44,515,737	310,891,699	100,031,736	50,410,495	44,311,704	21,827,735	4,686,047	(241,294,055)	
Cumulative Yield / Interest Risk Sensitivity Gap													
			(301,268,931)	(134,850,880)	(90,335,143)	220,556,556	320,588,292	370,998,787	415,310,491	437,138,226	441,824,273	200,530,218	



44.2.5.1 Reconciliation of Financial Assets and Liabilities

	2020 (Rupees in '000)	2019
Assets as per statement of financial position	1,522,091,327	1,298,682,111
Less:		
Fixed assets	43,967,993	36,562,508
Intangible assets	211,111	365,428
Advances, deposits, advance rent and other prepayments	672,169	581,084
Advance taxation (payments less provisions)	–	682,237
Non-banking assets acquired against claims	954,077	909,382
Stationery and stamps on hand	393,693	240,307
Non - refundable deposits	–	35,845
	2,019,939	2,448,855
Interest Rate Sensitive Assets	1,475,892,284	1,259,305,320
Liabilities as per statement of financial position	1,442,234,951	1,237,179,001
Less:		
Deferred tax liabilities	176,751	1,380,189
Unearned commission income	304,009	241,742
Branch adjustment account	2,639,104	2,336,825
Provision against off - balance sheet items	146,692	129,369
Provision for compensated absences	969,754	722,300
Workers' welfare fund	2,423,293	1,751,577
Lease liability against right-of-use assets	10,526,139	8,316,718
Current taxation (payments less provisions)	450,248	–
	17,459,239	13,498,531
Interest Rate Sensitive Liabilities	1,424,598,961	1,222,300,281

44.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Bank classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT Policy, Fraud Prevention Policy, Consumer Grievance Handling Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy, permits the overall risk management approach to evolve in the light of organisational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Code of Conduct, which is required to be complied with by all employees.



Internal controls are an essential feature of risk reduction in operational risk management and the Bank continues to improve its internal controls.

Business Continuity Plan of the Bank pays special attention to identification of potential threats and associated risks in critical business processes by carrying out Business Impact Analysis and Risk Assessment including those which are dependent on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup & regular review and testing of the plan.

Bank has devised and implemented IT Project Management and IT Risk Management Frameworks. Bank is also CMMI Maturity (Level - 3) certified. Bank AL Habib's website for Conventional and Islamic banking has been revamped with dynamic features. Furthermore, OBDX (Oracle Banking Digital Experience) web and mobile application have been commercially launched.

Bank has taken various measures to strengthen I.T. Security, which includes implementation of Cyber Security Strategy and Action Plan, Vulnerability Management Program, virtual patching and database activity monitoring solution on critical systems, 24/7 Security Operation center (SOC), regular Internal and external penetration testing of applications, anti malware and antivirus security solution, subscription to I.T. security threat intelligence service and recertification of controls as per SWIFT customer Security Program.

COVID 19

During the year, 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.

To control and effectively deal with the COVID-19 pandemic, guidelines issued by Government and State Bank of Pakistan were meticulously followed by the Bank and various measures were taken. These measures included creation of senior level Emergency Risk Focus Group; risk assessment; risk management through (a) provision of uninterrupted services to customers - ensuring round the clock availability of IT services via ATMs, online banking & mobile banking; providing surplus cash at branches & ATMs and branch services through alternate operational branches in cases of branch closure, etc.; (b) development of staff SOPs and (c) creation of safe environment for staff & customers through walkthrough gates, mandatory temperature checking at entry points, availability of hand sanitizers, etc. and (d) HR management measures - split team arrangement, forced leaves for senior and female staff, secured 'work from home' environment, virtual meetings, etc.

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.

44.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and "near miss" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.



44.4 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

44.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2020, the Bank's LCR stood at 273% against the SBP's minimum requirement of 100% .

44.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Bank has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division and Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

44.4.3 Funding Strategy

The Bank's prime source of liquidity is the customers' deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter-bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

44.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.



In addition, LCR, NSFR and Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

44.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

44.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

44.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June 2016.

44.4.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

44.4.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, specially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

44.4.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

44.4.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

44.4.12 Other Inflows and Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

44.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 142% as on 31 December 2020.



44.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

	Total	2020												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
(Rupees in '000)														
Assets														
Cash and balances with treasury banks	105,935,947	105,935,947	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	19,662,515	19,662,515	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	(494)	(2,966)	(3,461)	2,182,222	-	-	-	-	-	-	-	-	-
Investments	764,943,506	11,484,141	(341,794)	(398,760)	(648,823)	48,629,312	13,809,722	42,481,419	105,260,936	19,857,075	90,042,620	108,105,472	170,789,915	155,872,271
Advances	510,251,632	53,335,773	7,371,280	9,070,048	33,016,839	59,638,378	82,793,789	79,781,992	23,793,801	22,992,880	44,412,146	30,614,506	31,490,891	31,939,309
Fixed assets	43,967,993	19,674,219	-	-	382,876	376,200	506,268	936,966	1,021,036	996,376	3,601,624	3,054,538	4,120,142	9,297,748
Intangible assets	211,111	-	-	-	22,627	22,627	22,622	62,059	23,260	17,007	40,909	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	74,943,322	10,902,949	2,013,296	7,406,967	9,134,405	11,636,343	11,676,859	12,270,539	7,663,578	587,341	1,617,298	7,776	25,971	-
	1,522,091,327	220,995,050	9,039,816	16,074,794	44,090,146	120,302,860	108,809,260	135,532,975	137,762,611	44,450,679	139,714,597	141,782,292	206,426,919	197,109,328
Liabilities														
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	211,599,405	320,328	98,718,568	545,085	2,144,448	18,910,564	22,939,478	17,644,403	2,944,525	3,096,367	12,927,163	5,891,219	10,195,980	15,321,277
Deposits and other accounts	1,099,686,361	892,095,621	25,825,810	9,876,099	40,346,851	12,476,736	23,062,348	24,076,408	25,029,560	23,922,401	6,657,497	2,446,852	13,835,519	34,659
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,973,600
Deferred tax liabilities	176,751	(261,424)	-	-	37,094	34,482	34,482	97,114	72,985	65,683	204,367	182,160	(216,962)	(73,230)
Other liabilities	84,769,613	20,763,276	1,979,114	3,200,147	6,856,769	11,263,412	9,148,184	11,052,652	8,215,432	792,640	2,754,422	1,259,471	2,154,287	5,329,807
	1,442,234,951	943,931,022	126,523,492	13,621,331	49,385,162	42,685,194	55,185,292	52,871,377	36,263,302	27,877,891	22,546,649	9,782,902	25,975,224	35,586,113
Net assets														
	79,856,376	(722,935,972)	(117,483,676)	2,453,463	(5,295,016)	77,617,666	53,623,968	82,661,598	101,499,309	16,572,788	117,167,948	131,999,390	180,451,695	161,523,215
Share capital	11,114,254													
Reserves	18,431,277													
Surplus on revaluation of assets	10,286,484													
Unappropriated profit	40,024,361													
	79,856,376													



	Total	2019												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	
		(Rupees in '000)												
Assets														
Cash and balances with treasury banks	113,838,791	113,838,791	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	9,523,969	2,523,969	-	2,000,000	5,000,000	-	-	-	-	-	-	-	-	
Lendings to financial institutions	1,857,575	(485)	(2,913)	(3,399)	(8,254)	1,872,626	-	-	-	-	-	-	-	
Investments	586,140,504	9,111,355	(567,932)	(537,587)	(2,034,140)	(3,693,400)	32,486,728	(9,475,557)	175,227,737	144,043,685	85,540,852	48,406,326	56,497,033	
Advances	488,669,447	62,610,174	10,135,948	12,181,250	23,916,330	64,885,943	71,316,745	85,592,125	20,899,895	12,435,127	38,611,034	32,280,480	30,610,066	
Fixed assets	36,562,508	15,111,331	-	-	344,271	338,598	335,374	991,593	967,338	913,566	3,187,976	2,668,769	3,635,547	
Intangible assets	365,428	-	-	-	26,950	26,856	25,187	66,104	55,136	52,177	113,018	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other assets	61,723,889	14,773,349	2,935,711	6,300,087	6,928,835	7,537,061	7,631,313	9,879,817	5,516,389	130,651	26,835	16,464	29,222	18,155
	1,298,682,111	217,968,484	12,500,814	19,940,351	34,173,992	70,967,684	111,795,347	87,054,082	202,666,495	157,575,206	127,479,715	83,372,039	90,771,868	82,416,034
Liabilities														
Bills payable	20,168,673	20,168,673	-	-	-	-	-	-	-	-	-	-	-	
Borrowings	228,745,034	908,853	153,421,371	75,452	825,020	12,860,661	23,518,085	12,824,411	657,941	812,771	3,395,138	3,594,897	6,842,894	9,007,540
Deposits and other accounts	903,702,782	716,929,028	18,256,147	15,008,415	38,718,273	11,392,152	10,555,974	19,137,128	24,264,133	25,433,036	5,291,864	4,915,071	13,769,205	32,356
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	14,992,800	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,976,800
Deferred tax liabilities	1,380,189	507,823	-	-	35,771	34,277	34,277	102,366	90,884	89,499	211,187	152,884	26,655	94,566
Other liabilities	68,189,523	23,099,268	2,905,133	2,056,776	4,825,818	6,967,404	5,383,357	9,820,091	5,008,867	291,837	985,826	1,120,752	1,916,645	3,807,749
	1,237,179,001	761,613,645	174,582,651	17,140,643	44,404,882	31,254,494	39,492,493	41,884,796	30,022,625	26,627,943	9,887,215	9,786,804	22,561,799	27,919,011
Net assets														
Share capital	61,503,110	(543,645,161)	(162,081,837)	2,799,708	(10,230,890)	39,713,190	72,302,854	45,169,286	172,643,870	130,947,263	117,592,500	73,585,235	68,210,069	54,497,023
Reserves	11,114,254													
Surplus on revaluation of assets	16,467,282													
Unappropriated profit	6,018,816													
	27,907,758													
	<u>61,503,110</u>													



44.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

For assets and liabilities that have a contractual maturity, the expected maturity is considered to be the same as contractual maturity. Assets and Liabilities that do not have a contractual maturity have been categorised on the basis of expected maturities as determined by ALCO. In case of saving and current accounts, their historical net withdrawal pattern over the next one year was reviewed, based on year - end balances for the last three years. Thereafter, taking a conservative view, ALCO categorised these deposits in various maturity bands. Other assets and liabilities have been categorised on the basis of assumptions / judgments that are believed to be reasonable.

	Total	2020								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	105,935,947	105,935,947	-	-	-	-	-	-	-	-
Balances with other banks	19,662,515	19,662,515	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	2,175,301	-	-	-	-	-	-	-	-
Investments	764,943,506	(1,350,589)	62,899,171	42,492,324	132,508,160	91,579,088	108,936,020	171,274,822	153,093,362	3,511,148
Advances	510,251,632	102,793,940	142,432,167	79,781,992	46,786,681	44,412,146	30,614,505	31,490,892	24,104,075	7,835,234
Fixed assets	43,967,993	428,001	1,945,378	1,601,060	2,563,364	3,950,045	11,153,810	4,120,142	4,408,160	13,798,033
Intangible assets	211,111	22,627	45,249	62,059	40,267	40,909	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	74,943,322	28,082,038	23,379,236	12,369,589	8,449,019	1,753,753	7,776	25,971	-	875,940
	1,522,091,327	257,749,780	230,701,201	136,307,024	190,347,491	141,735,941	150,712,111	206,911,827	181,605,597	26,020,355
Liabilities										
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-
Borrowings	211,599,405	101,728,429	41,850,042	17,644,403	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815
Deposits and other accounts	1,099,686,361	176,037,480	123,550,962	112,088,286	136,963,839	165,078,877	160,868,233	181,058,087	44,028,065	12,532
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	800	800	1,600	3,200	3,200	6,400	7,973,600	7,000,000
Deferred tax liabilities	176,751	(2,533,473)	236,066	110,015	(130,643)	780,634	1,991,335	(47,244)	(679,113)	449,174
Other liabilities	84,769,613	25,844,637	20,411,596	11,052,652	9,008,071	2,754,422	1,259,471	7,400,106	4,267,763	2,770,895
	1,442,234,951	332,090,294	186,049,466	140,896,156	151,883,759	181,544,296	170,013,458	198,613,329	70,398,777	10,745,416
Net assets	79,856,376	(74,340,514)	44,651,735	(4,589,132)	38,463,732	(39,808,355)	(19,301,347)	8,298,498	111,206,820	15,274,939
Share capital	11,114,254									
Reserves	18,431,277									
Surplus on revaluation of assets	10,286,484									
Unappropriated profit	40,024,361									
	79,856,376									



	Total	2019								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	113,838,791	113,838,791	–	–	–	–	–	–	–	–
Balances with other banks	9,523,969	9,523,969	–	–	–	–	–	–	–	–
Lendings to financial institutions	1,857,575	(15,051)	1,872,626	–	–	–	–	–	–	–
Investments	586,140,504	(3,259,311)	28,501,889	(9,495,557)	327,037,276	85,430,770	48,739,400	56,994,965	49,755,633	2,435,439
Advances	488,669,447	108,843,702	136,202,688	85,592,125	33,335,022	38,611,034	32,280,480	30,610,066	17,252,868	5,941,462
Fixed assets	36,562,508	637,491	1,060,086	6,582,904	2,146,365	3,276,542	2,668,769	3,635,547	3,463,282	13,091,522
Intangible assets	365,428	26,950	52,043	66,104	107,313	113,018	–	–	–	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	61,723,889	29,756,404	15,237,052	9,940,073	5,767,552	31,790	16,464	29,222	18,154	927,178
	1,298,682,111	259,352,945	182,926,384	92,685,649	368,393,528	127,463,154	83,705,113	91,269,800	70,489,937	22,395,601
Liabilities										
Bills payable	20,168,673	20,168,673	–	–	–	–	–	–	–	–
Borrowings	228,745,034	155,230,696	36,378,746	12,824,411	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574
Deposits and other accounts	903,702,782	153,753,144	92,521,317	89,710,319	120,270,360	132,323,608	131,946,814	147,858,268	35,304,957	13,995
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Subordinated debt	14,992,800	–	800	800	1,600	3,200	3,200	6,400	7,976,800	7,000,000
Deferred tax liabilities	1,380,189	(582,676)	(29,884)	1,067,350	15,649	172,658	269,460	200,932	(248,539)	515,239
Other liabilities	68,189,523	25,337,777	12,350,761	9,820,091	5,300,703	985,826	1,120,752	8,047,228	2,946,918	2,279,467
	1,237,179,001	353,907,614	141,221,740	113,422,971	127,059,024	136,880,430	136,935,123	162,955,722	54,978,102	9,818,275
Net assets	61,503,110	(94,554,669)	41,704,644	(20,737,322)	241,334,504	(9,417,276)	(53,230,010)	(71,685,922)	15,511,835	12,577,326
Share capital	11,114,254									
Reserves	16,467,282									
Surplus on revaluation of assets	6,013,816									
Unappropriated profit	27,907,758									
	61,503,110									



45. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 4.5 (2019: Rs. 3.5) per share.

46. GENERAL

- 46.1** Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the statement of financial position and profit and loss account.
- 46.2** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 46.3** Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements wherever necessary to facilitate comparison and better presentation.

47. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue in the Board of Directors' meeting held on 27 January 2021.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Annexure I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2020

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Muhammad Zahid Saddique H # P-19, Rapid Garden Green Town, Faisalabad.	Muhammad Zahid Saddique (CNIC: 33100-0449298-5)	Muhammad Saddique	528	205	85	818	518	205	85	808
2.	Muhammad Ali H # 5 / 5-47 Shah Faisal Colony Water Pump Stop, Karachi.	Muhammad Ali (CNIC: 42201-9209306-7)	Abdul Karim	707	291	143	1,141	707	293	143	1,143
3.	Khalid Mehmood H # 20-E, E-Market Block-6, P.E.C.H.S., Karachi.	Khalid Mehmood (CNIC: 42301-0974870-7)	Fazal Din	405	166	54	625	405	166	54	625
4.	Naheed Rehman Phase V, Off Kh E Majahid 44/I, 14 St. DHA, Karachi.	Naheed Rehman (CNIC: 42301-5043520-4)	Atta Ur Rehman	467	77	120	664	467	77	120	664
5.	Muhammad Ahson Hayat Block-7, Near Bismillah Taqi Hospital A-281, Admin Society, Karachi.	Muhammad Ahson Hayat (CNIC: 42201-0969890-5)	Qazi Muhammad Hayat	896	297	187	1,380	896	297	187	1,380
6.	Ghulam Hyder Memon Flat # M-3, Plot # BC-08 Block-4, Clifton Tower, Clifton, Karachi.	Ghulam Hyder Memon (CNIC: 41408-6248354-9)	Muhammad Ishaque	505	212	82	799	505	212	82	799
7.	Millat Agencies Plot # S/104, S.I.T.E., Karachi.	Muhammad Yousuf Tayyab (CNIC: 42201-1325572-5)	Tayyab	1,733	460	-	2,193	1,733	460	-	2,193
8.	Muhammad Yousuf Tayyab House # D-82, Navy Housing Scheme, Gizi, Chaudhry Khaliq-u-Zaman Road, Clifton Karachi.	Muhammad Yousuf Tayyab (CNIC: 42201-1325572-5)	Tayyab	481	68	-	549	481	68	-	549
		Total		5,722	1,776	671	8,169	5,712	1,778	671	8,161



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 106 (2019: 83) Islamic banking branches and 143 (2019: 142) Islamic banking windows at the end of the year.

	Note	2020	2019
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		5,727,007	4,553,339
Balances with other banks		6,557	7,297,026
Due from financial institutions	1	2,175,301	1,857,575
Investments	2	71,453,157	21,669,565
Islamic financing and related assets - net	3	58,304,712	50,689,875
Fixed assets		479,006	402,062
Intangible assets		—	—
Due from Head Office		—	—
Other assets			
Total Assets		1,197,756	7,595,621
		139,343,496	94,065,063
LIABILITIES			
Bills payable		137,796	45,838
Due to financial institutions		18,962,087	9,718,686
Deposits and other accounts	4	93,238,405	67,981,321
Due to Head Office		14,457,740	3,282,835
Subordinated debt		—	—
Other liabilities	5	2,345,248	3,773,952
		(129,141,276)	(84,802,632)
NET ASSETS		10,202,220	9,262,431
REPRESENTED BY			
Islamic Banking Fund		7,600,000	6,800,000
Reserves		—	—
Deficit on revaluation of assets		(142,701)	(88,942)
Unremitted profit	6	2,744,921	2,551,373
		10,202,220	9,262,431
CONTINGENCIES AND COMMITMENTS	7		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2020 is as follows:

	Note	2020 (Rupees in '000)	2019
Profit / return earned	8	8,493,424	8,056,283
Profit / return expensed	9	(4,047,777)	(4,055,827)
Net Profit / return		4,445,647	4,000,456
Other income			
Fee and commission income		310,209	229,655
Dividend income		94,448	4,353
Foreign exchange income		97,171	67,924
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		169,484	—
Other income		95,723	93,109
Total other income		767,035	395,041
Total income		5,212,682	4,395,497
Other expenses			
Operating expenses		(2,349,393)	(1,786,510)
Other charges		(44)	—
Total other expenses		(2,349,437)	(1,786,510)
Profit before provisions		2,863,245	2,608,987
Provisions and write offs - net		(118,324)	(57,614)
Profit for the year		2,744,921	2,551,373

1. Due from Financial Institutions

	2020 (Rupees in '000)	2019
In local currency		
Bai Muajjal Receivable from the State Bank of Pakistan	2,175,301	1,857,575

1.1 Securities held as collateral against amounts due from financial institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	2,175,301	—	2,175,301	1,857,575	—	1,857,575

The GoP Ijarah Sukuks carry rates ranging from 8.89% to 9.08% (31 December 2019: 10.39% to 10.49%).



	2020				2019			
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
2. Investments by segments								
(Rupees in '000)								
Federal Government Securities								
- Ijarah Sukuks	31,954,335	-	(208,246)	31,746,089	2,000,000	-	(20,000)	1,980,000
- Neelum Jhelum Hydropower Co Ltd. Sukuk	3,781,250	-	-	3,781,250	4,468,750	-	-	4,468,750
- Bai Muajjal with Government of Pakistan	11,328,818	-	-	11,328,818	10,133,361	-	-	10,133,361
- Pakistan Energy Sukuk II (Power Holding Ltd.)	21,102,725	-	123,875	21,226,600	-	-	-	-
	68,167,128	-	(84,371)	68,082,757	16,602,111	-	(20,000)	16,582,111
Shares								
- Listed Companies	97,442	(63,384)	15,861	49,919	97,442	(57,567)	9,399	49,274
Non Government Debt Securities								
- Listed	1,322,529	-	(96,457)	1,226,072	1,454,215	-	(94,777)	1,359,438
- Unlisted	2,025,000	-	-	2,025,000	1,984,707	-	-	1,984,707
	3,347,529	-	(96,457)	3,251,072	3,438,922	-	(94,777)	3,344,145
Units of Mutual Funds	100,000	(52,856)	22,265	69,409	1,200,000	(47,401)	16,436	1,169,035
Associate								
- First Habib Islamic Income Fund	-	-	-	-	525,000	-	-	525,000
Total Investments	71,712,099	(116,240)	(142,702)	71,453,157	21,863,475	(104,968)	(88,942)	21,669,565
3. Islamic financing and related assets								
(Rupees in '000)								
Ijarah	3.1	1,656,565			2,365,239			
Murabaha	3.2	9,148,387			8,255,703			
Diminishing Musharaka		11,404,565			13,499,915			
Islamic Long Term Financing Facility (ILTFF)		1,737,762			1,449,640			
Istisna		2,364,376			3,929,818			
Islamic Refinance for Renewable Energy (IFRE)		14,035			-			
Islamic Export Refinance - Istisna		1,083,650			1,685,500			
Musawamah		3,710,693			3,979,048			
Islamic Export Refinance - Musawamah		826,500			200,000			
Running Musharaka		84,799			2,845,780			
Islamic Export Refinance - Running Musharaka		6,270,000			2,318,300			
Staff Financing		594,202			431,960			
Advance against Musawamah		1,700,257			920,594			
Advance against Istisna		5,702,233			4,168,944			
Advance against Istisna - IERF		4,829,300			3,694,450			
Advance against Ijarah		735,441			52,940			
Advance against Diminishing Musharaka		1,083,563			815,069			
Advance against IRF Wages and Salaries		2,355,044			-			
Advance against ILTFF		1,082,706			121,424			
Advance against IFRE		875,000			-			
Advance against ITERF		914,221			-			
Financing against Bills - Musawamah		293,805			10,900			
Gross Islamic financing and related assets		58,467,104			50,745,224			
Less: provision against Islamic financings								
- Specific		135,936			32,893			
- General		26,456			22,456			
		(162,392)			(55,349)			
Islamic financing and related assets - net of provision		58,304,712			50,689,875			



3.1 Ijarah

	2020						
	Cost		Accumulated depreciation			Book value	
	As at 01 January 2020	Additions / (deletions)	As at 31 December 2020	As at 01 January 2020	Charge for the year / (deletions)	As at 31 December 2020	as at 31 December 2020
(Rupees in '000)							
Plant and Machinery	934,345	169,556 (699,823)	404,078	358,906	218,211 (397,996)	179,121	224,957
Vehicles	2,406,744	546,978 (726,312)	2,227,410	890,722	467,430 (466,999)	891,153	1,336,257
Equipment	607,883	—	286,147	334,105	123,163 (266,472)	190,796	95,351
Total	3,948,972	716,534 (1,747,871)	2,917,635	1,583,733	808,804 (1,131,467)	1,261,070	1,656,565
(Rupees in '000)							
2019							
	Cost		Accumulated depreciation			Book value	
	As at 01 January 2019	Additions / (deletions)	As at 31 December 2019	As at 01 January 2019	Charge for the year / (deletions)	As at 31 December 2019	as at 31 December 2019
(Rupees in '000)							
Plant and Machinery	1,252,766	132,311 (450,732)	934,345	477,305	280,914 (399,313)	358,906	575,439
Vehicles	2,543,137	704,429 (840,822)	2,406,744	809,693	509,992 (428,963)	890,722	1,516,022
Equipment	604,287	65,427 (61,831)	607,883	258,651	129,438 (53,984)	334,105	273,778
Total	4,400,190	902,167 (1,353,385)	3,948,972	1,545,649	920,344 (882,260)	1,583,733	2,365,239

3.1.1 Future ijarah payments receivable

	2020			2019		
	Not later than 1 year	Later than 1 year and less than 5 years	Total (Rupees in '000)	Not later than 1 year	Later than 1 year and less than 5 years	Total
Ijarah rental receivables	685,438	871,283	1,556,721	1,056,088	1,435,753	2,491,841
				Note	2020 (Rupees in '000)	2019 (Rupees in '000)

3.2 Murabaha

Murabaha financing	3.2.1	7,020,386	6,907,752
Advances for Murabaha		2,128,001	1,347,951
		9,148,387	8,255,703
3.2.1 Murabaha receivable - gross	3.2.2	7,202,836	7,212,743
Less: Deferred murabaha income	3.2.4	(75,641)	(125,034)
Profit receivable shown in other assets		(106,809)	(179,957)
Murabaha financings		7,020,386	6,907,752



2020 **2019**
(Rupees in '000)

3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	7,212,743	9,042,474
Sales during the year	26,037,743	31,056,039
Adjusted during the year	(26,047,650)	(32,885,770)
Closing balance	7,202,836	7,212,743
3.2.3 Murabaha sale price	25,990,650	32,129,388
Murabaha purchase price	(25,303,306)	(31,122,793)
	687,344	1,006,595
3.2.4 Deferred murabaha income	(125,034)	(114,816)
Opening balance	(694,160)	(1,048,539)
Arising during the year	743,553	1,038,321
Less: Recognised during the year		
Closing balance	(75,641)	(125,034)

4. Deposits and other accounts

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits	34,780,071	1,476,398	36,256,469	21,427,120	1,213,985	22,641,105
Savings deposits	33,690,149	1,458,082	35,148,231	21,917,057	811,234	22,728,291
Term deposits	21,354,917	—	21,354,917	17,144,488	—	17,144,488
	89,825,137	2,934,480	92,759,617	60,488,665	2,025,219	62,513,884
Financial institutions						
Current deposits	62,908	—	62,908	4,306	—	4,306
Savings deposits	415,880	—	415,880	4,263,131	—	4,263,131
Term deposits	—	—	—	1,200,000	—	1,200,000
	478,788	—	478,788	5,467,437	—	5,467,437
	90,303,925	2,934,480	93,238,405	65,956,102	2,025,219	67,981,321

2020 **2019**
(Rupees in '000)

4.1 Composition of deposits

- Individuals	58,871,300	41,348,006
- Government / Public Sector Entities	2,096,892	1,001,499
- Banking Companies	46	3,872,049
- Non-Banking Financial Institutions	478,742	1,595,388
- Private Sector	31,791,425	20,164,379
	93,238,405	67,981,321

4.1.1 This includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act 2016, amounting to Rs. 75,124.486 million (2019: Rs. 53,841.170 million).



		2020 (Rupees in '000)	2019
5.	Charity Fund		
	Opening balance	43,474	14,218
	Additions during the year		
	Received from customers on account of delayed payment	26,975	33,795
	Charity accrued but not yet received	5,072	3,424
	Dividend purification amount	205	212
	Other Non - Shariah compliant income	2,330	3,230
	Profit on charity saving account	2,314	1,835
		36,896	42,496
	Payments / utilization during the year		
	Health	(26,144)	(6,227)
	Social Welfare	(10,428)	(7,013)
	Education	(2,500)	–
		(39,072)	(13,240)
	Closing balance	41,298	43,474
5.1	Detail of charity in excess of Rs.0.5 million in as follows:		
	Friends of Cardiology Hospital, Multan	–	1,431
	Green Crescent Trust	1,607	1,431
	Edhi Foundation	3,607	1,431
	Karachi Down Syndrome Program	–	1,431
	Indus Hospital	3,615	1,431
	Child Aid Association	3,607	1,075
	IDA RIEU Welfare Association	1,607	859
	Bait-ul-Sukoon	1,607	–
	Dar-ul-Sukun	3,607	1,431
	SIUT	3,607	1,431
	Gawadar Development Authority Hospital	5,494	–
	Osmania Hospital	1,607	–
	Al Mustafa Trust	1,607	–
	Jinnah Foundation	2,000	–
	National Institute of Child Health	3,000	–
	The Kidney Centre	1,000	–
	Pakistan Children's Heart Foundation	1,000	–
		38,572	11,951
6.	Islamic Banking Business Unappropriated Profit		
	Opening balance	2,551,373	928,748
	Add: Islamic Banking profit for the year	2,744,921	2,551,373
	Less: Remitted to Head Office	(2,551,373)	(928,748)
	Closing balance	2,744,921	2,551,373
7.	Contingencies and Commitments		
	Guarantees	4,415,658	2,719,414
	Commitments	17,468,898	7,710,226
		21,884,556	10,429,640
8.	Profit / Return Earned on Financing, Investments and Placement		
	Profit earned on:		
	Financing	4,389,705	5,205,830
	Investments	3,712,628	2,252,959
	Placements	391,091	597,494
		8,493,424	8,056,283



	2020	2019
	(Rupees in '000)	
9. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	3,594,464	3,845,832
Due to Financial Institutions	259,532	154,464
Due to Head Office	<u>193,781</u>	<u>55,531</u>
	<u>4,047,777</u>	<u>4,055,827</u>

10. Profit and Loss Distribution and Pool Management

10.1 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.

10.2 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.)



10.3 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-Ul-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 year was 50% (2019: 50%) of net income and the depositors' profit sharing ratio was 50% (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.

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

	2020				
	Distributable Income (Rupees in '000)	Mudarib Share (Percentage)	Mudarib Share (Percentage)	HIBA Amount (Rupees in '000)	HIBA (Percentage)
LCY Pool	6,354,802	2,118,598	33.34%	413,276	19.51%
FCY Pool	96,447	61,600	63.87%	8,754	14.21%
2019					
LCY Pool	5,332,255	2,057,735	38.59%	572,480	27.82%
FCY Pool	31,725	29,854	94.10%	3,790	12.70%
2020			2019 (Percentage)		

10.5 Profit rate earned vs. profit rate distributed to the depositors during the year

Profit rate earned	9.99%	10.56%
Profit rate distributed	4.69%	6.66%



Disclosure on Complaint Handling

The Bank has a comprehensive Customer Grievances Handling Policy, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of need. Customers may register their complaints through Call Center, Bank's Website, direct emails and letters through drop-boxes or directly to Customer Services Division / CEO's Office, which are promptly logged and acknowledged. The complaints are tracked for end-to-end resolution within regulatory timelines and escalated to Senior Management, as required. In case a complainant is not satisfied with the resolution provided by the Bank, he may escalate his complaint to Banking Mohtasib Pakistan. This process is communicated to customers through notices in Branches and the Website.

During 2020, Bank's Customer Complaint Unit has been further strengthened to ensure quick resolution of customers' complaints. Further, training on complaints handling guidelines has also been completed by a large number of staff.

In 2020, the Bank received 109,951 complaints, about 42% higher than the previous year. The complaints were investigated and closed within an average turnaround time of 6 working days.



Report of Shariah Board for the year ended December 31, 2020

In the name of Allah, the Beneficent, the Merciful

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shari'ah principles and guidelines issued by the Shari'ah Board of the BAHL-IBD at all times. The Shari'ah Governance Framework issued by the State Bank of Pakistan, required from the Shari'ah Board (SB) to submit a report on the overall Shari'ah compliance environment of BAHL-IBD.

To form the opinion as expressed in this report, the Shari'ah Compliance Department carried out Shari'ah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shari'ah Board reviewed the Internal Shari'ah Audit and External Shari'ah Audit Reports. Based on above, we are of the view that:

- I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- IV. BAHL-IBD has the basic mechanism to ensure Shari'ah Compliance in its overall operations.
- V. The BOD appreciates the importance of Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly improvement is required in Foreign Trade Department.
- VI. The Management has provided adequate resources to Shari'ah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shari'ah Compliance environment in BAHL-IBD.
- VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In year 2020, charity amount of Rs. 31.823 Million has been realized, out of which an income of Rs. 2.330 Million was credited to charity due to Shari'ah non-compliance as per instructions of Shari'ah Board. An amount of Rs. 39.072 Million has been granted to various charitable institutions against previous year's balances.

Karachi: January 15, 2021

Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member

Mufti Ismatullah Hamdullah
Chairman Shariah Board

Mufti Mohib ul Haq Siddiqui
Shariah Board Member



Notice of Annual General Meeting

Notice is hereby given that the Thirtieth Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Thursday, March 25, 2021 at 10:30 a.m. to transact the following business. Further, due to current COVID-19 pandemic situation, shareholders may also attend the meeting through electronic means as advised by Securities and Exchange Commission of Pakistan (SECP).

1. To receive and adopt the Audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2020 together with the Reports of Chairman, Directors and Auditors.
2. To consider and approve payment of cash dividend @ 45%, i.e., Rs. 4.50 per share of Rs. 10/- each for the year ended December 31, 2020 as recommended by the Board of Directors.
3. To appoint auditors for the year 2021 and to fix their remuneration. EY Ford Rhodes, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. To consider any other business of the Bank with the permission of the Chair.

Special Business

5. To consider and approve remuneration payable to Executive Director of the Bank.

For Item No. 5, a statement under Section 134(3) of the Companies Act, 2017 is annexed.

By order of the Board

Karachi: March 4, 2021

MOHAMMAD TAQI LAKHANI
Company Secretary

Notes:

1. Participation in the Annual General Meeting through Video Link Facility:

In view of the current COVID-19 (Corona Virus) pandemic situation in the Country and in pursuance of Circular No. 4 dated February 15, 2021 of SECP pertaining to attending the AGM through video link facility, the entitled shareholders whose names appeared in the Books of the Bank by the close of business on March 12, 2021 and who are interested to attend AGM through online platform are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (i.e. before 10:30 A.M. on March 23, 2021) at agm@bankalhabib.com

Name of Shareholder	CNIC No.	Folio Number /CDC No.	Cell Number	Email Address

Upon receipt of the above information from interested shareholders, the Bank will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.



The entitled shareholders (whose names appeared in the Books of the Bank by the close of business on March 12, 2021) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address at least 48 hours before the time of AGM.

2. The share transfer book of the Bank will remain closed from March 15, 2021 to March 25, 2021 (both days inclusive). Transfers received in order at the office of our Share Registrar, CDC Share Registrar Services Limited, located at CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400, by the close of business on March 12, 2021 will be treated in time for payment of cash dividend (subject to approval of the members). Members are requested to promptly communicate any change in their addresses to our above-mentioned Share Registrar.
3. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A proxy (except for a corporation) must be a member of the Bank. Proxy form, in order to be effective, must be received at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the time of the meeting.
4. The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form in the Bank.

5. **Payment of Cash Dividend through Electronic Mode**

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In order to receive cash dividend directly into the designated bank account, members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Bank Mandate Form" available on the Bank's website link, <https://www.bankalhabib.com/download-forms>, and send to the relevant Participants/Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by March 12, 2021 along with a copy of their valid CNICs. The aforesaid form is also available in the Annual Report of the Bank.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of valid CNICs, the Bank will withhold cash dividend of such members.

6. The Government of Pakistan through Finance Act, 2020 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of cash dividend paid by the companies/banks. These tax rates are as follows:

- (a) For filers of income tax returns 15%
- (b) For non-filers of income tax returns 30%

To enable the Bank to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., March 25, 2021; otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

According to FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts. Members that hold shares with joint-shareholder(s) are requested to provide shareholding proportions of principal shareholder and joint-shareholder(s) in respect of shares held by them to the Bank's Share Registrar in writing in the following format.



Bank Name	Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint-Shareholder(s)	
			Name and CNIC	Shareholding Proportion (No. of Shares)	Name and CNIC	Shareholding Proportion (No. of Shares)

In case the required information is not provided to our Share Registrar latest by March 12, 2021, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by March 12, 2021.

As per instructions of SECP and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Bank, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://eservices.cdcaccess.com.pk> to obtain the aforesaid information.

7. Audited Financial Statements through e-mail

SECP through its Notification SRO 787(I)/2014 dated September 8, 2014 has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members through e-mail. Soft copies of Annual Report 2020 including Audited Financial Statements and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Other members of the Bank who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form. The said consent form for electronic transmission can be downloaded from the Bank's website link, <https://www.bankalhabib.com/reports> Audited Financial Statements and reports are being placed on the aforesaid link.

Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the above-mentioned purpose.



Statement under Section 134(3) of the Companies Act, 2017

The statement is annexed to the Notice of the Thirtieth (30th) Annual General Meeting of Bank AL Habib Limited at which a special business is to be transacted. The purpose of this statement is to set forth the material fact concerning such special business.

Item No. 5 of the Agenda

As recommended by the Board of Directors in their meeting held on January 27, 2021, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED that the remuneration of Mr. Qumail R. Habib, Executive Director shall not exceed Rs. 3,327,500/- per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment.”



Pattern of Shareholding as at December 31, 2020

Number of Shareholders	Size of Shareholding				Total Shares Held
432	From	1	To	100	15,448
690	From	101	To	500	218,023
546	From	501	To	1,000	438,729
1,885	From	1,001	To	5,000	5,154,944
564	From	5,001	To	10,000	4,245,376
332	From	10,001	To	15,000	4,160,200
1,163	From	15,001	To	20,000	21,292,237
88	From	20,001	To	25,000	1,986,247
68	From	25,001	To	30,000	1,895,380
66	From	30,001	To	35,000	2,164,342
98	From	35,001	To	40,000	3,668,204
83	From	40,001	To	50,000	3,816,153
52	From	50,001	To	60,000	2,844,612
76	From	60,001	To	80,000	5,331,462
66	From	80,001	To	100,000	6,068,760
77	From	100,001	To	150,000	9,078,357
77	From	150,001	To	200,000	13,395,837
34	From	200,001	To	250,000	7,638,388
32	From	250,001	To	300,000	8,732,536
17	From	300,001	To	350,000	5,588,749
95	From	350,001	To	600,000	44,220,989
42	From	600,001	To	1,000,000	32,150,246
148	From	1,000,001	To	100,000,000	927,320,197
6,731					1,111,425,416

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Individuals	6,373	598,045,705	53.81
Investment & Insurance Companies	15	136,853,560	12.31
Joint Stock Companies	122	161,477,478	14.53
Financial Institutions	15	14,560,716	1.31
Modaraba & Mutual Funds	40	91,460,709	8.23
Foreign Companies	14	29,835,320	2.68
Pension Funds	32	13,673,093	1.23
Others	120	65,518,835	5.90
TOTAL	6,731	1,111,425,416	100.00



Pattern of Shareholding as at December 31, 2020

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
Habib Insurance Co. Ltd.	1	2,000,000
Habib Sugar Mills Limited	1	24,136,691
Mutual Funds		
CDC - TRUSTEE FAYSAL STOCK FUND	1	33
CDC - TRUSTEE PICIC GROWTH FUND	1	233
CDC - TRUSTEE HBL - STOCK FUND	1	604
CDC - TRUSTEE PICIC INVESTMENT FUND	1	967
TRI-STAR MUTUAL FUND LIMITED	1	1,904
SAFeway FUND (PVT) LTD.	1	5,001
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	10,000
CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT	1	11,927
CDC - TRUSTEE NTPF EQUITY SUB-FUND	1	20,000
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	23,000
CDC - TRUSTEE NBP PAKISTAN GROWTH EXCHANGE TRADED FUND	1	27,146
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	36,500
CDC - TRUSTEE NBP FINANCIAL SECTOR INCOME FUND - MT	1	39,793
CDC - TRUSTEE NIT PAKISTAN GATEWAY EXCHANGE TRADED FUND	1	41,040
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	45,500
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	49,000
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	140,131
CDC - TRUSTEE LAKSON TACTICAL FUND	1	151,032
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	152,500
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	172,232
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	215,000
CDC - TRUSTEE ALLIED FINERGY FUND	1	245,000
CDC - TRUSTEE APF-EQUITY SUB FUND	1	250,500
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	251,898
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	253,800
CDC - TRUSTEE NBP SARMAYA IZAFI FUND	1	416,650
CDC - TRUSTEE NBP BALANCED FUND	1	460,400
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	596,991
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	672,409
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	684,489
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	1,119,000
CDC - TRUSTEE LAKSON EQUITY FUND	1	1,305,623
CDC - TRUSTEE ABL STOCK FUND	1	2,361,877
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	2,374,098
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	2,960,117
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	4,438,950
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	5,427,485
CDC - TRUSTEE NBP STOCK FUND	1	8,803,538
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	57,694,329

National Bank of Pakistan, Trustee Dept.



Shareholders' Category	Number of Shareholders	Number of Shares Held
Directors		
Abbas D. Habib	1	42,450,257
Qumail R. Habib	1	17,522,296
Anwar Haji Karim	1	6,349,159
Murtaza H. Habib	1	13,698,691
Syed Mazhar Abbas	1	18,474
Syed Hasan Ali Bukhari	1	15,092
Arshad Nasar	1	500
Safar Ali Lakhani	1	116,840
Farhana Mowjee Khan	1	25,180
Chief Executive Officer		
Mansoor Ali Khan	-	NIL
Directors' Spouses		
Mrs. Niamet Fatima	1	4,818,197
W/o. Mr. Abbas D. Habib		
Mrs. Shirin Lakhani	1	77,042
W/o Mr. Safar Ali Lakhani		
Executives		
	44	9,054,756
Joint Stock Companies and Corporations		
	121	137,340,787
Banks, Development Financial Institutions, Non - Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds		
	61	89,652,227
Shareholders holding five percent or more voting rights		
State Life Insurance Corporation of Pakistan	1	73,435,154
National Investment (Unit) Trust (included in the list above under Mutual Funds)		
Individuals	6,318	503,899,221
Others (including foreign companies)	134	95,354,155
TOTAL	6,731	1,111,425,416



Consolidated Financial Statements

Bank AL Habib Limited

and

Subsidiary Companies



**Bank AL Habib Limited and its Subsidiary Companies
Directors' Report on Audited Consolidated Financial Statements**

The Directors are pleased to present the Audited Consolidated Financial Statements of Bank AL Habib Limited and the Bank's Subsidiaries AL Habib Capital Markets (Private) Limited and AL Habib Asset Management Limited (formerly Habib Asset Management Limited) for the year ended December 31, 2020.

	(Rupees in '000)
Profit for the year before tax	28,709,420
Taxation	(10,751,960)
Profit for the year after tax	17,957,460
Share of profit attributable to non - controlling interest	(9,728)
Profit attributable to shareholders of Holding Company	17,947,732
Un-appropriated profit brought forward	28,163,914
Transfer from surplus on revaluation of fixed assets - net of tax	104,484
Other comprehensive income - net of tax	(128,275)
	28,140,123
Profit available for appropriation	46,087,855
Appropriations:	
Transfer to Statutory Reserve	(1,781,154)
Cash dividend – 2019	(3,889,988)
	(5,671,142)
Un - appropriated profit carried forward	40,416,713
Earnings per share (after tax) – Holding Company	Rs. 16.15

Pattern of Shareholding

The pattern of shareholding as at December 31, 2020 is annexed with the financial statements of Bank AL Habib Limited.

MANSOOR ALI KHAN
Chief Executive

ABBAS D. HABIB
Chairman
Board of Directors

Karachi: January 27, 2021



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the members of Bank Al Habib Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Bank Al Habib Limited (the Bank), and its subsidiary companies, (the Group) which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated profit and loss account and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following is the key audit matter:

Key audit matters	How the matter was addressed in our audit
1. Provision against non-performing loans and advances	
<p>The Group's advances portfolio represents 33.49% of its total assets as of 31 December 2020. A substantial portion of the advances portfolio include corporate finances to public sector entities and large to small size businesses operating in diverse sectors of the economy.</p> <p>Covid-19 pandemic which emerged during the year impacted the global economy and caused disruption to economic activities and businesses operating across a variety of sectors in Pakistan. Such circumstances potentially require the Group to evaluate its credit risk exposure which may have been impacted due to the current economic conditions.</p> <p>As per the Group's accounting policy (refer note 4.5 to the consolidated financial statements), the Group determines provisions against non-performing advances exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning for loan losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the consolidated financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of provision against advances as a significant area of audit judgment and a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non- performing advances are included in note 4.5 and 10 respectively to the consolidated financial statements.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none">- We reviewed the Group's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be.- We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations;- In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Group and status of litigation, if any, with the borrower;- In respect of the level of general provision maintained by the Group, we discussed the approach and policy followed by the Group with the management and the regulatory approvals in place for such policy.- We also assessed adequacy of disclosures as included in note 10 to the consolidated financial statements regarding the non-performing advances and provisions made for the same in the consolidated financial statements in accordance with the requirements of the applicable financial reporting framework.



Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a



material significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Arslan Khalid.

Karachi: February 15, 2021

EY Ford Rhodes
Chartered Accountants



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 (Rupees in '000)	2019
ASSETS			
Cash and balances with treasury banks	6	105,936,009	113,838,856
Balances with other banks	7	19,681,362	9,526,278
Lendings to financial institutions	8	2,175,301	1,857,575
Investments	9	765,318,984	586,510,554
Advances	10	510,050,394	488,652,848
Fixed assets	11	43,976,664	36,571,645
Intangible assets	12	294,862	368,840
Deferred tax assets		—	—
Other assets	13	75,345,810	61,812,360
		1,522,779,386	1,299,138,956
LIABILITIES			
Bills payable	15	31,013,221	20,168,673
Borrowings	16	211,627,267	228,745,034
Deposits and other accounts	17	1,099,223,458	903,592,980
Liabilities against assets subject to finance lease		—	—
Subordinated debt	18	14,989,600	14,992,800
Deferred tax liabilities	19	139,836	1,377,707
Other liabilities	20	85,342,289	68,329,071
		1,442,335,671	1,237,206,265
NET ASSETS			
		80,443,715	61,932,691
REPRESENTED BY			
Share capital	21	11,114,254	11,114,254
Reserves		18,431,277	16,467,282
Surplus on revaluation of assets	22	10,366,693	6,081,731
Unappropriated profit		40,416,713	28,163,914
Equity attributable to the shareholders of the Holding Company		80,328,937	61,827,181
Non-controlling interest	23	114,778	105,510
Total equity		80,443,715	61,932,691
CONTINGENCIES AND COMMITMENTS			
The annexed notes 1 to 49 and annexures I and II form an integral part of these consolidated financial statements.	24		

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020	2019
		(Rupees in '000)	
Mark - up / return / interest earned	26	125,292,340	105,617,207
Mark - up / return / interest expensed	27	(67,649,002)	(64,412,998)
Net mark - up / interest income		57,643,338	41,204,209
NON MARK - UP / INTEREST INCOME			
Fee and commission income	28	6,819,687	6,135,310
Dividend income		432,360	397,558
Foreign exchange income		2,142,728	2,305,204
Income / (loss) from derivatives		—	—
Gain / (loss) on securities - net	29	182,013	(32,469)
Share of profit from associates		114,337	94,992
Other income	30	819,337	662,966
Total non mark - up / interest income		10,510,462	9,563,561
Total income		68,153,800	50,767,770
NON MARK - UP / INTEREST EXPENSES			
Operating expenses	31	(34,167,718)	(27,786,291)
Workers welfare fund		(673,046)	(448,415)
Other charges	32	(56,672)	(93,244)
Total non mark - up / interest expenses		(34,897,436)	(28,327,950)
Profit before provisions		33,256,364	22,439,820
Provisions and write offs - net	33	(4,546,944)	(3,399,357)
Extra ordinary / unusual items		—	—
PROFIT BEFORE TAXATION		28,709,420	19,040,463
Taxation	34	(10,751,960)	(7,848,833)
PROFIT AFTER TAXATION		17,957,460	11,191,630
Attributable to:			
Shareholders of the Holding Company		17,947,732	11,195,366
Non - controlling interest		9,728	(3,736)
		17,957,460	11,191,630
Basic and diluted earnings per share attributable to equity holders of the Holding Company	35	16.15	10.07

The annexed notes 1 to 49 and annexures I and II form an integral part of these consolidated financial statements.

MANSOOR ALI KHAN
Chief Executive
SYED HASAN ALI BUKHARI
Director

ASHAR HUSAIN
Chief Financial Officer
ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

Profit after taxation for the year	17,957,460	11,191,630
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	182,841	592,878
Movement in surplus on revaluation of investments - net of tax	1,234,402	2,781,700
	1,417,243	3,374,578
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(128,275)	149,997
Movement in surplus on revaluation of operating fixed assets - net of tax	3,056,238	—
Movement in surplus on revaluation of non banking assets - net of tax	98,346	—
	3,026,309	149,997
Total comprehensive income	22,401,012	14,716,205
Attributable to:		
Shareholders of the Holding Company	22,391,744	14,717,373
Non - controlling interest	9,268	(1,168)
	22,401,012	14,716,205

The annexed notes 1 to 49 and annexures I and II form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholders of the Holding Company										
	Share Capital	Statutory Reserve	Foreign Currency Translation Reserve	Revenue Reserves		Surplus / (deficit) on revaluation of			Sub Total	Non-controlling Interest	Total
				Special Reserve	General Reserve	Investments	Fixed / Non Banking Assets	Unappropriated Profit			
				(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
Profit after taxation	-	-	-	-	-	-	-	11,195,366	11,195,366	(3,736)	11,191,630
Other comprehensive income - net of tax	-	-	592,878	-	-	2,779,132	-	149,997	3,522,007	2,568	3,524,575
Total comprehensive income for the year	-	-	592,878	-	-	2,779,132	-	11,345,363	14,717,373	(1,168)	14,716,205
Transfer to statutory reserve	-	1,116,874	-	-	-	-	-	(1,116,874)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(72,769)	72,769	-	-	-
Transactions 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 31 December 2019	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
Profit after taxation	-	-	-	-	-	-	-	17,947,732	17,947,732	9,728	17,957,460
Other comprehensive income - net of tax	-	-	182,841	-	-	1,234,862	3,154,584	(128,275)	4,444,012	(460)	4,443,552
Total comprehensive income for the year	-	-	182,841	-	-	1,234,862	3,154,584	17,819,457	22,391,744	9,268	22,401,012
Transfer to statutory reserve	-	1,781,154	-	-	-	-	-	(1,781,154)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	(104,484)	104,484	-	-	-
Transactions with owners, recorded directly in equity											
Cash dividend (Rs. 3.5 per share)	-	-	-	-	-	-	-	(3,889,988)	(3,889,988)	-	(3,889,988)
Balance as at 31 December 2020	11,114,254	15,640,821	2,123,956	126,500	540,000	2,841,651	7,525,042	40,416,713	80,328,937	114,778	80,443,715

The annexed notes 1 to 49 and annexures I and II form an integral part of these consolidated financial statements.

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**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

CASH FLOW FROM OPERATING ACTIVITIES

	Note	2020 (Rupees in '000)	2019
Profit before taxation		28,709,420	19,040,463
Less: Dividend income		(432,360)	(397,558)
		28,277,060	18,642,905
Adjustments:			
Depreciation		2,789,676	2,474,524
Depreciation on right-of-use assets		1,661,393	1,395,355
Amortisation		288,379	226,327
Provisions and write - offs - net		4,546,944	3,399,357
Gain on sale of fixed assets - net		(440,311)	(377,019)
Share of profit from associates		(114,337)	(94,992)
(Gain) / loss on sale / redemption of securities - net		(182,013)	32,469
Charge for compensated absences		248,264	135,164
Mark-up expense on lease liability against right-of-use assets		956,906	734,780
		9,754,901	7,925,965
		38,031,961	26,568,870
(Increase) / decrease in operating assets			
Lendings to financial institutions		(317,726)	(1,857,575)
Held - for - trading securities		(85,792)	197,562
Advances		(24,387,418)	(12,179,593)
Other assets (excluding advance taxation)		(14,183,514)	(15,893,345)
		(38,974,450)	(29,732,951)
Increase / (decrease) in operating liabilities			
Bills payable		10,844,548	(435,009)
Borrowings from financial institutions		(16,411,647)	109,148,680
Deposits		195,630,478	106,741,113
Other liabilities (excluding current taxation)		13,863,126	14,197,263
		203,926,505	229,652,047
		202,984,016	226,487,966
Income tax paid		(12,198,036)	(8,639,712)
Net cash flow generated from operating activities		190,785,980	217,848,254

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available for sale securities	(160,929,584)	(71,017,537)
Net investments in held to maturity securities	(15,538,169)	(97,530,743)
Net investments in associates	(1,478,845)	(469,232)
Dividends received	417,919	410,458
Investments in operating fixed assets	(5,264,293)	(5,207,819)
Proceeds from sale of fixed assets	599,433	520,727
Exchange differences on translation of net investment in foreign branches	182,841	592,878
Net cash used in investing activities	(182,010,698)	(172,701,268)

CASH FLOW FROM FINANCING ACTIVITIES

Payments of subordinated debt	(3,200)	(3,200)
Dividend paid	(3,841,582)	(2,767,686)
Payment against lease liabilities	(1,972,143)	(2,012,087)
Net cash flow from financing activities	(5,816,925)	(4,782,973)
Increase in cash and cash equivalents	2,958,357	40,364,013
Cash and cash equivalents at beginning of the year	36 122,460,717	82,096,704
Cash and cash equivalents at end of the year	36 125,419,074	122,460,717

The annexed notes 1 to 49 and annexures I and II form an integral part of these consolidated financial statements.

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Chairman



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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
- AL Habib Asset Management Limited (Formerly known as Habib Asset Management Limited)

1.2 Bank AL Habib Limited (the Bank) is a banking company incorporated in Pakistan on 15 October 1991 as a public limited company under repealed Companies Ordinance, 1984 having its registered office at 126-C, Old Bahawalpur Road, Multan with principal place of business in Karachi. Its shares are listed on Pakistan Stock Exchange Limited. It is a scheduled bank principally engaged in the business of commercial banking with a network of 818 branches (2019: 718 branches), 32 sub-branches (2019: 37 sub-branches), 04 representative offices (2019: 04 representative offices) and 02 booths (2019: 02 booths). The branch network of the Bank includes 03 overseas branches (2019: 03 overseas branches) and 106 Islamic Banking branches (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 AL Habib Asset Management Limited (formerly Habib Asset Management Limited). The Company was incorporated in Pakistan on 30 September 2005 as an unquoted public limited company under repealed Companies Ordinance, 1984. The Company has been issued a license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services as a Non-Banking Finance Company. The principal business of the Company is to provide Investment Advisory Services and Asset Management Services.

The Company is managing following funds:

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

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated 25 January 2018.

2.2 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 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.

2.3 Key financial information of the Islamic Banking branches is disclosed in annexure II to these consolidated financial statements.

2.4 Statement of compliance

2.4.1 These consolidated 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; and
- Directives issued by the State Bank of Pakistan 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.

2.4.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter No. 10 dated 26 August 2002 till further instructions. Further, SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the banks in Pakistan to implement IFRS 9 'Financial Instruments' with effect from 01 January 2021. 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars. In case of overseas branches, IFRS 9 / respective foreign regulatory requirements are considered for recording, classification and valuation of investment.

2.4.3 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, as amended from time to time.

2.4.4 SECP vide its notification SRO 633 (I) / 2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I) / 2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Group has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments were intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- Amendment to IFRS 3, 'Business Combinations' – Definition of a Business. IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test.



- IFRS 14, 'Regulatory Deferral Accounts' permits an entity to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of standard and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required.
- IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which became effective during the year for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The above mentioned accounting standards and amendments of IFRSs did not have any material impact on the consolidated financial statements of the Group.

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

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

- 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 replaced 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. The Bank has been complying with the requirement of BPRD Circular Letter No. 15 of 2020 to have parallel run of IFRS 9 from July 01, 2020.
- COVID-19 - Related Rent Concessions (Amendment to IFRS 16) - the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Interest Rate Benchmark Reform - Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial



assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Annual Improvements to IFRS standards 2018 - 2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.



- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2023

2.7 Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the consolidated financial statements are in respect of the following:

	Note
Classification and provisioning against investments	4.4, 4.14 & 33
Classification and provisioning against loans and advances	4.5, 10 & 33
Useful lives of fixed, right of use assets and intangible assets, depreciation, amortisation and revaluation	4.6, 11 & 12
Determination of lease term and borrowing rate	4.6, 11 & 20
Non - banking assets acquired in satisfaction of claims	4.7 & 13
Defined benefit plan related assumptions	4.10 & 38
Provisions against off - balance sheet obligations	4.15 & 20
Current and deferred taxation	4.13, 19 & 34

3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for certain investments, certain land and buildings, certain non - banking assets acquired in satisfaction of claims, employee benefits and derivative financial instruments which are revalued as referred to in notes 4.4, 4.6, 4.7, 4.10 and 4.18.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.



4.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and its subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Holding Company and subsidiaries are consolidated on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant inter - company transactions have been eliminated.

Non - controlling interest are part of results of operations and net assets of the subsidiary company attributable to interests which are not owned by the Group. Interest in the equity of the subsidiary not attributable to the Holding Company is reported in the consolidated statement of changes in equity as non - controlling interest. Profit or loss attributable to non - controlling interest is reported in the consolidated profit and loss account as profit or loss attributable to non - controlling interest.

4.2 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated cash flow statement comprise cash and balances with treasury banks and balances with other banks less overdrawn nostros accounts.

4.3 Repurchase / resale agreements

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised as investments in the statement of financial position. Amounts paid under these arrangements are included in repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repo agreement.

Bai Muajjal

In Bai Muajjal, the Bank sells sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

4.4 Investments

Investments (other than associates) are classified as follows:

Held for trading

These are investments acquired principally for the purpose of generating profits from short - term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short - term trading exists.

Held to maturity

These are investments with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold till maturity.

In Bai Muajjal, the Bank sells sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.



Available for sale

These are investments which do not fall under held for trading and held to maturity categories.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investments.

Investments (other than held for trading) are initially measured at fair value plus transaction cost associated with the investment. Investments classified as held for trading are initially measured at fair value, and transaction costs are expensed in the profit and loss account.

After initial recognition, quoted securities (other than those classified as held to maturity) are carried at market value. Unquoted securities are valued at cost less impairment in value, if any. Held to maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

Investments in associates

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. The profit and loss account reflects the Group's share of the results of operations of the associate. Any change in OCI of associates is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

4.5 Advances

Loans and advances

These are stated net of provisions for non - performing advances.

Receivables against lease finance where Bank is a lessor (other than Ijarah)

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

Islamic Financing and Related Assets

Ijarah finance

Assets leased out under ijarah arrangements are stated at cost less accumulated depreciation and impairment, if any. Such assets are depreciated over the terms of ijarah contracts.

Murabaha

Funds disbursed under murabaha arrangements for purchase of goods are recorded as advance for murabaha. On culmination of murabaha i.e. sale of goods to customers, murabaha receivables are recorded at the sale price net of deferred income. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

Inventory

The Bank values its inventories at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale. Cost of inventories represents actual purchases made by the Bank / customers as an agent of the Bank for subsequent sale.

Istisna

In Istisna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold and the amount hence financed is paid back to the Bank.



Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat - ul - milk for financing an agreed share of fixed asset (e.g. house, land, plant or machinery) with its customers and enters into periodic rental payment agreement for the utilisation of the Bank's Musharaka share by the customer. The customer purchases the Bank's share gradually as per his undertaking.

Running Musharaka

In Running Musharaka financing, the Bank enters into financing with the customer based on Shirkat-ul-Aqd or Business Partnership in customers operating business. Under this mechanism the customer can withdraw and return funds to the Bank subject to his Running Musharakah Financing limit during the Musharakah period. At the end of each quarter / half year the customer pays the provisional profit as per the desired profit rate which is subject to final settlement based on the relevant quarterly / half-yearly / annual accounts of the customer.

Musawama

In Musawama financing, the Bank purchases specific goods / commodities on cash basis from its customer for onward sale. Upon realisation of sale proceeds, the finance is adjusted.

Provision for non-performing advances

Provision for non - performing advances is determined in accordance with the requirements of the Prudential Regulations for domestic branches, whereas requirements of respective central banks is followed in respect of overseas branches and is charged to the profit and loss account. The Bank also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of the management's risk assessment.

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant \ Prudential Regulations and SBP directives.

For overseas operations, the Bank records an allowance for Expected Credit Loss for all loans and other debt financial assets not held at Fair Value through Profit and Loss (all referred to as 'financial instruments'). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Advances are written-off when there are no realistic prospects of recovery.

4.6 Operating fixed assets and depreciation

Capital work in progress

Capital work in progress is stated at cost less impairment, if any.

Property and equipment - owned

Land is measured at cost at the time of initial recognition and is subsequently carried at revalued amount less impairment, if any. Buildings are initially measured at cost and upon revaluation, are carried at revalued amount less accumulated depreciation and impairment, if any. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit and loss account on straight line basis so as to charge the assets over their expected useful lives at the rates specified in note 11.2. The depreciation charge is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed annually and adjusted, if appropriate. Depreciation is charged on prorata basis, i.e., full month charge in the month of purchase and no charge in the month of disposal.



Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. The valuations involve estimates / assumptions and various market factors and conditions. Any revaluation surplus is credited to the surplus on revaluation of land and buildings, except to the extent that it reversal of a deficit already charged to profit and loss account on the same asset. Any revaluation deficit is recognised in profit and loss account, except for a deficit directly offsetting a previous surplus on the same asset recognised in the asset revaluation surplus.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to unappropriated profit.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 11 fixed assets and are subject to impairment in line with the Bank's policy as described in note 4.14 impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).



Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is based on straight line method by taking into consideration the estimated useful life of assets at the rates specified in note 12. Intangible assets are amortised on prorata basis i.e. full month amortisation in the month of purchase and no amortisation in the month of disposal.

4.7 Non - banking assets acquired in satisfaction of claims

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalised.

4.8 Borrowings / deposits

Borrowings / deposits are recorded at the amount of proceeds received. The cost of borrowings / deposits is recognised on an accrual basis as an expense in the period in which it is incurred.

Deposits mobilized under Islamic Banking operations are generated under two modes i.e. "Qard" and "Modaraba". Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits / Current remunerative deposits'.

4.9 Subordinated debt

Subordinated debt are initially recorded at the amount of proceeds received. Mark - up accrued on subordinated debt is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

4.10 Employees' benefits

Defined benefit plan

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss in subsequent periods. The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 38. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.

AL Habib Capital Markets (Private) Limited provides provident fund benefits to all its permanent employees. Contributions are made by the companies and the employees at the rate of 10% of the basic salary in accordance with the terms of scheme.

AL Habib Asset Management Limited operates approved funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees which is equivalent to one basic salary of employees.

Compensated absences

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.



4.11 Foreign currencies

Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non - monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

Foreign operations

The assets and liabilities of foreign operations are translated to Pak Rupees at exchange rates prevailing at the reporting date. The income and expense of foreign operations are translated at rate of exchange prevailing during the year. Exchange gain or loss on such translation is taken to equity through statement of other comprehensive income under "foreign currency translation reserve".

Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities.

4.12 Revenue recognition

- (a) Mark - up / return / interest on advances and investments is recognised on accrual basis, except in case of advances classified under the Prudential Regulations on which mark - up is recognised on receipt basis. Mark - up / return / interest on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of SBP.
- (b) Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gain / loss on termination of lease contracts, front end fee and other lease income are recognised as income on receipt basis.
- (c) The rentals from ijarah are recognised as income over the term of the contract net of depreciation expense relating to the ijarah assets.
- (d) Income from murabaha is accounted for on a time proportionate basis over the period of murabaha transaction.
- (e) Dividend income is recognised when the right to receive is established.
- (f) Gain or loss on sale of investments are recognised in profit and loss account in the year in which they arise.
- (g) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

4.13 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investment in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

4.14 Impairment

Available-for-sale equity securities

Provision for diminution in the values of securities (except for debt securities) is made after considering impairment, if any, in their value and is taken to profit and loss account. Impairment is booked when there is an objective evidence of significant or prolonged decline in the value of such securities. This determination of what is significant or prolonged requires judgment.

Provision for impairment against debt securities is made in accordance with the requirements of the Prudential Regulations of SBP. In case of unquoted equity securities, the breakup value of the security is considered to determine impairment amount.

Associates

The carrying values of investments in associates are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the investments in associates are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account.

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the relevant surplus.

4.15 Provisions against off - balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fee and commission income" over the period of contracts. The Bank's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

4.16 Off setting

Financial assets and financial liabilities are only off - set and the net amount is reported in the financial statements when there is a legally enforceable right to set - off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off - set and the net amount is reported in the financial statements.

4.17 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de - recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de - recognised when obligation is discharged, cancelled or expired. Any gain or loss on de - recognition of the financial asset and liability is recognised in the profit and loss account of the current period.



4.18 Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

4.19 Dividend distribution

Dividends and appropriations to reserves are recognised in the year in which these are approved, except appropriations required by the law which are recorded in the period to which they pertain.

4.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2020.

4.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

4.22 Business segments

Retail banking

It consists of retail lending, deposits and banking services to private individuals and small businesses. The retail banking activities include provision of banking and other financial services, such as current and savings accounts, credit cards, consumer banking products etc., to individual customers, small merchants and small and medium enterprises.

Commercial banking

Commercial banking represents provision of banking services including treasury and international trade related activities to large corporate customers, multinational companies, government and semi government departments and institutions and small and medium enterprises treated as corporate under the Prudential Regulations.

Retail brokerage

Retail brokerage activities include the business of equity, money market and foreign exchange brokerage, equity research and corporate financial advisory and consultancy services.

Asset management

It includes asset management activities through the subsidiary AL Habib Asset Management Limited.

4.23 Geographical segments

The Group operates in four geographic regions, being:

- Pakistan
- Middle East
- Asia Pacific
- Africa



4.24 Statutory reserve

Every Bank incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

4.25 Provisions against liabilities

These are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision against contingencies is determined based on the management judgement regarding the probability of future out flows of resources embodying economic benefits to settle an obligation arising from past events. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.26 Clients' assets

The Group provides services that result in the holding of assets on behalf of its clients. Such assets are not reported in the financial statements, as they are not the assets of the Group.

4.27 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

5. BUSINESS COMBINATION

5.1 During the year, the Bank acquired 21,000,000 shares of AL Habib Asset Management Limited (AHAML) (formerly Habib Asset Management Limited). As a result, the Bank now has 100% controlling interest in AHAML and it is reclassified as subsidiary of the Bank. Prior to the acquisition, the Bank had 30% shareholding and AHAML 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, which is approximately equal to the fair value. The excess of the fair value of the identifiable net assets acquired over the consideration paid has been recorded as gain on bargain purchase in the consolidated financial statements.

Note (Rupees in '000)

Fair value of existing shareholding of the Holding Company at the date of acquisition	65,250
Consideration paid	152,250
Total purchase consideration	217,500
Fair value of identifiable net assets acquired from AHAML	5.2
Gain on bargain purchase	255,234
	37,734
Gain on remeasurement of previously held equity interest of associate	4,614
Fair value of existing shareholding of the Holding Company at the date of acquisition	65,250
Carrying value of investment in associate before acquisition	(60,636)
	4,614



5.2 The assets and liabilities acquired as part of business combinations are as follows:

Particulars	Note	As at May 31, 2020 (Rupees in '000)
Assets		
Non-current assets		
Intangible assets		
Management rights	5.3	80,670
Computer software		348
Fixed assets		795
Long term deposits		253
Deferred tax asset - net		1,689
		<hr/>
		83,755
Current assets		
Investments - at fair value		155,065
Taxation - net		8,646
Receivable from funds under management		7,172
Advances, prepayments and other receivables		2,084
Cash and bank balances		6,963
		<hr/>
		179,930
Total assets		<hr/>
Current liabilities		<hr/>
Accrued expenses and other liabilities		8,451
Net assets acquired as part of business combination		<hr/>
		255,234

5.3 Intangibles acquired on business combination

As part of the management exercise to determine fair value of the acquired assets, liabilities and intangible assets, the Group has recognised the following intangible asset at the acquisition date:

Particulars	Note	As at May 31, 2020 (Rupees in '000)
Management Rights	12	80,670

The fair value of this identifiable intangible asset acquired through business combination has been determined using the income approach methodology. This measure the value of an asset based on the expected net earnings or cash flows attributable to the asset over its remaining economic life. The net cash flows attributable to an asset over its economic life are estimated, discounted to present value at an appropriate rate of return, and to arrive at an indication of value of the subject asset.

The DCF methodology (an income method) is the most appropriate methodology as it reflects the present value of the operating cash flows generated by the management rights over their term. The major component considered as contributing towards the management rights intangible is the management fee earned by AHAML. Management fee income was derived by multiplying the existing management fee rates with the average net assets of the respective fund. Management fee charges were assumed to be stable across the projected period.

The income tax expense was estimated at maximum of corporate tax applicable in Pakistan during the projected period and minimum tax (8% of Revenue).



As income from management rights was partly generated due to certain assets, contributory asset charges were deducted. Contributory asset charges represent the required return on certain tangible and intangible assets used to generate future income streams associated with the acquired intangible asset. For the purpose of management rights, contributory assets included fixed assets and workforce in place.

	Note	2020 (Rupees in '000)	2019
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		23,716,952	19,497,781
Foreign currencies		4,761,414	2,062,958
		28,478,366	21,560,739
In transit:			
Local currency		600,285	481,699
Foreign currencies		4,412	676,471
		604,697	1,158,170
With State Bank of Pakistan in:			
Local currency current account	6.1	44,211,071	59,153,555
Local currency current account - Islamic Banking	6.1	3,339,015	3,140,622
Foreign currency deposit account			
Cash reserve account	6.1	3,508,365	3,236,315
Cash reserve / special cash reserve account			
- Islamic Banking		299,769	256,350
Special cash reserve account	6.1	7,016,730	9,708,945
Local US Dollar collection account	6.2	99,696	303,328
		58,474,646	75,799,115
With National Bank of Pakistan in:			
Local currency current account		16,110,129	14,944,966
Prize bonds		2,268,171	375,866
		105,936,009	113,838,856

6.1 These deposits and reserves are maintained by the Bank to comply with the statutory requirements. The special cash reserve account carries interest rate ranging upto 0.76% (2019: 0.70% to 1.50%) per annum.
 6.2 This represents US Dollar collection account maintained with SBP.

	Note	2020 (Rupees in '000)	2019
7. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		132,466	309,758
In deposit account	7.1	201,704	7,510,751
		334,170	7,820,509
Outside Pakistan:			
In current account	7.2	5,965,561	1,642,734
In deposit account	7.3	13,381,635	63,037
		19,347,196	1,705,771
Less: impairment against IFRS 9 in overseas branches		19,681,366	9,526,280
		(4)	(2)
		19,681,362	9,526,278



7.1 These carry expected profit rates ranging from 2.32% to 11.28% (2019: 1.00% to 12.50%) per annum.

7.2 These carry interest rates ranging from 0.05% to 0.75% (2019: 0.05% to 1.00%) per annum.

7.3 These carry interest rates ranging upto 1.50% (2019: 1.25% to 4.50%) per annum.

2020 **2019**
(Rupees in '000)

8. LENDINGS TO FINANCIAL INSTITUTIONS

In local currency:

Bai Muajjal Receivable from the State Bank of Pakistan **2,175,301** **1,857,575**

8.1 Securities held as collateral against amounts due from financial institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total (Rupees in '000)	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	2,175,301	-	2,175,301	1,857,575	-	1,857,575

8.1.1 The GoP Ijarah Sukuks carry rates ranging from 8.89% to 9.08% (2019: 10.39% to 10.49%).

9. INVESTMENTS

	Note	2020				2019			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
9.1 Investments by type:									
		(Rupees in '000)				(Rupees in '000)			
<i>Held-for-trading securities</i>									
Shares		95,778	-	771	96,549	-	-	-	-
<i>Available-for-sale securities</i> 9.3 & 9.4									
Federal Government Securities		581,306,864	(226,825)	4,713,084	585,793,123	419,545,132	(187,265)	1,899,966	421,257,833
Shares		4,473,575	(1,794,587)	575,088	3,254,076	4,431,809	(1,571,426)	431,845	3,292,228
Non Government Debt Securities		5,542,664	-	(169,980)	5,372,684	5,586,804	-	(141,759)	5,445,045
Foreign Securities		6,891,856	(909,432)	(1,215,066)	4,767,358	6,524,223	(41,248)	(48,396)	6,434,579
Units of mutual funds		2,125,000	(444,440)	350,397	2,030,957	3,125,000	(373,875)	233,167	2,984,292
		600,339,959	(3,375,284)	4,253,523	601,218,198	439,212,968	(2,173,814)	2,374,823	439,413,977
<i>Held-to-maturity securities</i> 9.3 & 9.5									
Federal Government Securities		159,496,264	(130,790)	-	159,365,474	145,152,375	(41,871)	-	145,110,504
Non Government Debt Securities		-	-	-	-	46,632	-	-	46,632
Foreign Securities		1,708,659	(127,901)	-	1,580,758	467,747	(471)	-	467,276
Others		4,481	(4,481)	-	-	-	-	-	-
		161,209,404	(263,172)	-	160,946,232	145,666,754	(42,342)	-	145,624,412
<i>Associates</i>	9.6	3,058,005	-	-	3,058,005	1,472,165	-	-	1,472,165
<i>Total Investments</i>		764,703,146	(3,638,456)	4,254,294	765,318,984	586,351,887	(2,216,156)	2,374,823	586,510,554



	2020				2019			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
9.2 Investments by segments:								(Rupees in '000)
Federal Government Securities								
Market Treasury Bills	143,416,675	–	490,699	143,907,374	295,433,821	–	798,050	296,231,871
Pakistan Investment Bonds	515,401,452	–	4,094,215	519,495,667	242,426,221	–	898,902	243,325,123
Foreign Currency Bonds	10,724,047	(357,615)	198,212	10,564,644	6,932,009	(163,826)	208,400	6,976,583
Ijarah Sukuks	26,952,616	–	(209,517)	26,743,099	4,108,362	(65,310)	(5,386)	4,037,666
Sukuks	44,022,624	–	139,475	44,162,099	15,225,665	–	–	15,225,665
Term Finance Certificates - Unlisted	285,714	–	–	285,714	571,429	–	–	571,429
	740,803,128	(357,615)	4,713,084	745,158,597	564,697,507	(229,136)	1,899,966	566,368,337
Shares								
Listed Companies	4,415,117	(1,788,887)	575,859	3,202,089	4,327,573	(1,565,726)	431,845	3,193,692
Unlisted Companies	154,236	(5,700)	–	148,536	104,236	(5,700)	–	98,536
	4,569,353	(1,794,587)	575,859	3,350,625	4,431,809	(1,571,426)	431,845	3,292,228
Non Government Debt Securities								
Term Finance Certificates and Sukuks								
Listed								
Term Finance Certificates	1,995,195	–	(73,522)	1,921,673	1,947,922	–	(46,982)	1,900,940
Sukuks	1,322,529	–	(96,458)	1,226,071	1,504,215	–	(94,777)	1,409,438
	3,317,724	–	(169,980)	3,147,744	3,452,137	–	(141,759)	3,310,378
Unlisted								
Term Finance Certificates	199,940	–	–	199,940	199,960	–	–	199,960
Sukuks	2,025,000	–	–	2,025,000	1,981,339	–	–	1,981,339
	2,224,940	–	–	2,224,940	2,181,299	–	–	2,181,299
Others								
Unlisted Company	4,481	(4,481)	–	–	–	–	–	–
Foreign Securities								
Government Securities	8,600,515	(1,037,333)	(1,215,066)	6,348,116	6,991,970	(41,719)	(48,396)	6,901,855
Associates								
Habib Sugar Mills Limited	570,080	–	–	570,080	538,332	–	–	538,332
Habib Asset Management Limited (formerly Habib Asset Management Limited)	–	–	–	–	64,532	–	–	64,532
First Habib Income Fund	141,131	–	–	141,131	144,578	–	–	144,578
First Habib Stock Fund	8,608	–	–	8,608	8,468	–	–	8,468
First Habib Cash Fund	2,194,250	–	–	2,194,250	139,539	–	–	139,539
First Habib Islamic Stock Fund	48,910	–	–	48,910	8,285	–	–	8,285
First Habib Islamic Income Fund	25,186	–	–	25,186	550,278	–	–	550,278
First Habib Asset Allocation Fund	69,840	–	–	69,840	18,153	–	–	18,153
	3,058,005	–	–	3,058,005	1,472,165	–	–	1,472,165
Units of Mutual Funds								
	2,125,000	(444,440)	350,397	2,030,957	3,125,000	(373,875)	233,167	2,984,292
Total Investments								
	764,703,146	(3,638,456)	4,254,294	765,318,984	586,351,887	(2,216,156)	2,374,823	586,510,554



		2020 (Rupees in '000)	2019
9.2.1	Investments given as collateral		
	Market Treasury Bills		
Carrying value		98,003,080	153,188,536
Surplus		424,285	276,366
		98,427,365	153,464,902
9.3	Provision for diminution in value of investments		
Opening balance		2,216,156	561,323
Exchange adjustments against IFRS 9 in overseas branches		3,978	2,909
Charge / reversals			
Charge for the year		294,959	1,420,053
Charge of impairment as per IFRS 9 in overseas branches		1,120,117	231,871
Reversal on disposal		(1,235)	–
		1,413,841	1,651,924
Others		4,481	–
Closing balance		3,638,456	2,216,156

9.4 Quality of Available for Sale Securities

Details regarding quality of available for securities are as follows:

		Cost	
		2020	2019 (Rupees in '000)
9.4.1	Federal Government Securities - Government guaranteed		
Market Treasury Bills	143,416,675	295,433,821	
Pakistan Investment Bonds	360,760,377	109,177,808	
Foreign Currency Bonds	6,510,541	5,784,962	
Ijarah Sukuks	26,952,616	4,108,362	
Sukuks	43,380,941	4,468,750	
Term Finance Certificates - Unlisted	285,714	571,429	
	<hr/>	<hr/>	<hr/>
	581,306,864	419,545,132	

9.4.2 Shares

9.4.2.1 Listed Companies

Automobile Assembler	199,842	199,842
Cement	292,921	297,906
Commercial Banks	164,773	164,773
Fertiliser	933,455	939,647
Food and Personal Care Products	23,211	23,211
Insurance	29,975	29,975
Securities Companies	106,222	106,275
Oil and Gas Exploration Companies	27,696	24,701
Oil and Gas Marketing Companies	793,159	793,159
Paper and Board	38,264	38,264
Pharmaceuticals	21,775	21,775
Power Generation and Distribution	1,634,091	1,634,090
Technology and Communication	13,140	13,140
Textile Composite	40,815	40,815
	4,319,339	4,327,573



9.4.2.2 Unlisted Companies	Break up value as at	2020		2019	
		Cost	Breakup value (Rupees in '000)	Cost	Breakup value
		154,236	431,587	104,236	195,001
Khushhali Bank Limited	December 31, 2019	30,000	165,372	30,000	144,255
Pakistan Export Finance Guarantee Agency Limited	—	5,700	—	5,700	—
Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T)	—	18,536	—	18,536	—
Pakistan Mortgage Refinance Company Limited	December 31, 2019	50,000	64,183	50,000	50,746
1LINK (Guarantee) Limited	December 31, 2019	50,000	202,032	—	—
		154,236	431,587	104,236	195,001
Cost					
9.4.3 Non Government Debt Securities		2020		2019	
		(Rupees in '000)			
9.4.3.1 Listed					
AA+			1,267,724		1,449,410
AA			200,000		152,727
AA-			500,000		500,000
A			1,300,000		1,300,000
A-			50,000		—
			3,317,724		3,402,137
9.4.3.2 Unlisted					
AA			1,200,000		900,000
AA-			750,000		750,000
A+			75,000		284,707
A			100,000		100,000
A-			—		149,960
BBB+			99,940		—
			2,224,940		2,184,667
9.4.4 Mutual funds					
AAA(f)			50,000		50,000
AA(f)			550,000		1,650,000
AA-(f)			200,000		200,000
A+(f)			100,000		—
Unrated			1,225,000		1,225,000
			2,125,000		3,125,000



9.4.5 Foreign Securities	2020		2019	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Bahrain	319,668	B+	309,695	BB-
Srilanka	3,723,756	CCC	4,247,753	B
Egypt	2,097,411	B+	1,246,574	B+
Turkey	751,021	BB-	720,201	BB-
	6,891,856		6,524,223	
Cost				
	2020		2019	
				(Rupees in '000)

9.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	154,641,075	133,248,413
Foreign Currency Bonds	4,213,506	1,147,047
Ijarah Sukuks	—	10,756,915
Sukuks	641,683	—
	159,496,264	145,152,375

Non Government Debt Securities - Unlisted

- A+	—	46,632
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Others

Pakistan Corporate Restructuring Company Limited (PCRCL)	4,481	—
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Foreign Securities	2020		2019	
	Cost	Rating (Rupees in '000)	Cost	Rating
Government Securities				
Egypt	482,090	B+	467,747	B+
Srilanka	1,226,569	CCC	—	—
	1,708,659		467,747	

9.5.1 The market value of securities classified as held to maturity at 31 December 2020 amounted to Rs. 168,809 million (2019: Rs. 148,608 million).



9.6 Associates

			Name of companies / funds	Note	2020	2019
		No. of ordinary shares / units				(Rupees in '000)
		9,415,312	Habib Sugar Mills Limited % of holding: 6.28% (2019: 6.28%) Par value per share: Rs. 5 Market value: Rs. 319.273 million (2019: Rs. 360.136 million) Chief Executive: Mr. Raeesul Hasan	9.6.2	570,080	538,332
		-	AL Habib Asset Management Limited (formerly Habib Asset Management Limited)		-	64,532
		1,363,808	First Habib Income Fund % of holding: 17.86% (2019: 21.91%) Average cost per unit: Rs. 109.99 (2019: Rs. 109.99) Net asset value: Rs. 103.48 (2019: Rs. 106.01) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		141,131	144,578
		100,000	First Habib Stock Fund % of holding: 7.09% (2019: 6.67%) Average cost per unit: Rs. 100 (2019: Rs. 100) Net asset value: Rs. 86.07 (2019: Rs. 84.68) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		8,608	8,468
		16,288,303	First Habib Cash Fund % of holding: 12.47% (2019: 6.61%) Average cost per unit: Rs. 101.30 (2019: Rs. 107.74) Net asset value: Rs. 100.98 (2019: Rs. 100.23) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		2,194,250	139,539
		100,929	First Habib Islamic Stock Fund % of holding: 8.23% (2019: 7.16%) Average cost per unit: Rs. 99.08 (2019: Rs. 99.08) Net asset value: Rs. 84.99 (2019: Rs. 82.08) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		48,910	8,284
		250,421	First Habib Islamic Income Fund % of holding: 0.22% (2019: 14.32%) Average cost per unit: Rs. 98.46 (2019: Rs. 100.85) Net asset value: Rs. 100.58 (2019: Rs. 100.17) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		25,186	550,279
		200,149	First Habib Asset Allocation Fund % of holding: 19.75% (2019: 17.87%) Average cost per unit: Rs. 99.93 (2019: Rs. 99.93) Net Asset Value: Rs. 101.98 (2019: Rs. 90.70) Management Company: AL Habib Asset Management Limited Chief Executive of the Management Company: Mr. Kashif Rafi		69,840	18,153
					3,058,005	1,472,165

9.6.1 The place of business and incorporation of associates is Pakistan.



9.6.2 Due to common directorship in Habib Sugar Mills Limited, the Bank considers the investee company as an associate.

	Note	2020	2019
		(Rupees in '000)	
Opening balance		1,472,165	957,449
Share of profit		110,441	94,991
Investment - net		1,609,946	525,000
Dividend received		(66,569)	(56,530)
Capital gain		(21,402)	-
Adjustment on acquisition of associate	5.1	(60,636)	-
Unrealised gain / (loss) routed to OCI		14,060	(48,745)
Closing balance		<u>3,058,005</u>	<u>1,472,165</u>

9.6.4 Summary of audited financial information of associates

Name of associates	2020					
	Assets	Liabilities	Equity	Revenue	Profit / (loss)	OCI
(Rupees in '000)						
Habib Sugar Mills Limited	11,106,205	2,483,243	8,622,962	10,138,211	694,295	265,474
First Habib Cash Fund	4,540,353	903,419	3,636,934	280,375	254,764	-
First Habib Income Fund	1,507,587	384,865	1,122,722	100,485	85,788	-
First Habib Stock Fund	111,069	6,227	104,842	3,020	(1,564)	-
First Habib Islamic Stock Fund	119,489	16,084	103,405	3,806	(355)	-
First Habib Islamic Income Fund	9,050,920	20,828	9,030,092	470,279	425,663	-
First Habib Asset Allocation Fund	107,688	1,136	106,552	3,792	(314)	-
2019						
Habib Sugar Mills Limited	10,749,005	2,673,312	8,075,693	10,268,047	1,202,276	(776,581)
AL Habib Asset Management Limited	194,758	7,607	187,151	45,206	(60,173)	-
First Habib Cash Fund	2,235,159	29,178	2,264,337	243,659	211,032	-
First Habib Income Fund	762,120	29,305	732,815	87,745	60,343	-
First Habib Stock Fund	107,918	3,898	104,020	(22,040)	(27,453)	-
First Habib Islamic Stock Fund	103,921	3,065	100,856	(17,365)	(22,191)	-
First Habib Islamic Income Fund	111,378	1,231	110,147	10,632	7,805	-
First Habib Asset Allocation Fund	101,824	976	100,848	(4,598)	(9,998)	-

10. ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	(Rupees in '000)	
Loans, cash credits, running finances, etc.	10.1	429,319,854	407,446,886	6,970,943	6,989,020	436,290,797	414,435,906
Islamic financing and related assets		58,248,930	50,662,682	218,174	82,542	58,467,104	50,745,224
Bills discounted and purchased		27,742,924	32,876,085	192,356	186,354	27,935,280	33,062,439
Advances - gross		515,311,708	490,985,653	7,381,473	7,257,916	522,693,181	498,243,569
Provision against advances							
- Specific		—	—	6,497,479	6,201,412	6,497,479	6,201,412
- General as per regulations		267,290	263,290	—	—	267,290	263,290
- General		5,750,000	3,000,000	—	—	5,750,000	3,000,000
- As per IFRS 9 in overseas branches		128,018	126,019	—	—	128,018	126,019
		6,145,308	3,389,309	6,497,479	6,201,412	12,642,787	9,590,721
Advances - net of provision		509,166,400	487,596,344	883,994	1,056,504	510,050,394	488,652,848



10.1 Includes net investment in finance lease as disclosed below:

	2020			2019		
	Not later than one year	Later than one and less than five years	Total (Rupees in '000)	Not later than one year	Later than one and less than five years	Total
Lease rentals receivable	7,448,062	12,376,700	19,824,762	8,477,197	9,784,780	18,261,977
Residual value	1,707,629	2,978,287	4,685,916	1,426,512	4,826,361	6,252,873
Minimum lease payments	9,155,691	15,354,987	24,510,678	9,903,709	14,611,141	24,514,850
Financial charges for future periods	(1,059,738)	(1,702,182)	(2,761,920)	(1,884,098)	(1,717,790)	(3,601,888)
Present value of minimum lease payments	8,095,953	13,652,805	21,748,758	8,019,611	12,893,351	20,912,962

10.2 Particulars of advances (Gross)

	2020		2019
	(Rupees in '000)		
In local currency		453,332,482	409,278,021
In foreign currencies		69,360,699	88,965,548
		<u>522,693,181</u>	<u>498,243,569</u>

10.3 Advances include Rs. 7,381.473 million (2019: Rs. 7,257.916 million) which have been placed under non-performing status as detailed below:

Category of classification	2020		2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	62,671	292	82,730	456
Substandard	165,014	33,385	377,335	84,250
Doubtful	1,118,292	499,908	1,014,818	503,459
Loss	3,987,501	3,965,101	3,696,404	3,681,349
	<u>5,333,478</u>	<u>4,498,686</u>	<u>5,171,287</u>	<u>4,269,514</u>
Overseas				
Overdue by:				
181 to 365 days	136,600	87,398	913,445	758,714
> 365 days	1,911,395	1,911,395	1,173,184	1,173,184
	<u>2,047,995</u>	<u>1,998,793</u>	<u>2,086,629</u>	<u>1,931,898</u>
Total	<u>7,381,473</u>	<u>6,497,479</u>	<u>7,257,916</u>	<u>6,201,412</u>



10.4 Particulars of provision against advances

Note	2020			2019		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
Opening balance	6,201,412	3,389,309	9,590,721	4,351,895	3,378,284	7,730,179
Exchange adjustments	68,496	5,158	73,654	104,015	16,608	120,623
Charge for the year						
- Specific provision	887,878	—	887,878	2,092,790	—	2,092,790
- General provision as per regulations	—	4,000	4,000	—	25,191	25,191
- As per IFRS 9 in overseas branches	—	(3,159)	(3,159)	—	(30,774)	(30,774)
- General provision for loans and advances 10.4.2	—	2,750,000	2,750,000	—	—	—
Reversals	(648,847)	—	(648,847)	(345,809)	—	(345,809)
	239,031	2,750,841	2,989,872	1,746,981	(5,583)	1,741,398
Amounts written off 10.5	(6,979)	—	(6,979)	(1,479)	—	(1,479)
Others 10.6	(4,481)	—	(4,481)	—	—	—
Closing balance	<u>6,497,479</u>	<u>6,145,308</u>	<u>12,642,787</u>	<u>6,201,412</u>	<u>3,389,309</u>	<u>9,590,721</u>

10.4.1 Particulars of provision against advances

	2020			2019		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
In local currency	4,498,686	6,017,290	10,515,976	4,269,514	3,263,290	7,532,804
In foreign currencies	1,998,793	128,018	2,126,811	1,931,898	126,019	2,057,917
	<u>6,497,479</u>	<u>6,145,308</u>	<u>12,642,787</u>	<u>6,201,412</u>	<u>3,389,309</u>	<u>9,590,721</u>

10.4.2 In line with its prudent policies, the Bank has also made general provision of Rs. 2,750 million (2019: Nil), bringing the total of such provision to Rs. 5,750 million (2019: Rs. 3,000 million). This general provision is in addition to the requirements of the Prudential Regulations.

10.4.3 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.

10.5 PARTICULARS OF WRITE OFFs	Note	2020 (Rupees in '000)	2019
10.5.1 Against Provisions Directly charged to Profit and Loss account	10.4	<u>6,979</u> —	<u>1,479</u> —
		<u>6,979</u>	<u>1,479</u>
10.5.2 Write Offs of Rs. 500,000 and above - Domestic Write Offs of below Rs. 500,000	10.7	<u>4,360</u> <u>2,619</u>	<u>815</u> <u>664</u>
		<u>6,979</u>	<u>1,479</u>



10.6 This represents Rs. 4.481 million of non-performing loan was transferred to Pakistan Corporate Restructuring Company Limited (PCRCL) during the year.

10.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure I.

	Note	2020 (Rupees in '000)	2019						
11. FIXED ASSETS									
Capital work - in - progress	11.1	2,279,324	1,597,551						
Property and equipment	11.2	41,697,340	34,974,094						
		<u><u>43,976,664</u></u>	<u><u>36,571,645</u></u>						
11.1 Capital work - in - progress									
Civil works		454,808	652,132						
Advance payment for purchase of equipments		51,867	68,212						
Advance payment towards suppliers, contractors and property		1,740,546	854,366						
Consultants' fee and other charges		32,103	22,841						
		<u><u>2,279,324</u></u>	<u><u>1,597,551</u></u>						
11.2 Property and Equipment									
		2020							
		Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment (Rupees in '000)	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
At 01 January 2020									
Cost / Revalued amount	10,724,438	10,098,380	1,422,561	8,844,776	3,394,955	2,766,206	9,594,046	46,845,362	
Accumulated depreciation	–	(789,522)	(578,316)	(5,773,122)	(1,602,933)	(1,732,020)	(1,395,355)	(11,871,268)	
Net book value	<u><u>10,724,438</u></u>	<u><u>9,308,858</u></u>	<u><u>844,245</u></u>	<u><u>3,071,654</u></u>	<u><u>1,792,022</u></u>	<u><u>1,034,186</u></u>	<u><u>8,198,691</u></u>	<u><u>34,974,094</u></u>	
Year ended 31 December 2020									
Opening net book value	10,724,438	9,308,858	844,245	3,071,654	1,792,022	1,034,186	8,198,691	34,974,094	
Additions	291,338	1,100,546	274,407	1,441,233	947,305	394,308	–	4,449,137	
Acquisition through business combination	–	–	–	751	44	–	–	795	
Additions to ROUs	–	–	–	–	–	–	3,224,658	3,224,658	
Movement in surplus on assets revalued during the year	1,703,806	1,914,291	–	–	–	–	–	3,618,097	
Disposals	–	(14,051)	(2,207)	(3,857)	(137,284)	(1,723)	–	(159,122)	
Depreciation charge	–	(434,732)	(128,769)	(1,076,288)	(624,220)	(518,608)	(1,661,393)	(4,444,010)	
Other adjustments / transfers	130,450	(72,826)	–	–	–	(2,720)	(21,213)	33,691	
Closing net book value	<u><u>12,850,032</u></u>	<u><u>11,802,086</u></u>	<u><u>987,676</u></u>	<u><u>3,433,493</u></u>	<u><u>1,977,867</u></u>	<u><u>905,443</u></u>	<u><u>9,740,743</u></u>	<u><u>41,697,340</u></u>	
At 31 December 2020									
Cost / Revalued amount	12,850,032	12,084,529	1,682,269	10,119,610	3,733,556	3,114,048	11,136,098	54,720,142	
Accumulated depreciation	–	(282,443)	(694,593)	(6,686,117)	(1,755,689)	(2,208,605)	(1,395,355)	(13,022,802)	
Net book value	<u><u>12,850,032</u></u>	<u><u>11,802,086</u></u>	<u><u>987,676</u></u>	<u><u>3,433,493</u></u>	<u><u>1,977,867</u></u>	<u><u>905,443</u></u>	<u><u>9,740,743</u></u>	<u><u>41,697,340</u></u>	
Rate of depreciation (percentage)	–	2.22% - 20%	10%	20%	20%	20%	–		



2019

	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Improvements to leasehold building	Right of use assets - building on leasehold land	Total
At 01 January 2019								
Cost / Revalued amount	9,005,011	9,509,959	1,236,363	8,159,109	3,118,382	2,488,339	8,139,524	41,656,687
Accumulated depreciation	-	(469,567)	(497,787)	(4,953,648)	(1,563,616)	(1,273,423)	-	(8,758,041)
Net book value	<u>9,005,011</u>	<u>9,040,392</u>	<u>738,576</u>	<u>3,205,461</u>	<u>1,554,766</u>	<u>1,214,916</u>	<u>8,139,524</u>	<u>32,898,646</u>
Year ended 31 December 2019								
Opening net book value	9,005,011	9,040,392	738,576	3,205,461	1,554,766	1,214,916	8,139,524	32,898,646
Additions	1,706,068	601,780	221,025	874,251	922,935	301,388	-	4,627,447
Acquisition through business combination	-	-	-	-	-	-	-	-
Additions to ROUs	-	-	-	-	-	-	1,454,522	1,454,522
Disposals	-	-	(3,587)	(5,747)	(130,139)	(4,235)	-	(143,708)
Depreciation charge	-	(319,955)	(111,769)	(1,002,311)	(555,540)	(477,883)	(1,395,355)	(3,862,813)
Other adjustments / transfers	13,359	(13,359)	-	-	-	-	-	-
Closing net book value	<u>10,724,438</u>	<u>9,308,858</u>	<u>844,245</u>	<u>3,071,654</u>	<u>1,792,022</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,974,094</u>
At 31 December 2019								
Cost / Revalued amount	10,724,438	10,098,380	1,422,561	8,844,776	3,394,955	2,766,206	9,594,046	46,845,362
Accumulated depreciation	-	(789,522)	(578,316)	(5,773,122)	(1,602,933)	(1,732,020)	(1,395,355)	(11,871,268)
Net book value	<u>10,724,438</u>	<u>9,308,858</u>	<u>844,245</u>	<u>3,071,654</u>	<u>1,792,022</u>	<u>1,034,186</u>	<u>8,198,691</u>	<u>34,974,094</u>
Rate of depreciation (percentage)	-	2.22% - 12.50%	10%	20%	20%	20%	-	-

11.3 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 surplus of Rs. 3,618.097 million over the book value of the respective properties and also net deficit of Rs. 122.190 million on certain properties. Had the leasehold land and buildings on leasehold land not been revalued, the total carrying amounts of revalued properties as at 31 December 2020 would have been as follows:

	2020	2019
	(Rupees in '000)	
Leasehold land	<u>8,730,369</u>	<u>4,788,144</u>
Buildings on leasehold land	<u>6,932,544</u>	<u>4,670,487</u>
11.4 The gross carrying amount of fully depreciated assets still in use is as follows:		
Furniture and fixture	<u>227,579</u>	<u>201,789</u>
Electrical, office and computer equipment	<u>4,110,076</u>	<u>3,154,857</u>
Vehicles	<u>517,461</u>	<u>450,511</u>
	<u>4,855,116</u>	<u>3,807,157</u>

11.5 Details of disposal of fixed assets during the year:

Particulars	2020		
	Cost	Book value	Insurance claim
(Rupees in '000)			
Habib Insurance Company Limited - (Related Party - Karachi)			
Furniture and fixture	<u>1,396</u>	<u>371</u>	<u>833</u>
Electrical, office and computer equipment	<u>12,754</u>	<u>1,034</u>	<u>11,153</u>
Vehicles	<u>7,480</u>	<u>2,321</u>	<u>6,681</u>



	2020			
	Computer software	TRE Certificates	Management rights	Total
(Rupees in '000)				

12. INTANGIBLE ASSETS

At 01 January 2020

Cost	1,287,061	34,750	—	1,321,811
Accumulated amortisation and impairment	(920,721)	(32,250)	—	(952,971)
Net book value	<u>366,340</u>	<u>2,500</u>	—	<u>368,840</u>

Year ended 31 December 2020

Opening net book value	366,340	2,500	—	368,840
Additions directly purchased	133,383	—	—	133,383
Business combination	348	—	80,670	81,018
Amortisation charge	(288,379)	—	—	(288,379)
Closing net book value	<u>211,692</u>	<u>2,500</u>	<u>80,670</u>	<u>294,862</u>

At 31 December 2020

Cost	1,420,792	34,750	80,670	1,536,212
Accumulated amortisation and impairment	(1,209,100)	(32,250)	—	(1,241,350)
Net book value	<u>211,692</u>	<u>2,500</u>	<u>80,670</u>	<u>294,862</u>
Rate of amortisation (percentage)	<u>50%</u>	<u>—</u>	<u>—</u>	
Useful life	<u>2 years</u>	<u>—</u>	<u>—</u>	

2019

At 01 January 2019

Cost	870,366	34,750	—	905,116
Accumulated amortisation and impairment	(702,003)	(32,250)	—	(734,253)
Net book value	<u>168,363</u>	<u>2,500</u>	—	<u>170,863</u>

Year ended 31 December 2019

Opening net book value	168,363	2,500	—	170,863
Additions directly purchased	416,695	—	—	416,695
Amortisation charge	(218,718)	—	—	(218,718)
Closing net book value	<u>366,340</u>	<u>2,500</u>	—	<u>368,840</u>

At 31 December 2019

Cost	1,287,061	34,750	—	1,321,811
Accumulated amortisation and impairment	(920,721)	(32,250)	—	(952,971)
Net book value	<u>366,340</u>	<u>2,500</u>	—	<u>368,840</u>
Rate of amortisation (percentage)	<u>50%</u>	<u>—</u>	<u>—</u>	
Useful life	<u>2 years</u>	<u>—</u>	<u>—</u>	

12.1 As at 31 December 2020, the cost of fully amortised intangible assets still in use amounted to Rs. 878.525 million (2019: Rs. 635.519 million).



13. OTHER ASSETS	Note	2020 (Rupees in '000)	2019
Income / mark - up accrued in local currency - net of provision		16,945,436	19,900,665
Income / mark - up accrued in foreign currencies - net of provision		691,713	600,408
Advances, deposits, advance rent and other prepayments		776,481	583,324
Advance taxation (payments less provisions)		—	708,375
Non - banking assets acquired in satisfaction of claims	13.1	814,912	874,900
Mark to market gain on forward foreign exchange contracts		931,153	1,032,137
Acceptances		52,522,498	36,264,680
Stationery and stamps on hand		393,693	240,307
Receivable from SBP on encashment of Government Securities		33,013	41,680
Non - refundable deposits		—	35,845
ATM settlement account		943,062	239,233
Receivable against securities		218,199	54,247
Others		943,369	1,209,460
		75,213,529	61,785,261
Less: Provision held against other assets	13.2	(6,884)	(7,383)
Other Assets (net of provision)		75,206,645	61,777,878
Surplus on revaluation of non - banking assets acquired in satisfaction of claims		139,165	34,482
Other Assets - total		75,345,810	61,812,360
13.1 Market value of non - banking assets acquired in satisfaction of claims		957,093	1,013,291
Market value of the non-banking assets acquired in satisfaction of claims has been carried out by an independent valuers, M/s. K.G.Traders (Pvt.) Ltd. and MYK Associates (Pvt.) Ltd. based on present physical condition and location of non - banking assets. Fair values were ascertained by the independent valuers through various enquiries conducted by them at site from real estate agents and brokers.			
13.1.1 Non - banking assets acquired in satisfaction of claims		2020 (Rupees in '000)	2019
Opening balance		909,382	836,448
Additions		—	80,000
Revaluations		106,658	—
Transferred to fixed assets		(54,904)	—
Accumulated depreciation		(7,059)	(7,066)
Closing balance		954,077	909,382
13.2 Provision held against other assets			
Receivable against consumer loans		6,884	7,383
13.2.1 Movement in provision held against other assets			
Opening balance		7,383	7,279
Charge for the year		6,080	2,108
Reversals		(5,255)	(1,658)
Amount written off		825	450
Closing balance		6,884	7,383

14. CONTINGENT ASSETS

There were no contingent assets of the Group as at 31 December 2020 (2019: Nil).



	Note	2020 (Rupees in '000)	2019
15. BILLS PAYABLE			
In Pakistan		31,013,221	20,168,673
		<hr/>	<hr/>
16. BORROWINGS			
<i>Secured</i>			
Borrowings from the State Bank of Pakistan			
Under export refinance scheme	16.1	58,086,099	42,657,650
Under renewable energy	16.2	8,958,686	3,946,903
Under long term financing for imported and locally manufactured plant and machinery	16.3	25,128,756	19,796,175
Under modernisation of small and medium enterprises	16.4	331,848	310,422
Under women entrepreneurship	16.5	26,957	19,159
Under financing facility for storage of agricultural produce	16.6	416,073	2,869
Under refinance scheme for payment of wages and salaries	16.7	15,720,186	–
Under temporary economic refinance facility	16.8	4,387,473	–
		<hr/>	<hr/>
Repurchase agreement borrowings	16.9	113,056,078	66,733,178
Borrowings from financial institutions		98,345,030	153,365,059
Others	16.10	–	7,742,380
		<hr/>	<hr/>
Total secured		211,428,970	227,840,617
<i>Unsecured</i>			
Overdrawn nostro accounts		198,297	904,417
		<hr/>	<hr/>
		211,627,267	228,745,034
		<hr/>	<hr/>

16.1 These carry mark - up rates ranging from 1% to 2% (2019: 1% to 2%) per annum, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.

16.2 These carry mark - up rates of 2% to 3% (2019: 2% to 3%) per annum having maturity periods over ten years.

16.3 These carry mark - up rates ranging from 2% to 6% (2019: 2% to 6%) per annum having maturity periods over ten years.

16.4 These carry mark - up rates of 2% (2019: 2%) per annum having maturity periods upto seven years.

16.5 These carry mark - up rates of Nil (2019: Nil) per annum having maturity periods upto five years.

16.6 These carry mark - up rates from 2.5% to 3.5% (2019: 2.0%) per annum having maturity periods upto seven years.

16.7 These carry mark - up rates upto 1% (2019: Nil) per annum having maturity periods upto three years.

16.8 These carry mark - up rates of 1% (2019: Nil) per annum having maturity periods upto ten years.

16.9 These repurchase agreement borrowings are secured against market treasury bills. These carry effective mark - up rates of 7.05% (2019: 13.10% to 13.45%) per annum, having maturity periods upto one week.

16.10 This carries mark - up rate of 3 months' KIBOR plus 1.5% per annum.



16.11 Particulars of borrowings with respect to currencies

**2020 2019
(Rupees in '000)**

In local currency	211,428,970	220,098,237
In foreign currencies	198,297	8,646,797
	211,627,267	228,745,034

17. DEPOSITS AND OTHER ACCOUNTS

In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
(Rupees in '000)			(Rupees in '000)		
351,389,228	40,963,348	392,352,576	280,838,981	34,758,774	315,597,755
283,179,499	43,773,628	326,953,127	222,230,042	38,657,119	260,887,161
177,719,569	40,377,454	218,097,023	162,116,200	33,990,552	196,106,752
120,360,146	2,247,064	122,607,210	96,456,401	771,529	97,227,930
15,419,195	7,337,309	22,756,504	11,695,770	8,186,073	19,881,843
948,067,637	134,698,803	1,082,766,440	773,337,394	116,364,047	889,701,441
3,568,698	203,742	3,772,440	1,717,620	1,234,067	2,951,687
113,638	18	113,656	4,298,015	16	4,298,031
1,335,500	135,060	1,470,560	1,750,000	114,123	1,864,123
10,381,339	697,737	11,079,076	4,578,433	192,643	4,771,076
21,286	–	21,286	6,622	–	6,622
15,420,461	1,036,557	16,457,018	12,350,690	1,540,849	13,891,539
963,488,098	135,735,360	1,099,223,458	785,688,084	117,904,896	903,592,980
2020			2020		2019
(₹ '000)			(₹ '000)		(₹ '000)

17.1 Composition of deposits

- Individuals	694,690,728	582,949,390
- Government (Federal and Provincial)	43,377,359	29,894,596
- Public Sector Entities	52,701,961	36,377,166
- Banking Companies	341,145	3,888,753
- Non - Banking Financial Institutions	16,115,873	10,002,786
- Private Sector	291,996,392	240,480,289
	<hr/> 1,099,223,458	<hr/> 903,592,980

17.2 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act, 2016 amounting to Rs. 787,834.683 million (2019: 623,000.257 million).



	Note	2020	2019
		(Rupees in '000)	
18. SUBORDINATED DEBT - Unsecured			
Term Finance Certificates (TFCs) - V - (Unquoted)	18.1	3,992,800	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	3,996,800	3,998,400
		14,989,600	14,992,800

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.
Call option	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.
Lock - in - clause	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.
Loss absorbency clause	No profit may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR") or Capital Adequacy Ratio ("CAR"). 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 with prior SBP approval.
Lock - in - clause	Neither profit nor principal may be paid if such payments will result in shortfall in the Bank's Minimum Capital Requirement ("MCR"), Leverage Ratio ("LR") or Capital Adequacy Ratio ("CAR").
Loss absorbency clause	The instrument will be subject to loss absorption and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a Point of Non - Viability event as defined by SBP's Basel III Capital Rule, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank (subject to a cap) and / or have them immediately written off (either partially or in full).

19. DEFERRED TAX LIABILITIES

	2020				
	At 01 January 2020	On business combination	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2020
			(Rupees in '000)		
Taxable Temporary Differences on					
Accelerated tax depreciation	960,906		(132)	(32,883)	–
Surplus on revaluation of fixed assets / non - banking assets	984,461		–	(56,261)	678,314
Remeasurement of defined benefit plan	165,629		–	(165,629)	–
Surplus on revaluation of available for sale investments	829,057		–	–	658,131
Surplus on revaluation of held for trading securities	–	706	270	–	1,487,188
	2,940,053	574	(254,503)	1,336,445	976
					4,022,569
Deductible Temporary Differences on					
Provision against diminution in the value of investments	(772,704)		–	(498,101)	–
Provision against loans and advances, off balance sheet, etc.	(785,860)		–	(939,576)	(1,270,805)
Workers' welfare fund	–	–	–	(848,152)	(1,725,436)
Provision for compensated absences	(292)	(230)	–	(1,220)	–
Recognised tax losses	(2,863)	–	–	(30,961)	(1,742)
Others	(627)	(2,032)	(115)	–	(33,824)
	(1,562,346)	(2,262)	(2,318,125)	–	(2,774)
	1,377,707	(1,688)	(2,572,628)	1,336,445	139,836



2019				
At 01 January 2019	On business combination	Recognised in profit and loss account	Recognised in other comprehensive income	At 31 December 2019
(Rupees in '000)				

Taxable Temporary Differences on

Accelerated tax depreciation	1,042,970	–	(82,064)	–	960,906
Surplus on revaluation of fixed assets / non - banking assets	1,023,644	–	(39,183)	–	984,461
Remeasurement of defined benefit plan	246,397	–	(80,768)	–	165,629
Surplus on revaluation of available for sale investments	(690,676)	–	–	1,519,733	829,057
	1,622,335	–	(202,015)	1,519,733	2,940,053

Deductible Temporary Differences on

Provision against diminution in the value of investments	(194,145)	–	(578,559)	–	(772,704)
Provision against loans and advances, off balance sheet, etc.	(71,145)	–	(714,715)	–	(785,860)
Provision for compensated absences	(278)	–	(14)	–	(292)
Recognised tax losses	(4,035)	–	1,172	–	(2,863)
Surplus on revaluation of held for trading investments	(7,671)	–	7,671	–	–
Others	(440)	–	(187)	–	(627)
	(277,714)	–	(1,284,632)	–	(1,562,346)
	1,344,621	–	(1,486,647)	1,519,733	1,377,707

20. OTHER LIABILITIES

	Note	2020 (Rupees in '000)	2019 (Rupees in '000)
Mark - up / return / interest payable in local currency		1,684,024	4,945,307
Mark - up / return / interest payable in foreign currencies		196,066	253,120
Unearned commission income		304,009	241,742
Accrued expenses		2,541,572	1,283,934
Acceptances		52,522,498	36,264,680
Unclaimed dividends		474,931	426,525
Mark to market loss on forward foreign exchange contracts		490,822	1,767,178
Branch adjustment account		2,639,104	2,336,825
Payable to defined benefit plan		683,514	473,227
Charity payable		41,298	43,474
Provision against off - balance sheet items	20.1	146,692	129,369
Security deposits against leases / ijarah		5,690,619	6,532,535
Provision for compensated absences	20.2	974,095	722,300
Special exporters' accounts in foreign currencies		43,518	194,604
Other security deposits		647,203	592,271
Workers' welfare fund		2,425,132	1,752,086
Payable to SBP / NBP		455,014	210,373
Payable to supplier against murabaha		166,017	186,648
Insurance payable		470,883	455,266
Lease liability against right-of-use assets		10,526,139	8,316,718
Payable against sale of marketable securities on behalf of customers		567,235	131,368
Current taxation (payments less provisions)		418,177	–
Others		1,233,727	1,069,521
		85,342,289	68,329,071



			2020 (Rupees in '000)	2019	
20.1	Provision against off - balance sheet obligations				
Opening balance			129,369	116,600	
Exchange adjustment against IFRS 9 in overseas branches			1,470	9,738	
Charge for the year			19,748	30,897	
Reversals			(3,895)	(27,866)	
			15,853	3,031	
Closing balance			146,692	129,369	
20.1.1	The provision against off-balance sheet obligations includes provision in respect of letter of guarantees and shipping guarantees.				
20.2	Provision for compensated absences has been determined on the basis of independent actuarial valuation. The significant assumptions used for actuarial valuation were as follows:				
			2020 (% per annum)	2019	
Discount rate			10.25%	12.25%	
Expected rate of increase in salary in future years			9.25%	11.25%	
21.	SHARE CAPITAL				
21.1	Authorised Capital		2020 (Rupees in '000)	2019	
		Number of shares			
	2020	2019			
	1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000
21.2	Issued, subscribed and paid up capital				
		Number of shares			
	2020	2019			
	30,000,000	30,000,000	Fully paid in cash	300,000	300,000
	1,081,425,416	1,081,425,416	Issued as bonus shares	10,814,254	10,814,254
	1,111,425,416	1,111,425,416		11,114,254	11,114,254
21.3	As of statement of financial position date 162,818,503 (2019: 180,881,503) ordinary shares of Rs. 10/- each were held by the related parties.				
22.	SURPLUS ON REVALUATION OF ASSETS		2020 (Rupees in '000)	2019	
	Surplus on revaluation of:				
	- Investments	22.1	4,329,994	2,436,773	
	- Fixed Assets	22.2	9,062,739	5,495,269	
	- Non - banking assets acquired in satisfaction of claims	22.3	139,165	34,482	
			13,531,898	7,966,524	
	Deferred tax on surplus on revaluation of:				
	- Available for sale securities	22.1	1,488,343	829,984	
	- Fixed Assets	22.2	1,663,701	1,049,269	
	- Non - banking assets acquired in satisfaction of claims	22.3	13,161	5,540	
			3,165,205	1,884,793	
			10,366,693	6,081,731	



	Note	2020 (Rupees in '000)	2019
22.1 Investments			
Available for sale securities	9.1	4,253,523	2,374,823
Unrealised surplus on equity accounting		76,546	62,485
Non - controlling interest		(75)	(535)
Less: related deferred tax		4,329,994	2,436,773
		1,488,343	829,984
		2,841,651	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 year		3,726,240	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(103,200)	(71,517)
Related deferred tax liability on incremental depreciation charged during the year		(55,570)	(38,509)
Surplus on revaluation of fixed assets as at 31 December		9,062,739	5,495,269
Less: related deferred tax liability on:			
- revaluation as at 01 January		1,049,269	1,087,778
- revaluation recognised during the year		670,002	–
- incremental depreciation charged during the year		(55,570)	(38,509)
		1,663,701	1,049,269
		7,399,038	4,446,000
22.3 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation of non-banking assets as at 01 January		34,482	36,408
Surplus on revaluation of non-banking assets during the year		106,658	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,284)	(1,252)
Related deferred tax liability on incremental depreciation charged during the year		(691)	(674)
Surplus on revaluation of non-banking assets as at 31 December		139,165	34,482
Less: related deferred tax liability on:			
- revaluation as at 01 January		5,540	6,214
- revaluation recognised during the year		8,312	–
- incremental depreciation charged during the year		(691)	(674)
		13,161	5,540
		126,004	28,942



	Note	2020	2019
		(Rupees in '000)	
23. NON - CONTROLLING INTEREST			
Opening balance		105,510	106,678
Loss attributable to non - controlling interest		9,728	(3,736)
Loss on equity attributable to non - controlling interest		(460)	2,568
Closing balance		114,778	105,510
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	92,814,672	81,086,627
- Commitments	24.2	351,718,547	346,877,061
- Other contingent liabilities	24.3	1,537,827	4,673,685
		446,071,046	432,637,373
24.1 Guarantees:			
Financial guarantees		20,716,906	16,237,352
Performance guarantees		72,097,766	64,849,275
		92,814,672	81,086,627
24.2 Commitments:			
Documentary credits and short term trade - related transactions		207,740,057	145,745,358
- letters of credit			
Commitments in respect of:			
- forward foreign exchange contracts	24.2.1	128,823,137	197,844,773
- forward lending	24.2.2	7,124,914	2,214,998
Commitments for acquisition of:			
- operating fixed assets		8,030,439	1,071,932
		351,718,547	346,877,061
24.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		75,472,905	106,704,798
Sale		53,350,232	91,139,975
		128,823,137	197,844,773
The maturities of above contracts are spread over the periods upto one year.			
24.2.2 Commitments in respect of forward lending		7,124,914	2,214,998
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.			
24.3 Claims against the Bank not acknowledged as debts		1,537,827	4,673,685



24.4 Other contingent liabilities

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

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

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

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2015 (Accounting Year 2014) by allowing certain expenses resulting in an impact of Rs. 75.256 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 226.599 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2016 (Accounting Year 2015) by allowing certain expenses resulting in an impact of Rs. 138.418 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 69.261 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Commissioner Inland Revenue (Appeals) passed an appellate order against Additional Commissioner Inland Revenue (ACIR) order for Tax Year 2017 (Accounting Year 2016) by allowing certain expenses resulting in an impact of Rs. 94.672 million and remanded back certain expenses to ACIR. The resulted aggregate net tax impact stands at Rs. 103.844 million. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the above mentioned order.

Additional Commissioner Inland Revenue (ACIR) has finalized order u/s. 122(5A) of Tax Year 2018 (Accounting Year 2017) by disallowing certain expenses resulting in an impact of Rs. 260.098 million. The Bank has filed an appeal before Commissioner Inland Revenue (Appeals) against the order.

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

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

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

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



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

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

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	2020					
	CONTRACT		SWAP		TOTAL	
	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)	Notional Principal	Mark to Market gain / (loss)
Banks						
Hedging	9,107,115	(27,012)	68,172,458	372,325	77,279,573	345,313
Other Entities						
Hedging	51,543,564	95,018	-	-	51,543,564	95,018
Total						
Hedging	<u>60,650,679</u>	<u>68,006</u>	<u>68,172,458</u>	<u>372,325</u>	<u>128,823,137</u>	<u>440,331</u>
2019 (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	2020		
			Mark to Market		Net
			Negative (Rupees in '000)	Positive	
Upto 1 month	297	51,974,821	(112,849)	296,381	183,532
1 to 3 months	412	46,596,575	(218,736)	340,228	121,492
3 to 6 months	352	19,991,703	(128,829)	161,815	32,986
6 months to 1 year	177	10,260,038	(30,408)	132,729	102,321
	<u>1,238</u>	<u>128,823,137</u>	<u>(490,822)</u>	<u>931,153</u>	<u>440,331</u>

	Number of Contracts	2019		
		(Rupees in '000)		
Upto 1 month	233	72,985,102	(770,198)	272,735
1 to 3 months	445	73,198,078	(840,319)	238,992
3 to 6 months	396	37,979,403	(132,541)	260,852
6 months to 1 year	258	13,682,190	(24,120)	259,558
	<u>1,332</u>	<u>197,844,773</u>	<u>(1,767,178)</u>	<u>1,032,137</u>
				<u>(735,041)</u>

26. MARK - UP / RETURN / INTEREST EARNED

	2020	2019
	(Rupees in '000)	
On loans and advances	43,408,133	50,319,475
On investments	81,113,900	53,049,254
On deposits with financial institutions	355,236	671,961
On securities purchased under resale agreements	198,514	1,291,640
On call money lendings	216,557	284,877
	125,292,340	105,617,207

27. MARK - UP / RETURN / INTEREST EXPENDED

	2020	2019
	(Rupees in '000)	
Deposits	48,036,958	49,247,608
Borrowings from SBP	1,616,923	1,166,339
Subordinated debt	1,753,337	1,944,179
Cost of foreign currency swaps	1,165,922	1,637,026
Repurchase agreement borrowings	13,923,326	9,404,347
Mark-up expense on lease liability against right-of-use assets	956,906	734,780
Other borrowings	195,630	278,719
	67,649,002	64,412,998

28. FEE AND COMMISSION INCOME

	2020	2019
	(Rupees in '000)	
Branch banking customer fees	1,052,854	1,086,265
Investment banking fees	127,450	70,380
Consumer finance related fees	54,645	44,287
Card related fees (debit and credit cards)	533,648	626,717
Credit related fees	147,185	121,788
Commission on trade	4,046,591	3,454,118
Commission on guarantees	406,053	411,148
Commission on cash management	176,337	196,473
Commission on home remittances	118,958	54,728
Others	155,966	69,406
	6,819,687	6,135,310



	Note	2020	2019
		(Rupees in '000)	
29. GAIN / (LOSS) ON SECURITIES			
Realised	29.1	181,242	(32,469)
Unrealised - held for trading		771	—
		182,013	(32,469)
29.1 Realised gain / (loss) on:			
Federal Government Securities		5,494	100
Shares		10,960	(33,325)
Mutual funds		164,788	756
		181,242	(32,469)
30. OTHER INCOME			
Gain on sale of fixed assets - net		440,311	377,019
Recovery of expenses from customers	30.1	322,776	271,455
Lockers rent		13,176	10,085
Gain on remeasurement of investment in associate at the date of acquisition	5.1	4,614	—
Gain on bargain purchase	5.1	37,734	—
Others		726	4,407
		819,337	662,966
30.1 Includes courier, SWIFT, postage and other charges recovered from customers.			
	Note	2020	2019
		(Rupees in '000)	
31. OPERATING EXPENSES			
Total compensation expenses	31.1	15,533,126	12,274,480
Property expenses			
Rent and taxes		312,348	364,198
Insurance		19,265	16,710
Utilities cost		1,096,909	1,047,549
Security (including guards)		1,030,702	872,477
Repair and maintenance (including janitorial charges)		327,167	240,711
Depreciation		2,621,792	2,200,259
Amortisation		—	7,609
		5,408,183	4,749,513
Information technology expenses			
Software maintenance		4,667	4,417
Hardware maintenance		1,196,384	466,988
Depreciation		223,815	251,689
Amortisation		288,379	218,718
Network charges		431,212	390,911
		2,144,457	1,332,723



	Note	2020 (Rupees in '000)	2019
Other operating expenses			
Directors' fees and allowances		35,217	45,650
Fees and allowances to Shariah Board		12,679	9,819
Insurance		496,088	359,245
Legal and professional charges		174,099	182,329
Outsourced services costs	31.2	1,639,793	1,435,776
Travelling and conveyance		188,468	243,983
NIFT and other clearing charges		144,846	130,658
Depreciation		1,605,462	1,417,931
Repair and maintenance		1,453,539	1,203,325
Training and development		27,116	45,691
Postage and courier charges		231,596	216,585
Communication		346,653	281,620
Stationery and printing		783,365	898,969
Marketing, advertisement and publicity		629,188	264,693
Donations	31.3	157,132	110,700
Auditors remuneration	31.4	9,103	7,100
Commission and brokerage		408,118	613,649
Entertainment and staff refreshment		285,755	307,465
Vehicle running expenses		1,100,461	866,462
Subscriptions and publications		217,551	174,822
CNIC verification charges		92,171	131,145
Security charges		311,961	278,742
Others		731,591	203,216
		11,081,952	9,429,575
		34,167,718	27,786,291

31.1 Total compensation expense

Fees and allowances etc.	663,964	438,741
Managerial remuneration	9,805,388	7,545,602
Charge for defined benefit plan	424,170	403,923
Contribution to defined contribution plan	604,552	530,179
Rent and house maintenance	2,611,202	2,249,588
Utilities	653,301	562,517
Medical	510,054	395,208
Charge for employees compensated absences	248,264	135,164
Social security	1,477	1,681
Staff indemnity	10,754	11,877
	15,533,126	12,274,480

The compensation provided by the Bank to employees is composed of fixed pay structures and do not include any variable element that varies based on performance benchmarks or targets.

31.2 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 35.885 million (2019: Rs. 30.693 million) paid to a company incorporated outside Pakistan. Material outsourcing arrangements are as follows:

S.No.	Name of material outsourced activity	Name of Service Provider	Nature of Service
1.	Merchant On - Boarding and Terminal Management Services	M/s. Wemsol (Private) Limited	Point of Sale (POS) acquiring
2.	Credit Card system	M/s. Arab Financial Services (AFS)	Credit Card



	2020 (Rupees in '000)	2019
31.3 The detail of donations is given below:		
Al-Sayyeda Benevolent Trust	3,000	3,000
Childlife Foundation	10,000	–
Habib Education Trust*	3,000	3,000
Habib Medical Trust	3,000	3,000
Habib Poor Fund**	3,000	3,000
Jinnah Foundation (Memorial) Trust	–	2,000
Panah Trust	–	500
Patients' Aid Foundation	50,000	85,000
Rahmatbai Habib Food and Clothing Trust	3,000	3,000
Rahmatbai Habib Widows and Orphans Trust	3,000	3,000
The Citizens Foundation	5,600	5,200
Masooomeen Hospital	13,000	–
The Indus Hospital	10,000	–
The Kidney Centre	25,000	–
Prime Minister's Corona Philanthropy Drive	25,532	–
	<hr/> 157,132	<hr/> 110,700

* Mr. Qumail R. Habib, Executive Director, is Managing Trustee of Habib Education Trust.

** Mr. Murtaza H. Habib, Director, is Trustee of Habib Poor Fund.

	Note	2020 (Rupees in '000)	2019
31.4 Auditors' remuneration			
Audit fee		3,711	2,813
Half yearly review		990	825
Special certifications		3,115	2,501
Gratuity fund		109	91
Out of pocket expenses		1,178	870
		9,103	7,100
32. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		56,672	93,244
33. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments		1,418,204	1,654,478
Provision against loans and advances - net	10.4	2,989,872	1,741,398
Provision against off - balance sheet items	20.1	15,853	3,031
Provision against other assets	13.2.1	825	450
Loss on revaluation of fixed asset - net	11.3	122,190	—
		4,546,944	3,399,357
34. TAXATION			
Current		13,319,509	8,763,573
Prior years		5,079	571,907
Deferred		(2,572,628)	(1,486,647)
		10,751,960	7,848,833



	Note	2020 (Rupees in '000)	2019
34.1 Relationship between tax expense and accounting profit			
Profit before taxation		<u>28,709,420</u>	<u>19,040,463</u>
Tax at the applicable rate of 35% (2019: 35%)		<u>10,048,297</u>	6,664,162
Tax effects of:			
Expenses that are not deductible in determining taxable income		<u>215,073</u>	115,977
Tax effect of super tax		<u>1,351,810</u>	1,468,844
Others	34.1.1	<u>(863,220)</u>	(400,150)
		<u>10,751,960</u>	<u>7,848,833</u>

34.1.1 This includes adjustments to temporary differences pertaining to the prior years.

		2020 (Rupees in '000)	2019
	Note	2020 (Rupees in '000)	2019
35. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY			
Profit for the year - attributable to equity holders of the Holding Company		<u>17,947,732</u>	<u>11,195,366</u>
		(Number)	
Weighted average number of ordinary shares		<u>1,111,425,416</u>	<u>1,111,425,416</u>
		(Rupees)	
Basic and diluted earnings per share		<u>16.15</u>	<u>10.07</u>
	Note	2020 (Rupees in '000)	2019
36. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>105,936,009</u>	113,838,856
Balances with other banks	7	<u>19,681,362</u>	9,526,278
Overdrawn nostro accounts	16	<u>(198,297)</u>	(904,417)
		<u>125,419,074</u>	<u>122,460,717</u>



36.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2020		
	Subordinated debt	Lease liability	Dividend
			(Rupees in '000)
Balance as at 01 January 2020			
	14,992,800	8,316,718	426,525
Changes from financing cash flows			
Payments against subordinated debt	(3,200)	–	–
Payment against lease liability	–	(1,972,143)	–
Dividend paid	–	–	(3,841,582)
Total changes from financing cash flows	(3,200)	(1,972,143)	(3,841,582)
Other changes			
Addition to right-of-use-assets	–	3,224,658	–
Mark-up expense on lease liability against right-of-use assets	–	956,906	–
Cash dividend (Rs. 3.50 per share)	–	–	3,889,988
	–	4,181,564	3,889,988
Balance as at 31 December 2020	14,989,600	10,526,139	474,931
	2019		
	Subordinated debt	Lease liability	Dividend
			(Rupees in '000)
Balance as at 01 January 2019			
	14,996,000	–	415,647
Changes from financing cash flows			
Payments against subordinated debt	(3,200)	–	–
Payment against lease liability	–	(2,012,087)	–
Dividend paid	–	–	(2,767,686)
Total changes from financing cash flows	(3,200)	(2,012,087)	(2,767,686)
Other changes			
Addition to right-of-use-assets - net	–	9,594,025	–
Mark-up expense on lease liability against right-of-use assets	–	734,780	–
Cash dividend (Rs. 2.5 per share)	–	–	2,778,564
	–	10,328,805	2,778,564
Balance as at 31 December 2019	14,992,800	8,316,718	426,525



		2020	2019
		(Number)	
37. STAFF STRENGTH			
Permanent		12,540	11,343
Temporary / on contractual basis		244	222
Group's own staff at end of the year		12,784	11,565
Outsourced		2,771	2,596
Total staff strength		15,555	14,161
37.1	Domestic	15,502	14,112
	Offshore	53	49
		15,555	14,161

38. DEFINED BENEFIT PLAN

38.1 General description

The Bank operates an approved gratuity fund for all its confirmed employees, which is administered by the Trustees. The benefits under the gratuity scheme are payable on retirement at the age of 60 years or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
Less than 5 years	Nil
5 years or more but less than 10 years	1/3rd of basic salary for each year served
10 years or more but less than 15 years	2/3rd of basic salary for each year served
15 years or more	Full basic salary for each year served

The Bank's costs and contributions are determined based on actuarial valuation carried out at each year end using Projected Unit Credit Actuarial Method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur and are not reclassified to profit and loss account in subsequent periods.

38.2 Number of employees under the scheme

The number of employees covered under the defined benefit scheme are 12,459 (2019: 11,073).

38.3 Principal actuarial assumptions

The latest actuarial valuation of the scheme was carried out on 31 December 2020 and the significant assumptions used for actuarial valuation were as follows:

	2020	2019
Discount Rate	10.25%	12.25%
Expected rate of return on plan assets	14.83%	23.73%
Expected rate of salary increase : Year 1	9.25%	11.25%
Year 2	9.25%	11.25%
Mortality rates (for death in service)	SLIC(2001-05)-1	SLIC(2001-05)-1
Rates of employee turnover	Moderate	Moderate



38.4 Reconciliation of payable to defined benefit plan	Note	2020 (Rupees in '000)	2019
Present value of obligations		4,323,932	3,590,184
Fair value of plan assets		(3,640,418)	(3,116,957)
Payable		<u>683,514</u>	<u>473,227</u>
38.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		3,590,184	2,993,002
Current service cost		369,454	319,391
Interest cost		450,696	389,264
Benefits paid during the year		(72,206)	(120,225)
Remeasurement (gain) / loss		(14,196)	8,752
Obligation at the end of the year		<u>4,323,932</u>	<u>3,590,184</u>
38.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		3,116,957	2,289,010
Interest income on plan assets		395,980	304,732
Contribution by the Bank - net		424,170	403,923
Actual benefits paid during the year		(72,206)	(120,225)
Remeasurement (loss) / gain on plan assets	38.8.2	(224,483)	239,517
Fair value at the end of the year		<u>3,640,418</u>	<u>3,116,957</u>
38.7 Movement in payable under defined benefit scheme			
Opening balance		473,227	703,992
Charge for the year		424,170	403,923
Contribution by the Bank		(424,170)	(403,923)
Remeasurement loss / (gain) recognised in Other Comprehensive Income during the year	38.8.2	210,287	(230,765)
Closing Balance		<u>683,514</u>	<u>473,227</u>
38.8 Charge for defined benefit plan			
38.8.1 Cost recognised in profit and loss			
Current service cost		369,454	319,391
Net interest on defined benefit liability		54,716	84,532
		<u>424,170</u>	<u>403,923</u>



	2020 (Rupees in '000)	2019 (Rupees in '000)
38.8.2 Re-measurements recognised in OCI during the year		
(Gain) / loss on obligation		
- Financial assumptions	(47,418)	(9,703)
- Experience assumptions	33,222	18,455
	(14,196)	8,752
Actuarial gain on plan assets	224,483	(239,517)
Total Remeasurement loss / (gain) recognised in OCI	<u>210,287</u>	<u>(230,765)</u>
38.9 Components of plan assets		
Cash and cash equivalents - net	30,183	265,219
Unquoted investments		
Government securities	<u>3,610,235</u>	2,851,738
Total fair value of plan assets	<u>3,640,418</u>	<u>3,116,957</u>
38.10 Sensitivity analysis	2020 (Rupees in '000)	
1% increase in discount rate	<u>3,915,527</u>	
1% decrease in discount rate	<u>4,802,959</u>	
1% increase in expected rate of salary increase	<u>4,824,891</u>	
1% decrease in expected rate of salary increase	<u>3,890,634</u>	
38.11 Expected contributions to be paid to the funds in the next financial year	2021 (Rupees in '000)	
	<u>491,345</u>	
38.12 Expected charge for the next financial year	<u>491,345</u>	
38.13 Maturity profile	2020 (Rupees in '000)	
The weighted average duration of the obligation is 10.20 years.		
Distribution of timing of benefit payments		
within the next 12 months (next annual reporting period)	248,812	
between 2 and 5 years	1,558,487	
between 5 and 10 years	3,563,167	
	<u>5,370,466</u>	



38.14 Funding Policy

The Bank will fund the yearly contribution to the defined benefit plan each year, as per the amount calculated by the valuer.

38.15 Significant Risk

Asset Volatility

The Defined Benefit Gratuity Fund is almost entirely invested in Government Bonds with mostly fixed income bonds. Almost 47.55% of the total Investments (Rs. 1.731 billion) is invested in PIB's. This gives rise to significant reinvestment risk.

The remaining fund is invested in Treasury Bills. The T-Bills exposure is almost 51.61% (Rs. 1.879 billion).

The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.

Changes in Bond Yields

There are two dimensions to the changes in Bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in Bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.

Inflation Risk

The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life Expectancy / Withdrawal Rate

The gratuity is paid off at the maximum of age 60. The life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post retirement benefit been given by the Bank like monthly pension, post retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant risk.

Other Risks

Though, not imminent and observable, over long term there are some risks that may crystallise. This includes:



Model Risk

The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the gratuity fund are also marked to market. This two-tier valuation gives rise to the model risk.

Retention Risk

The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.

Final Salary Risk

The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.

Operational Risk related to a separate entity

Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank.

Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.

Compliance Risk

The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.

Legal / Political Risk

The risk that the legal / political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.

39. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 4.10.

	2020 (Rupees in '000)
Contributions made during the year :	<u>604,424</u>
Employer's contribution	<u>604,424</u>
Employees' contribution	<u>604,424</u>

The number of employees covered under the defined contribution plan are 11,165 (2019: 10,290).



40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation Expense

	2020						
	Directors			Members Shariah Board	Chief Executive	Key Management Personnel	Other Risk Takers / Controllers
	Chairman	Executives (other than CE)	Non- Executives				
(Rupees in '000)							
Fees and allowances etc.	6,740	—	24,400	—	40	—	—
Managerial remuneration	—	33,550	—	8,316	66,333	411,328	1,401,108
Charge for defined benefit plan	—	—	—	255	29,839	98,138	270,256
Contribution to defined contribution plan	—	—	—	212	4,600	24,236	94,759
Rent and house maintenance	—	9,460	—	3,030	18,400	118,692	402,379
Utilities	—	2,374	—	758	5,480	29,673	100,595
Medical	—	22	—	108	—	1,770	30,896
Others	3,917	—	—	—	—	7,065	25,653
Total	10,657	45,406	24,400	12,679	124,692	690,902	2,325,646
Number of persons	1	1	8	3	1	42	879
2019							
(Rupees in '000)							
Fees and allowances etc.	27,500	—	18,150	—	—	—	—
Managerial remuneration	—	27,000	—	6,520	47,000	285,577	1,093,039
Charge for defined benefit plan	—	6,353	—	—	19,793	38,648	106,639
Contribution to defined contribution plan	—	2,150	—	103	3,733	19,399	84,896
Rent and house maintenance	—	8,600	—	2,470	14,933	88,590	353,733
Utilities	—	2,162	—	618	4,482	22,147	88,433
Medical	—	—	—	108	—	1,105	29,016
Others	—	500	—	—	417	4,655	20,708
Total	27,500	46,765	18,150	9,819	90,358	460,121	1,776,464
Number of persons	1	1	10	3	1	36	828



Chief Executive, Executive Director, Members Shariah Board, Key Management Personal and Other Risk Takers / Controllers are entitled to Group's maintained cars with fuel in accordance with the terms of their employment and are entitled to medical and life insurance benefits in accordance with the policy of the Group. In addition, the Chief Executive and Executive Director are also provided with drivers, security arrangements and payment of travel bills in accordance with their terms of employment.

Chairman of the Board is also entitled to Bank's maintained cars with fuel, security guard services, payment of utility bills, club and entertainment bills, travelling bills, appropriate office, staff, and administrative support.

40.2 Remuneration paid to Directors for participation in Board and Committee Meetings

S.No.	Name of Director	2020							
		Meeting Fees and Allowances Paid							
		For Board Committees							
		For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
(Rupees in '000)									
1.	Mr. Abbas D. Habib	2,900	—	1,920	—	—	—	1,920	6,740
2.	Mr. Anwar Haji Karim	900	1,550	—	400	—	—	—	2,850
3.	Ms. Farhana Mowjee Khan	900	—	650	650	—	—	—	2,200
4.	Syed Mazhar Abbas	900	1,400	650	—	650	—	650	4,250
5.	Mr. Safar Ali Lakhani	900	1,550	—	650	400	—	—	3,500
6.	Syed Hasan Ali Bukhari	900	1,550	650	—	650	500	—	4,250
7.	Mr. Murtaza H. Habib	900	—	—	—	650	—	—	1,550
8.	Mr. Arshad Nasar	900	1,550	650	—	—	500	650	4,250
9.	Mr. Adnan Afridi	900	—	—	650	—	—	—	1,550
10.	Mr. Ali Raza D. Habib	20	—	—	—	—	—	—	20
11.	Mr. Aun Mohammad Habib	10	—	—	—	—	—	—	10
12.	Mr. Saeed Allahawala	40	—	—	—	—	—	—	40
13.	Mr. Imran Azim	40	—	—	—	—	—	—	40
14.	Ms. Zarine Aziz	10	—	—	—	—	—	—	10
		10,220	7,600	4,520	2,350	2,350	1,000	3,220	31,260



2019

Meeting Fees and Allowances Paid

For Board Committees

S.No.	Name of Director	For Board Meetings	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee	Credit Risk Management Committee	IFRS 9 Committee	IT Committee	Total Amount Paid
									(Rupees in '000)
1.	Mr. Ali Raza D. Habib	150	—	—	—	—	—	—	150
2.	Mr. Anwar Haji Karim	600	1,200	—	600	—	—	—	2,400
3.	Ms. Farhana Mowjee Khan	450	—	300	300	—	—	—	1,050
4.	Syed Mazhar Abbas	600	1,050	450	—	450	—	450	3,000
5.	Mr. Safar Ali Lakhani	600	1,200	300	600	600	—	—	3,300
6.	Syed Hasan Ali Bukhari	600	1,200	600	—	600	—	—	3,000
7.	Mr. Murtaza H. Habib	600	—	—	—	600	—	—	1,200
8.	Mr. Arshad Nasar	600	1,200	600	—	—	—	600	3,000
9.	Mr. Adnan Afridi	450	—	—	300	—	—	—	750
10.	Mr. Manzoor Ahmed	150	—	—	150	—	—	—	300
		4,800	5,850	2,250	1,950	2,250	—	1,050	18,150

40.3 Remuneration paid to Shariah Board Members

Items	2020		2019			
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Managerial remuneration	3,400	2,516	2,400	2,800	1,720	2,000
Charge for defined benefit plan	—	255	—	—	—	—
Contribution to defined contribution plan	—	212	—	—	103	—
Rent and house maintenance	1,360	710	960	1,120	550	800
Utilities	340	178	240	280	138	200
Medical	36	36	36	36	36	36
Total	5,136	3,907	3,636	4,236	2,547	3,036
Number of persons	1	1	1	1	1	1



41. 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)
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 stated in notes 4.14 and 4.5.

41.1 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:

	2020			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	21,226,600	564,566,523	—	585,793,123
Shares	3,105,540	—	—	3,105,540
Non-Government Debt Securities	3,147,744	2,224,940	—	5,372,684
Foreign Securities	—	4,767,358	—	4,767,358
Mutual funds	—	2,030,957	—	2,030,957
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	—	167,023,775	—	167,023,775
Non-Government Debt Securities	—	1,785,063	—	1,785,063
Associates				
Listed shares	570,080	—	—	570,080
Mutual funds	—	2,485,926	—	2,485,926
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange contracts	—	75,583,778	—	75,583,778
Forward sale of foreign exchange contracts	—	(53,020,774)	—	(53,020,774)
	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
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				
Investments				
Federal Government Securities	—	138,020,153	—	138,020,153
Non-Government Debt 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	—	107,736,935	—	107,736,935
Forward sale of foreign exchange contracts	—	(92,907,153)	—	(92,907,153)

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

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



42. TRUST ACTIVITIES

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

43. SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

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

	2020				
	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
	(Rupees in '000)				
Profit and loss account					
Mark - up / return / profit	107,075,153	18,189,018	27,341	828	125,292,340
Inter segment revenue - net	41,661	29,560,092	—	—	29,601,753
Non mark - up / return / interest income	3,023,551	7,305,604	100,609	80,698	10,510,462
Total income	110,140,365	55,054,714	127,950	81,526	165,404,555
Segment direct expenses	(68,264,456)	(34,139,807)	(92,950)	(49,225)	(102,546,438)
Inter segment expense allocation	(29,560,092)	—	(8,251)	(33,410)	(29,601,753)
Total expenses	(97,824,548)	(34,139,807)	(101,201)	(82,635)	(132,148,191)
Provisions	(4,511,744)	(31,685)	(3,515)	—	(4,546,944)
Profit / (loss) before tax	7,804,073	20,883,222	23,234	(1,109)	28,709,420
Statement of financial position					
Cash and bank balances	107,913,875	17,221,684	481,329	483	125,617,371
Investments	764,423,410	—	256,289	639,285	765,318,984
Net inter segment lending	935,223	663,583,850	—	—	664,519,073
Lending to financial institutions	2,175,301	—	—	—	2,175,301
Advances - performing	439,290,050	69,876,218	132	—	509,166,400
- non - performing	796,039	87,955	—	—	883,994
Others	102,863,677	16,333,709	404,651	15,299	119,617,336
Total assets	1,418,397,575	767,103,416	1,142,401	655,067	2,187,298,459
Borrowings	211,398,036	—	229,231	—	211,627,267
Subordinated debt	14,989,600	—	—	—	14,989,600
Deposits and other accounts	412,374,245	686,849,213	—	—	1,099,223,458
Net inter segment borrowing	663,583,850	—	185,223	750,000	664,519,073
Others	43,710,174	72,244,009	566,352	(25,189)	116,495,346
Total liabilities	1,346,055,905	759,093,222	980,806	724,811	2,106,854,744
Equity	72,341,670	8,010,194	161,595	(69,744)	80,443,715
Total equity and liabilities	1,418,397,575	767,103,416	1,142,401	655,067	2,187,298,459
Contingencies and commitments	300,377,484	177,245	—	—	300,554,729



	2019				
	Commercial banking	Retail banking	Retail brokerage	Asset management	Total
Profit and loss account					
Mark - up / return / profit	96,225,098	9,374,956	17,153	–	105,617,207
Inter segment revenue - net	12,160	31,667,850	–	–	31,680,010
Non mark - up / return / interest income	3,267,748	6,245,947	49,866	–	9,563,561
Total income	99,505,006	47,288,753	67,019	–	146,860,778
Segment direct expenses	(58,032,921)	(34,636,374)	(71,653)	–	(92,740,948)
Inter segment expense allocation	(31,667,850)	–	(12,160)	–	(31,680,010)
Total expenses	(89,700,771)	(34,636,374)	(83,813)	–	(124,420,958)
Provisions	(3,390,779)	(8,578)	–	–	(3,399,357)
Profit / (loss) before tax	6,413,456	12,643,801	(16,794)	–	19,040,463
Statement of financial position					
Cash and bank balances	113,797,069	9,455,888	112,177	–	123,365,134
Investments	586,246,738	–	263,816	–	586,510,554
Net inter segment lending	223,111	581,041,519	–	–	581,264,630
Lendings to financial institutions	1,857,575	–	–	–	1,857,575
Advances - performing	450,240,662	37,355,664	18	–	487,596,344
- non - performing	955,129	101,375	–	–	1,056,504
Others	91,089,423	7,561,769	101,653	–	98,752,845
Total assets	1,244,409,707	635,516,215	477,664	–	1,880,403,586
Borrowings	228,728,417	–	16,617	–	228,745,034
Subordinated debt	14,992,800	–	–	–	14,992,800
Deposits and other accounts	327,974,035	575,618,945	–	–	903,592,980
Net inter segment borrowing	581,041,519	–	223,111	–	581,264,630
Others	33,348,455	56,389,329	137,667	–	89,875,451
Total liabilities	1,186,085,226	632,008,274	377,395	–	1,818,470,895
Equity	58,324,481	3,507,941	100,269	–	61,932,691
Total equity and liabilities	1,244,409,707	635,516,215	477,664	–	1,880,403,586
Contingencies and commitments	226,672,893	159,092	–	–	226,831,985



43.2 Segment details with respect to geographical locations

Geographical Segment Analysis

	2020				
	Pakistan	Middle East	Asia Pacific	Africa	Total
(Rupees in '000)					
Profit and loss account					
Mark - up / return / profit	122,520,753	1,268,780	1,372,606	130,201	125,292,340
Non mark - up / return / interest income	9,941,392	388,209	181,411	(550)	10,510,462
Total income	132,462,145	1,656,989	1,554,017	129,651	135,802,802
Segment direct expenses	(100,758,664)	(794,621)	(887,256)	(105,897)	(102,546,438)
Provisions	(3,426,100)	(576,013)	(528,892)	(15,939)	(4,546,944)
Profit before tax	28,277,381	286,355	137,869	7,815	28,709,420
Statement of financial position					
Cash and bank balances	125,405,972	160,218	47,955	3,226	125,617,371
Investments	745,583,792	10,132,651	7,503,288	2,099,253	765,318,984
Net inter segment lendings	4,489,540	7,006,181	829,541	2,552	12,327,814
Lending to financial institutions	2,175,301	–	–	–	2,175,301
Advances - performing	474,418,055	18,747,396	15,967,837	33,112	509,166,400
- non - performing	834,792	49,202	–	–	883,994
Others	99,121,690	2,462,635	17,992,718	40,293	119,617,336
Total assets	1,452,029,142	38,558,283	42,341,339	2,178,436	1,535,107,200
Borrowings	211,627,267	–	–	–	211,627,267
Subordinated debt	14,989,600	–	–	–	14,989,600
Deposits and other accounts	1,048,827,367	27,167,746	23,137,597	90,748	1,099,223,458
Net inter segment borrowing	5,143,103	5,307,456	394,791	1,482,464	12,327,814
Others	96,314,571	2,363,473	17,805,707	11,595	116,495,346
Total liabilities	1,376,901,908	34,838,675	41,338,095	1,584,807	1,454,663,485
Equity	75,127,234	3,719,608	1,003,244	593,629	80,443,715
Total equity and liabilities	1,452,029,142	38,558,283	42,341,339	2,178,436	1,535,107,200
Contingencies and commitments	294,581,495	5,157,900	815,334	–	300,554,729



	2019				
	Pakistan	Middle East	Asia Pacific	Africa	Total
(Rupees in '000)					
Profit and loss account					
Mark - up / return / profit	103,286,729	1,203,762	1,030,976	95,740	105,617,207
Non mark - up / return / interest income	9,227,657	194,062	141,368	474	9,563,561
Total income	112,514,386	1,397,824	1,172,344	96,214	115,180,768
Segment direct expenses	(91,090,853)	(731,221)	(812,685)	(106,189)	(92,740,948)
Provisions	(2,452,029)	(808,646)	(102,920)	(35,762)	(3,399,357)
Profit before tax	18,971,504	(142,043)	256,739	(45,737)	19,040,463
Statement of financial position					
Cash and bank balances	123,256,298	70,099	35,937	2,800	123,365,134
Investments	569,950,898	8,398,048	6,547,783	1,613,825	586,510,554
Net inter segment lendings	1,607,355	8,675,968	439,579	2,377	10,725,279
Lending to financial institutions	1,857,575	–	–	–	1,857,575
Advances - performing	453,302,228	19,780,937	14,513,179	–	487,596,344
- non - performing	901,773	154,731	–	–	1,056,504
Others	83,409,465	556,284	14,756,839	30,257	98,752,845
Total assets	1,234,285,592	37,636,067	36,293,317	1,649,259	1,309,864,235
Borrowings	221,002,654	7,742,380	–	–	228,745,034
Subordinated debt	14,992,800	–	–	–	14,992,800
Deposits and other accounts	861,557,840	23,867,406	18,010,982	156,752	903,592,980
Net inter segment borrowing	6,037,213	1,605,050	2,169,415	913,601	10,725,279
Others	74,760,372	494,784	14,608,357	11,938	89,875,451
Total liabilities	1,178,350,879	33,709,620	34,788,754	1,082,291	1,247,931,544
Equity	55,934,713	3,926,447	1,504,563	566,968	61,932,691
Total equity and liabilities	1,234,285,592	37,636,067	36,293,317	1,649,259	1,309,864,235
Contingencies and commitments	213,556,869	13,101,824	173,292	–	226,831,985

44. RELATED PARTY TRANSACTIONS

Related parties of the Group comprise associates (including entities having directors in common with the Group), retirement benefit funds, 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 with related parties, other than those disclosed in note 11.5, 21.3 and 40 are summarised as follows:

	2020				2019			
	Directors	Key management personnel	Associates	Other related parties (Rupees in '000)	Directors	Key Management personnel	Associates	Other related parties
Investments								
Opening balance	-	-	1,472,165	-	-	-	957,449	-
Investment made during the year	-	-	1,609,946	-	-	-	525,000	-
Investment adjusted / redeemed / disposed off during the year	-	-	(24,106)	-	-	-	(10,284)	-
Closing balance	-	-	3,058,005	-	-	-	1,472,165	-
Advances								
Opening balance	1,487	76,626	3,015,256	-	1,313	53,257	1,359,059	-
Addition during the year	35,349	333,923	56,387,053	-	55,443	363,717	33,451,951	-
Repaid during the year	(36,504)	(239,005)	(57,184,560)	-	(55,269)	(340,348)	(31,795,754)	-
Closing balance	332	171,544	2,217,749	-	1,487	76,626	3,015,256	-
Operating fixed assets								
Right of use	-	-	3,931	-	-	-	7,076	-
Other assets								
Interest / mark - up accrued	-	118	1,289	-	-	55	10,667	-
L/C acceptances	-	-	1,090,910	-	-	-	350,867	-
Other receivable	-	-	-	-	-	-	1,575	-
Subordinated debt								
Opening balance	-	-	44,000	-	-	-	-	-
Received during the year	-	-	-	-	-	-	44,000	-
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 year	6,891,056	3,205,958	189,014,948	8,825,958	11,221,419	2,996,758	150,071,628	29,846,047
Withdrawn during the year	(6,773,450)	(3,109,203)	(188,770,664)	(8,761,856)	(10,853,793)	(3,189,001)	(151,411,505)	(29,869,118)
Closing balance	1,072,684	720,918	3,781,240	577,832	955,078	624,163	3,536,956	513,730
Other liabilities								
Interest / mark - up payable	305	508	16,925	-	3,799	4,118	15,309	2,216
Payable to staff retirement fund	-	-	-	683,514	-	-	-	473,226
L/C acceptances	-	-	1,090,910	-	-	-	350,867	-
Unrealised loss on forward exchange contracts	-	-	922	-	-	-	16,187	-
Other liabilities	-	4	-	-	-	19	19,093	-
Contingencies and commitments								
Other transactions - Investor Portfolio Securities	-	-	2,022,871	-	-	-	3,385,253	-
Opening balance	-	-	749,840	4,237,000	-	-	201,000	8,132,000
Increased during the year	-	-	330,000	3,232,000	30,000	-	1,534,940	8,487,000
Decreased during the year	-	-	(570,000)	(1,858,000)	(30,000)	-	(986,100)	(12,382,000)
Closing balance	-	-	509,840	5,611,000	-	-	749,840	4,237,000



44.1 RELATED PARTY TRANSACTIONS

	2020				2019											
	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	6,479	203,818	-	-	5,160	267,442	-								
Fee and commission income	21	65	64,512	1	23	758	17,227	-								
Dividend income	-	-	56,400	-	-	-	56,530	-								
Net gain / (loss) on sale / redemption of securities and units of mutual funds	-	-	-	5,442	-	-	-	-								
Bank charges	-	-	-	-	-	-	-	-								
Other income	-	-	292	130	1	-	3,896	169								
Expense																
Mark - up / return / interest expensed	79,997	58,180	455,811	51,334	80,855	42,642	421,247	77,219								
Operating expenses	-	-	5,491	-	-	-	6,466	-								
Salaries and allowances	-	563,507	-	-	-	514,341	-	-								
Bonus	-	154,824	-	-	-	77,547	-	-								
Contribution to defined contribution plan	-	25,533	-	-	-	26,282	-	-								
Contribution to defined benefit plan	-	76,250	-	-	-	70,610	-	-								
Staff provident fund	-	-	-	604,551	-	-	-	530,179								
Staff gratuity fund	-	-	-	424,170	-	-	-	403,923								
Directors' fees	33,667	-	-	-	44,600	-	-	-								
Donation	-	-	6,000	-	-	-	6,000	-								
Insurance premium paid	-	-	133,786	-	-	-	130,949	-								
Insurance claims settled	-	-	41,925	-	-	-	34,375	-								



45. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	2020 (Rupees in '000)	2019
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>67,350,151</u>	<u>53,214,684</u>
Eligible Additional Tier 1 (ADT 1) Capital	<u>6,658,103</u>	<u>6,690,557</u>
Total Eligible Tier 1 Capital	<u>74,008,254</u>	<u>59,905,241</u>
Eligible Tier 2 Capital	<u>24,026,053</u>	<u>16,643,063</u>
Total Eligible Capital (Tier 1 + Tier 2)	<u>98,034,307</u>	<u>76,548,304</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>537,583,556</u>	<u>443,518,148</u>
Market Risk	<u>10,243,551</u>	<u>12,343,837</u>
Operational Risk	<u>98,014,443</u>	<u>74,991,311</u>
Total	<u>645,841,550</u>	<u>530,853,296</u>
Common Equity Tier 1 Capital Adequacy Ratio	<u>10.428%</u>	<u>10.024%</u>
Tier 1 Capital Adequacy Ratio	<u>11.459%</u>	<u>11.285%</u>
Total Capital Adequacy Ratio	<u>15.179%</u>	<u>14.420%</u>

Minimum Capital Requirement (MCR)

The MCR standard sets the paid-up capital that the Bank is required to hold at all times. As of the statement of financial position date, the Bank's paid - up capital stands at Rs. 11.114 billion as against the required MCR of Rs. 10 billion.

Minimum Capital Adequacy Ratio (CAR)

The CAR on the basis of above framework works out to be as follows:

	2020	2019
Required CAR	<u>11.500%</u>	<u>12.500%</u>
CAR on stand - alone basis	<u>15.094%</u>	<u>14.353%</u>
CAR on consolidated basis	<u>15.179%</u>	<u>14.420%</u>

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach



	2020 (Rupees in '000)	2019 (Rupees in '000)
Leverage Ratio (LR):		
Eligible Tier 1 Capital	74,008,255	59,905,242
Total Exposures	<u>1,853,426,344</u>	1,498,187,417
Leverage Ratio	<u>3.993%</u>	<u>3.999%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	490,289,815	363,806,793
Total Net Cash Outflow	<u>187,165,770</u>	132,953,270
Liquidity Coverage Ratio	<u>261.955%</u>	<u>273.635%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	999,664,575	808,044,723
Total Required Stable Funding	<u>703,064,108</u>	606,312,286
Net Stable Funding Ratio	<u>142.187%</u>	133.272%

45.1 The full disclosures on the **CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS** as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at <http://www.bankalhabib.com/capitaladequacy/leverage/liquidityratio-grouplevel2020>.

46. RISK MANAGEMENT

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities for the guidance of management and committees of the Board, management committees, and Divisions / Departments of the Bank.

This section presents information about the Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments.

46.1 Credit Risk

Credit risk is the risk of loss arising from failure by a client or counterparty to meet its contractual obligation. It emanates from loans and advances, commitments to lend, contingent liabilities such as letters of credit and guarantees, and other similar transactions both on and off balance sheet. These exclude investments and treasury - related exposures, which are covered under market risk.

It is the Bank's policy that all credit exposures shall be adequately collateralised, except when specially exempted by SBP as in case of personal loans and credit cards, and those at overseas branches where the accepted local banking practice is followed.

The objective of credit risk management is to keep credit risk exposure within permissible level, relevant to the Bank's risk capital, to maintain the soundness of assets and to ensure returns commensurate with risk.

Credit risk of the Bank is managed through the credit policy approved by the Board, a well defined credit approval mechanism, prescribed documentation requirement, post disbursement administration, review and monitoring of all credit facilities; and continuous assessment of credit worthiness of counterparties. Decisions regarding the credit portfolio are taken mainly by the Central Credit Committee. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.



Counterparty exposure limits are approved in line with the Prudential Regulations and the Bank's own policies, by taking into account both qualitative and quantitative criteria. There is an established system for continuous monitoring of credit exposures and follow - up of any past due loans with the respective business units. All past due loans, including trade bills, are reviewed on fortnightly basis and pursued for recovery. Any non - performing loans are classified and provided for as per Prudential Regulations. The Bank has also established a mechanism for independent post - disbursement review of large credit risk exposures.

Credit facilities, both fund based and non - fund based, extended to large customer groups and industrial sectors are regularly monitored. The Bank has concentration of credit in textile which is the largest sector of Pakistan's economy. Concentration risk is managed by diversification within sub - sectors like spinning, weaving and composites, credit worthiness of counterparties, and adequate collateralisation of exposures.

Credit administration function has been placed under a centralised set - up. Its main focus is on compliance with terms of sanction of credit facilities and the Bank's internal policies and procedures, scrutiny of documentation, monitoring of collateral, and maintenance of borrowers' limits, mark - up rates, and security details.

The Bank has implemented its own internal risk rating system for the credit portfolio, as per guidelines of SBP. Credit ratings by external rating agencies, if available, are also considered.

The Bank lends primarily against the cash flow of the business with recourse to the assets being financed as primary security. Collaterals in the form of liquid securities, tangible securities, and other acceptable securities are obtained to hedge the risk, as deemed appropriate. Main types of collaterals taken by the Bank include charge on stock - in - trade, receivables, machinery, mortgage of properties, pledge of goods, shares and other marketable securities, government securities, government guarantees, bank guarantees and cash margins and bank deposits.

Specific provisions on credit portfolio are determined in accordance with the Prudential Regulations. General provision on the consumer and SEs portfolios is also determined as per Prudential Regulations. The Bank maintains additional general provision in line with its prudent policies. Particulars of provisions against advances are given in note 10.4.

The Bank uses the Standardised Approach to calculate capital charge for credit risk as per Basel regulatory framework, with comprehensive approach for credit risk mitigation.

Stress testing for credit risk is carried out regularly to estimate the impact of increase in non - performing loans and downward shift in these categories.

46.1.1 Investment in debt securities

Credit risk by industry sector	Gross investments		Non - performing investments		Provision held	
	2020	2019	2020	2019	2020	2019
Power (electricity), gas, water, sanitary	25,442,218	5,750,733	-	-	-	-
Financial	728,504,089	570,572,181	-	-	1,394,948	270,855
Iron and steel	1,000,000	1,000,000	-	-	-	-
	<u>754,946,307</u>	<u>577,322,914</u>	<u>-</u>	<u>-</u>	<u>1,394,948</u>	<u>270,855</u>
Credit risk by public / private sector						
Public / Government	740,803,128	564,697,508	-	-	357,615	225,505
Private	14,143,179	12,625,406	-	-	1,037,333	45,350
	<u>754,946,307</u>	<u>577,322,914</u>	<u>-</u>	<u>-</u>	<u>1,394,948</u>	<u>270,855</u>



46.1.2 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
			(Rupees in '000)			
Agriculture, forestry, hunting and fishing	11,982,018	11,203,672	300,284	196,750	149,088	114,416
Mining and quarrying	86,946	110,030	-	-	-	-
Textile	163,702,549	141,981,518	1,824,246	1,926,502	1,753,709	1,702,741
Chemical and pharmaceuticals	16,796,308	19,178,166	5,891	3,933	4,423	3,933
Cement	8,847,702	4,504,098	-	-	-	-
Sugar	6,952,458	9,733,115	-	-	-	-
Footwear and leather garments	3,608,526	2,457,991	-	-	-	-
Automobile and transportation equipment	3,726,079	4,548,316	-	20,000	-	20,000
Electronics and electrical appliances	5,323,013	5,076,193	-	-	-	-
Construction	7,802,038	7,305,727	194,339	240,170	192,103	146,758
Power (electricity), gas, water, sanitary	48,335,823	51,903,018	155,883	-	100,810	-
Wholesale and retail trade	79,543,240	72,659,722	1,494,236	1,442,519	1,361,415	1,255,335
Transport, storage and communication	10,543,770	12,131,252	70,175	52,611	27,853	15,835
Financial	10,402,567	12,017,703	101,949	101,949	86,587	87,808
Insurance	475,167	567,307	128,426	-	31,108	-
Services (other than financial services)	14,524,500	12,232,116	112,896	70,900	33,502	35,450
Individuals	23,863,779	21,013,245	90,956	89,824	63,427	58,834
Food and allied	62,311,964	60,942,702	-	-	-	-
Iron and steel	23,895,854	27,083,285	-	-	-	-
Oil refinery / marketing	2,005,943	5,308,267	-	-	-	-
Paper and board	2,662,909	2,687,071	-	-	-	-
Plastic products	6,388,435	5,908,391	-	-	-	-
Others	8,911,593	7,690,664	2,902,192	3,112,758	2,693,454	2,760,302
	522,693,181	498,243,569	7,381,473	7,257,916	6,497,479	6,201,412

Credit risk by public / private sector

Public / Government	55,368,812	64,482,124	-	-	-	-
Private	467,324,369	433,761,445	7,381,473	7,257,916	6,497,479	6,201,412
	522,693,181	498,243,569	7,381,473	7,257,916	6,497,479	6,201,412



46.1.3 Contingencies and Commitments

Credit risk by industry sector

	2020	2019
	(Rupees in '000)	
Agriculture, forestry, hunting and fishing	1,201,754	776,904
Mining and quarrying	-	1,274
Textile	60,886,061	40,895,042
Chemical and pharmaceuticals	10,560,544	6,468,137
Cement	1,681,965	2,282,578
Sugar	445,917	209,010
Footwear and leather garments	2,400,625	1,359,686
Automobile and transportation equipment	18,054,588	7,199,853
Electronics and electrical appliances	5,306,142	4,188,959
Construction	8,396,568	8,137,417
Power (electricity), gas, water, sanitary	8,008,957	3,611,333
Wholesale and retail trade	52,552,907	44,790,286
Transport, storage and communication	415,645	926,449
Financial	12,384,053	9,487,746
Insurance	26,841	14,321
Services (other than financial services)	41,166,805	38,066,278
Individuals	177,245	159,092
Food and allied	36,490,464	22,135,184
Iron and steel	16,689,629	14,736,453
Oil refinery / marketing	3,016,513	3,133,887
Paper and board	2,129,946	1,391,654
Plastic products	11,584,210	6,832,281
Others	6,977,350	10,028,161
	300,554,729	226,831,985
<hr/>		
Credit risk by public / private sector		
Public / Government	41,435,912	35,815,701
Private	259,118,817	191,016,284
	300,554,729	226,831,985
<hr/>		

46.1.4 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 150,619 million (2019: Rs. 139,796 million) are as following:

	2020	2019
	(Rupees in '000)	
Funded	87,140,927	93,419,738
Non Funded	63,477,948	46,376,271
Total Exposure	150,618,875	139,796,009
<hr/>		

The sanctioned limits against these top 10 exposures aggregated to Rs. 179,596 million (2019: Rs. 146,750 million). Provision against top 10 exposures amounts to be Nil (2019: Nil).



46.1.5 Advances - Province / Region - wise Disbursement and Utilization

Province / Region	2020					
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad	AJK including Gilgit- Baltistan
Punjab	201,150,395	199,695,718	202,288	222,110	33,345	980,461
Sindh	210,692,996	2,259,607	206,820,742	1,066,542	543,154	2,830
KPK including FATA	4,547,764	6,476	10,079	4,232,515	5,053	293,641
Balochistan	828,144	–	106,412	–	721,732	–
Islamabad	35,398,979	34,931	16,888	15,497	–	35,331,663
AJK including Gilgit - Baltistan	639,146	392	–	2,692	–	25,064
Total	<u>453,257,424</u>	<u>201,997,124</u>	<u>207,156,409</u>	<u>5,539,356</u>	<u>1,303,284</u>	<u>36,633,659</u>
	2019					
Province / Region	Disbursements					
	Punjab	Sindh	KPK including FATA (Rupees in '000)	Balochistan	Islamabad	AJK including Gilgit- Baltistan
	195,104,300	192,857,427	12,264	1,185,522	62,647	983,896
Punjab	195,104,300	192,857,427	12,264	1,185,522	62,647	983,896
Sindh	188,567,708	481,735	180,055,998	2,103,571	5,920,715	3,750
KPK including FATA	3,862,092	3,500	2,931	3,743,439	–	112,222
Balochistan	559,379	–	111,193	1,583	446,603	–
Islamabad	35,436,568	341	–	514,838	–	34,921,389
AJK including Gilgit - Baltistan	581,097	–	–	3,588	–	3,576
Total	<u>424,111,144</u>	<u>193,343,003</u>	<u>180,182,386</u>	<u>7,552,541</u>	<u>6,429,965</u>	<u>36,024,833</u>

46.2 Market Risk

Market risk is the risk of loss arising from movements in market rates or prices, such as interest rates, foreign exchange rates, and equity prices.

The Bank takes positions in securities for the purpose of investment and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities. As regards foreign exchange positions, the purpose is to serve the needs of clients. Except as aforesaid, the Bank does not engage in trading or market making activities.

Market risk is managed through the market risk policy approved by the Board, approval of counterparty and dealer limits, specific senior management approval for each investment and regular review and monitoring of the investment portfolio by the Asset Liability Management Committee (ALCO). A key element of the Bank's market risk management is to balance safety, liquidity, and income in that order of priority. Another key element is separation of functions and reporting lines for the Treasury Division which undertakes dealing activities within the limits and parameters set by ALCO, Settlements Department which confirms and settles the aforesaid deals, and Middle Office which independently monitors and analyses the risks inherent in treasury operations. Risk Management Committee of the Board provides overall guidance in managing the Bank's market risk.

Dealing activities of the Bank include investment in government securities, term finance certificates, sukuks / bonds, shares and mutual funds, money market transactions and foreign exchange transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Any excess over limits noted by the Settlements Department and / or the Middle Office is reported to senior management and ALCO. Stress testing is performed as per guidelines of SBP as well as Bank's internal policy. Portfolio risks arising in banking book is also measured through Value at Risk (VAR).



46.2.1 Balance sheet split by trading and banking books

	2020		2019			
	Banking book	Trading book	Total (Rupees in '000)	Banking book	Trading book	Total
Cash and balances with treasury banks	105,936,009	-	105,936,009	113,838,856	-	113,838,856
Balances with other banks	19,681,362	-	19,681,362	9,526,278	-	9,526,278
Lendings to financial institutions	2,175,301	-	2,175,301	1,857,575	-	1,857,575
Investments	765,222,435	96,549	765,318,984	586,510,554	-	586,510,554
Advances	510,050,394	-	510,050,394	488,652,848	-	488,652,848
Fixed assets	43,976,664	-	43,976,664	36,571,645	-	36,571,645
Intangible assets	294,862	-	294,862	368,840	-	368,840
Deferred tax assets	-	-	-	-	-	-
Other assets	75,345,810	-	75,345,810	61,812,360	-	61,812,360
	<u>1,522,682,837</u>	<u>96,549</u>	<u>1,522,779,386</u>	<u>1,299,138,956</u>	<u>-</u>	<u>1,299,138,956</u>

46.2.2 Foreign Exchange Risk

Foreign exchange risk is the risk of loss from adverse changes in currency exchange rates. The Bank's foreign exchange exposure comprises forward contracts, purchase of foreign bills, foreign currency loans and investments, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with SBP and other banks. Focus of the Bank's foreign exchange activities is on catering to the needs of its customers, both in spot and forward markets.

Foreign exchange risk exposures of the Bank are controlled through dealer limits, open foreign exchange position limits, counterparty exposure limits, and country limits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities within strict limits. The net open position in any single currency and the overall foreign exchange exposure are both managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for foreign exchange risk is carried out regularly to estimate the impact of adverse changes in foreign exchange rates.

	2020			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items (Rupees in '000)	Net foreign currency exposure
United States Dollar	135,869,498	141,123,136	10,832,719	5,579,081
Great Britain Pound	1,660,711	11,828,815	10,088,312	(79,792)
Japanese Yen	44,539	15,462	(20,792)	8,285
Euro	4,389,562	6,272,656	1,898,410	15,316
Other currencies	858,737	481,319	(675,976)	(298,558)
	<u>142,823,047</u>	<u>159,721,388</u>	<u>22,122,673</u>	<u>5,224,332</u>

	2019			
	(Rupees in '000)			
United States Dollar	130,167,939	127,477,029	5,165,055	7,855,965
Great Britain Pound	1,836,022	11,037,651	9,284,201	82,572
Japanese Yen	15,247	953	(15,868)	(1,574)
Euro	4,139,554	5,349,188	1,205,940	(3,694)
Other currencies	754,274	625,752	(74,502)	54,020
	<u>136,913,036</u>	<u>144,490,573</u>	<u>15,564,826</u>	<u>7,987,289</u>

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	9,729	–	1,038	–

Impact of 1% change in foreign exchange rates on
– Profit and loss account
– Other comprehensive income



46.2.3 Equity Position Risk

Equity position risk is the risk of loss from adverse movements in equity prices. The Bank's policy is to take equity positions for investment purposes and not to run a trading book, except to a very limited extent (maximum of Rs. 300 million) for trading in equities.

Equity position risk of the Bank is controlled through equity portfolio limits, sector limits, scrip limits, and future contracts limits. Direct investment in equities and mutual funds is managed within the statutory limits as prescribed by SBP as well as the internal limits set by the Bank itself. Stress testing for equity price risk is carried out regularly to estimate the impact of decline in stock prices. The Bank invests mainly in blue chip securities.

	2020	2019		
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
– Profit and loss account	–	4,827	–	–
– Other comprehensive income	227,609	–	230,165	–

46.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Interest rate risk is the risk of loss from adverse movements in interest rates. ALCO monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.

The Group's interest rate exposure is calculated by categorising its interest sensitive assets and liabilities into various time bands based on the earlier of their contractual repricing or maturity dates.

Interest rate risk exposures of the Group are controlled through dealer limits, counter - party exposure limits and (when necessary) type - of - instrument limits. Outright purchase and sale of securities are also approved by ALCO. Duration and modified duration of various types of debt securities as well as their entire portfolio are also calculated, and the impact of adverse change in interest rates on the market value of the securities is estimated. Stress testing for interest rate risk is carried out regularly to estimate the impact of adverse changes in the interest rates.

Interest rate / yield risk in the banking book – Basel Specific

The Group holds financial assets and financial liabilities with different maturities or repricing dates and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates. Interest rate risk in the banking book refers to the risk associated with interest - bearing financial instruments that are not held in the trading book of the Group.

Repricing gap analysis presents the Group's interest sensitive assets (ISA) and interest sensitive liabilities (ISL), categorised into various time bands based on the earlier of their contractual repricing or maturity dates (or settlement dates for off - balance sheet instruments). Deposits with no fixed maturity dates (for example, saving deposits and treasurer's call deposits) are included in the lowest, one - month time band, but these are not expected to be payable within a one - month period. The difference between ISA and ISL for each time band signifies the gap in that time band, and provides a workable framework for determining the impact on net interest income.

The Group reviews the repricing gap analysis periodically to monitor and manage interest rate risk in the banking book.

	2020	2019		
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	6,113,382	–	6,742,749	–



46.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk										Non interest bearing financial instruments		
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years				
(Rupees in '000)														
On - balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	-	105,936,009	7,279,936	-	-	-	-	-	-	-	-	98,656,073		
Balances with other banks	0.05%	19,681,362	17,676,967	-	-	-	-	-	-	-	-	2,004,395		
Lendings to financial institutions	8.98%	2,175,301	2,175,301	-	-	-	-	-	-	-	-	-		
Investments	9.30%	765,318,984	72,567,393	75,117,948	300,591,571	125,011,937	90,618,012	29,215,595	44,162,033	19,599,391	-	8,435,104		
Advances	6.60%	510,050,394	275,724,271	100,524,346	54,004,723	23,795,801	14,468,084	10,164,684	12,231,329	12,759,516	6,371,366	6,274		
Other assets	-	73,221,559	-	-	-	-	-	-	-	-	-	73,221,559		
		1,476,383,609	375,423,868	175,642,294	354,596,294	148,807,738	105,086,096	39,380,279	56,393,362	32,358,907	6,371,366	182,323,405		
Liabilities														
Bills payable	-	31,013,221	-	-	-	-	-	-	-	-	-	31,013,221		
Borrowings	4.21%	211,627,267	145,763,098	4,863,416	10,624,222	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815	-		
Deposits and other accounts	5.66%	1,099,223,458	548,778,671	35,539,084	24,076,408	48,951,961	6,657,497	2,446,852	13,835,518	22,127	12,532	418,902,808		
Subordinated debt	8.50%	14,989,600	-	3,992,800	10,996,800	-	-	-	-	-	-	-		
Other liabilities	-	67,908,941	-	-	-	-	-	-	-	-	-	67,908,941		
		1,424,762,487	694,541,769	44,395,300	45,697,430	54,992,853	19,584,660	8,338,071	24,031,498	14,830,589	525,347	517,824,970		
On - balance sheet gap		51,621,122	(319,117,901)	131,246,994	308,898,864	93,814,885	85,501,436	31,042,208	32,361,864	17,528,318	5,846,019	(335,501,565)		
Off - balance sheet financial instruments														
Documentary credits and short term trade related transactions		207,740,057	133,608,804	51,510,174	11,122,373	11,498,706	-	-	-	-	-	-		
Commitments in respect of:														
Forward purchase of foreign exchange contracts		75,472,905	19,581,701	29,570,273	17,076,813	9,244,118	-	-	-	-	-	-		
Forward sale of foreign exchange contracts		(53,350,232)	(32,391,396)	(17,028,027)	(2,914,889)	(1,015,920)	-	-	-	-	-	-		
Forward commitments to extend credit		7,124,914	483,281	4,729,763	242,759	1,669,111	-	-	-	-	-	-		
Off - balance sheet gap		29,247,587	(12,326,414)	17,272,009	14,404,683	9,897,309	-	-	-	-	-	-		
Total Yield / Interest Risk Sensitivity Gap		(197,835,511)	200,029,177	334,425,920	115,210,900	85,501,436	31,042,208	32,361,864	17,528,318	5,846,019	(335,501,565)			
Cumulative Yield / Interest Risk Sensitivity Gap		(197,835,511)	2,193,666	336,619,586	451,830,486	537,331,922	568,374,130	600,735,994	618,264,312	624,110,331	288,608,766			



2019

Effective Yield / Interest Rate	Total	Exposed to Yield / Interest risk										Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
On - balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.68%	113,838,856	10,152,165	-	-	-	-	-	-	-	-	103,686,691	
Balances with other banks	10.77%	9,526,278	8,015,527	-	-	-	-	-	-	-	-	1,510,751	
Lendings to financial institutions	10.43%	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-	-	
Investments	12.84%	586,510,554	9,579,116	41,315,249	(1,222,040)	319,369,135	83,883,472	47,705,813	55,287,646	22,843,478	-	7,748,685	
Advances	10.80%	488,652,848	278,546,671	101,685,423	54,936,699	13,138,908	10,333,141	7,723,868	9,572,013	8,000,584	4,709,616	5,925	
Other assets	-	59,335,127	-	-	-	-	-	-	-	-	-	59,335,127	
		1,259,721,238	306,278,428	144,873,298	53,714,659	332,508,043	94,216,613	55,429,681	64,859,659	30,844,062	4,709,616	172,287,179	
Liabilities													
Bills payable	-	20,168,673	-	-	-	-	-	-	-	-	-	20,168,673	
Borrowings	9.68%	228,745,034	187,985,960	10,403,899	6,043,994	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574	-	
Deposits and other accounts	10.38%	903,592,980	450,364,049	21,948,126	19,137,128	49,697,169	5,291,864	4,915,071	13,769,205	18,361	13,995	338,438,012	
Subordinated debt	14.76%	14,992,800	-	3,994,400	10,998,400	-	-	-	-	-	-	-	
Other liabilities	-	54,830,031	-	-	-	-	-	-	-	-	-	54,830,031	
		1,222,329,518	638,350,009	36,346,425	36,179,522	51,167,881	8,687,002	8,509,968	20,612,099	9,016,327	23,569	413,436,716	
On - balance sheet gap		37,391,720	(332,071,581)	108,526,873	17,535,137	281,340,162	85,529,611	46,919,713	44,247,560	21,827,735	4,686,047	(241,149,537)	
Off - balance sheet financial instruments													
Documentary credits and short term trade related transactions		145,745,358	39,075,909	59,634,787	12,898,478	15,932,547	14,580,990	3,490,782	131,865	-	-	-	
Commitments in respect of:													
Forward purchase of foreign exchange contracts		106,704,798	33,362,935	34,471,904	25,668,967	13,200,992	-	-	-	-	-	-	
Forward sale of foreign exchange contracts		(91,139,975)	(42,027,617)	(37,025,513)	(12,086,845)	-	-	-	-	-	-	-	
Forward commitments to extend credit		2,214,998	487,000	810,000	500,000	417,998	-	-	-	-	-	-	
Off - balance sheet gap		17,779,821	(8,177,682)	(1,743,609)	14,082,122	13,618,990	-	-	-	-	-	-	
Total Yield / Interest Risk Sensitivity Gap		(301,173,354)	166,418,051	44,515,737	310,891,699	100,110,601	50,410,495	44,379,425	21,827,735	4,686,047	(241,149,537)		
Cumulative Yield / Interest Risk Sensitivity Gap		(301,173,354)	(134,755,303)	(90,239,566)	220,652,133	320,762,734	371,173,229	415,552,654	437,380,389	442,066,436	200,916,899		



46.2.5.1 Reconciliation of Financial Assets and Liabilities

	2020 (Rupees in '000)	2019
Assets as per statement of financial position	1,522,779,386	1,299,138,956
Less:		
Fixed assets	43,976,664	36,571,645
Intangible assets	294,862	368,840
Advances, deposits, advance rent and other prepayments	776,481	583,324
Advance taxation (payments less provisions)	–	708,375
Non banking assets acquired against claims	954,077	909,382
Stationery and stamps on hand	393,693	240,307
Non - refundable deposits	–	35,845
	2,124,251	2,477,233
Interest Rate Sensitive Assets	1,476,383,609	1,259,721,238
Liabilities as per statement of financial position	1,442,335,671	1,237,206,265
Less:		
Deferred tax liabilities	139,836	1,377,707
Provision for compensated absences	974,095	722,300
Branch adjustment account	2,639,104	2,336,825
Workers' welfare fund	2,425,132	1,752,086
Provision against off - balance sheet items	146,692	129,369
Unearned commission income	304,009	241,742
Lease liability against right-of-use assets	10,526,139	8,316,718
Current taxation (payments less provisions)	418,177	–
	17,433,348	13,499,040
Interest Rate Sensitive Liabilities	1,424,762,487	1,222,329,518

46.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. Bank classifies operational loss / near miss incidents into seven loss incidents types, which are Internal Fraud, External Fraud, Employment Practice & Workplace Safety, Client, Product & Business Practice, Damage to Physical Assets, Business Disruption & System Failure, and Execution, Delivery & Process Management.

Operational risk is managed through the Operational Risk Policy, Audit Policy, Compliance Policy & Programme, Information Technology (I.T.) Policy, I.T. Governance Framework, I.T. Security Policy, Human Resource Policy, Consumer Protection Framework, KYC / CDD Policy, AML / CFT Policy, Fraud Prevention Policy, Consumer Grievance Handling Policy and Outsourcing Policy approved by the Board, along with the operational manuals and procedures issued from time to time; system of internal controls; Business Continuity Plan, Disaster Recovery Plan for I.T.; and regular audit of the branches and divisions. Operational risk related matters are discussed in the operations committee, compliance committee of management and I.T. steering committee. Audit Committee of the Board provides overall guidance in managing the Bank's operational risk.

The Bank's operational risk management framework, as laid down in the operational risk policy, permits the overall risk management approach to evolve in the light of organisational learning and the future needs of the Bank.

The Bank places a high priority on conducting all business dealings with integrity and fairness, as laid down in the Code of Conduct, which is required to be complied with by all employees.



Internal controls are an essential feature of risk reduction in operational risk management and the Bank continues to improve its internal controls.

Business Continuity Plan of the Bank pays special attention to identification of potential threats and associated risks in critical business processes by carrying out Business Impact Analysis and Risk Assessment including those which are dependent on external vendors or third parties, identification of alternative mechanisms for timely resumption of services, with special focus on critical business processes, location of off-site backup & regular review and testing of the plan.

Bank has devised and implemented IT Project Management and IT Risk Management Frameworks. Bank is also CMMI Maturity (Level - 3) certified. Bank AL Habib's website for Conventional and Islamic banking has been revamped with dynamic features. Furthermore, OBDX (Oracle Banking Digital Experience) web and mobile application have been commercially launched.

Bank has taken various measures to strengthen I.T. Security, which includes implementation of Cyber Security Strategy and Action Plan, Vulnerability Management Program, virtual patching and database activity monitoring solution on critical systems, 24/7 Security Operation center (SOC), regular Internal and external penetration testing of applications, anti malware and antivirus security solution, subscription to I.T. security threat intelligence service and recertification of controls as per SWIFT customer Security Program.

COVID 19

During the year, 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.

To control and effectively deal with the COVID-19 pandemic, guidelines issued by Government and State Bank of Pakistan were meticulously followed by the Bank and various measures were taken. These measures included creation of senior level Emergency Risk Focus Group; risk assessment; risk management through (a) provision of uninterrupted services to customers - ensuring round the clock availability of IT services via ATMs, online banking & mobile banking; providing surplus cash at branches & ATMs and branch services through alternate operational branches in cases of branch closure, etc.; (b) development of staff SOPs and (c) creation of safe environment for staff & customers through walkthrough gates, mandatory temperature checking at entry points, availability of hand sanitizers, etc. and (d) HR management measures - split team arrangement, forced leaves for senior and female staff, secured 'work from home' environment, virtual meetings, etc.

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.

46.3.1 Operational Risk-Disclosures Basel II Specific

The Bank uses Basic Indicator Approach to calculate capital charge for operational risk as per Basel regulatory framework. This approach is considered to be most suitable in view of the business model of the Bank which relies on an extensive network of branches to offer one - stop, full – service banking to its clients. The Bank has developed and implemented an Operational Loss Database. Operational loss and ""near miss"" events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve security and control procedures. Key Risk Indicators have also been developed along with thresholds which are being closely monitored for breaches. Risk Evaluation exercise is carried out for new products, processes and systems or any significant change in the existing product, processes and systems as per the operational risk policy of the Bank.



46.4 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable cost or losses.

Key elements of the Bank's liquidity risk management are as follows:

- To maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet the Bank's funding requirements at any time.
- To keep a strong focus on mobilization of low-cost core deposits from customers.
- To maintain a realistic balance between the behavioral maturity profiles of assets and liabilities.
- To maintain excellent credit rating (as borrowing cost and ability to raise funds are directly affected by credit rating).
- To have a written contingency funding plan to address any hypothetical situations when access to normal sources of funding is constrained.

46.4.1 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 08 dated 23 June 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Bank's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Bank calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Bank to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period. As of 31 December 2020, the Bank's LCR stood at 273% against the SBP's minimum requirement of 100%.

46.4.2 Governance of Liquidity Risk Management

Liquidity risk is managed through the liquidity risk policy approved by the Board. The Bank has "zero tolerance" for liquidity risk and will continue to maintain a comfortable margin of excess liquidity in the form of cash and readily marketable assets to meet its funding requirements at any time.

Management of liquidity risk is accomplished through a formal structure which includes:

- Board of Directors (BOD)
- Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Treasury Division
- Risk Management Division and Middle Office
- Finance Division
- Information Technology Division

The Board of Directors approves the liquidity risk policy and ensures, through quarterly reviews by the Risk Management Committee of the Board, that the Bank's liquidity risk is being managed prudently. Risk Management Committee of the Board provides overall guidance in managing the Bank's liquidity risk. Liquidity position is monitored daily by the Treasury Division and the Middle Office and reviewed regularly by ALCO.

46.4.3 Funding Strategy

The Bank's prime source of liquidity is the customers' deposit base. Within deposits, the Bank strives to maintain core deposit base in form of current and saving deposits and avoids concentration in particular products, tenors and dependence on large fund providers. As a general rule, the Bank will not depend on borrowings in the inter-bank market, including repos, to be a part of its permanent pool of funds for financing of loans, but will use these as a source for obtaining moderate amounts of additional funds to meet temporary liquidity needs in the normal course of business or for money market operations.

46.4.4 Liquidity Risk Mitigation Techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like core deposits to total deposits, advances to deposits, liquid assets to total deposits, Interbank borrowing to total deposits, which are monitored on regular basis against limits. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time bands. For maturity analysis, behavioral study is carried out to determine the behavior of non - contractual assets and liabilities. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.



In addition, LCR, NSFR & Monitoring Tools of Basel III framework further strengthen liquidity risk management of the Bank.

46.4.5 Liquidity Stress Testing

As per SBP FSD Circular No. 01 of 2020, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits, withdrawals of wholesale / large deposits & interbank borrowing, withdrawal of top deposits, etc. Results of stress testing are presented to ALCO and Risk Management Committee. The Bank's liquidity risk management addresses the goal of protecting solvency and the ability to withstand stressful events in the market place. Stress testing for liquidity as prescribed in the liquidity risk policy is carried out regularly to estimate the impact of decline in liquidity on the ratio of liquid assets to deposits plus borrowings.

46.4.6 Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity risk policy of the Bank which identifies the trigger events that could cause a liquidity contingency and describes the actions to be taken to manage it. The contingency funding plan highlights liquidity management actions that needs to be taken to deal with the contingency. Responsibilities and response levels are also incorporated in order to tackle the contingency. Moreover, CFP highlights possible funding sources, in case of a liquidity contingency.

46.4.7 Main Components of LCR

Main components of LCR are High Quality Liquid Assets and Net Cash Outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are based on SBP BPRD Circular No. 08 dated 23 June 2016.

46.4.8 Composition of HQLAs

High Quality Liquid Assets consist of Level 1 Assets which are included in the stock of liquid assets at 100% weightage of their market value i.e., Cash & Treasury balances, Conventional Government Securities, GOP Ijarah Sukuks, Foreign Currency Sukuks & Bonds issued by sovereigns. While Level 2 Assets comprise all equity shares (excluding shares of Financial Institutions) listed on PSX 100.

46.4.9 Concentration of Funding Sources

The Bank relies on customers' deposits as its key source of funding, specially current and saving deposits and time deposits of small / medium denominations, and avoids concentration of large deposits. Share of core deposits in total deposits and of large deposits in total deposits are regularly monitored. In particular the Bank does not depend on large depositors or borrowings from SBP and financial institutions to meet its funding requirements.

46.4.10 Currency Mismatch in the LCR

About 90% of the Bank's assets and liabilities are in local currency. Currency mismatch in other currencies is regularly monitored.

46.4.11 Centralisation of Liquidity Management

Overall liquidity management of the Bank is centralised in Treasury Division at Principal Office. The Bank mobilises deposits through its branch network. It also uses the branch network to grant loans to customers. Branches that have more deposits than loans, transfer ("lend") their excess deposits to the Principal Office. Branches that do not have enough deposits to fund their loans, acquire ("borrow") additional funds from the Principal Office.

46.4.12 Other Inflows and Outflows

Benefit of pledged deposits (deposits under lien) are not accounted for in calculation of LCR.

46.4.13 Net Stable Funding Ratio (NSFR)

NSFR is the ratio of the amount of Available Stable Funding (ASF) - source of funds, capital and liabilities relative to the amount of Required Stable Funding (RSF) - use of funds, assets and off - balance sheet exposures.

The objective of NSFR is to ensure the availability of stable funds that a bank must hold to enable it to build and maintain its assets, investments and off balance sheet portfolio on an ongoing basis for longer term, i.e., over a one year horizon. NSFR reduces maturity mismatches between the asset and liability items on the balance sheet and thereby reduces funding and roll - over risk. The Bank's NSFR stood at 142% as on 31 December 2020.



46.5 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

The following maturity profile is based on contractual maturities for assets and liabilities that have a contractual maturity. Assets and liabilities that do not have a contractual maturity have been categorised in the shortest maturity band.

	Total	2020												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	
		(Rupees in '000)												
Assets														
Cash and balances with treasury banks	105,936,009	105,936,009	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	19,681,362	19,681,362	-	-	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	2,175,301	(494)	(2,966)	(3,461)	2,182,222	-	-	-	-	-	-	-	-	
Investments	765,318,984	12,582,868	(341,794)	(398,760)	(648,823)	48,629,312	13,809,722	42,481,419	105,260,936	19,857,075	90,127,620	108,105,472	170,864,915	
Advances	510,050,394	53,134,403	7,371,280	9,070,048	33,016,839	59,638,378	82,793,789	79,781,992	23,793,933	22,992,880	44,412,146	30,614,506	31,490,891	
Fixed assets	43,976,664	19,674,219	-	-	382,971	376,295	506,363	937,251	1,021,321	996,661	3,602,764	3,055,678	4,121,980	
Intangible assets	294,862	-	-	-	22,651	22,652	22,647	62,132	23,332	17,079	41,199	-	83,170	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other assets	75,345,810	11,302,990	2,013,296	7,406,967	9,135,331	11,636,343	11,676,859	12,270,539	7,663,578	588,862	1,617,298	7,776	25,971	-
	1,522,779,386	222,311,357	9,039,816	16,074,794	44,091,191	120,302,980	108,809,380	135,533,333	137,763,100	44,452,557	139,801,027	141,783,432	206,503,757	196,312,662
Liabilities														
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-	-	-	-	
Borrowings	211,627,267	348,190	98,718,568	545,085	2,144,448	18,910,564	22,939,478	17,644,403	2,944,525	3,096,367	12,927,163	5,891,219	10,195,980	15,321,277
Deposits and other accounts	1,099,223,458	891,632,718	25,825,810	9,876,099	40,346,851	12,476,736	23,062,348	24,076,408	25,029,560	23,922,401	6,657,497	2,446,852	13,835,519	34,659
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated debt	14,989,600	-	-	-	-	-	800	800	800	800	3,200	3,200	6,400	14,973,600
Deferred tax liabilities	139,836	(261,424)	-	-	37,094	34,482	34,482	97,114	36,070	65,683	204,367	182,160	(216,962)	(73,230)
Other liabilities	85,342,289	20,800,376	2,546,349	3,200,147	6,857,181	11,263,412	9,148,184	11,052,652	8,183,361	792,640	2,754,422	1,259,471	2,154,287	5,329,807
	1,442,335,671	943,533,081	127,090,727	13,621,331	49,385,574	42,685,194	55,185,292	52,871,377	36,194,316	27,877,891	22,546,649	9,782,902	25,975,224	35,586,113
Net assets														
Share capital	11,114,254													
Reserves	18,431,277													
Surplus on revaluation of assets	10,366,693													
Unappropriated profit	40,416,713													
Non - controlling interest	114,778													
	80,443,715													



	Total	2019												
		Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	
		(Rupees in '000)												
Assets														
Cash and balances with treasury banks	113,838,856	113,838,856	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	9,526,278	2,526,278	-	2,000,000	5,000,000	-	-	-	-	-	-	-	-	
Lendings to financial institutions	1,857,575	(485)	(2,913)	(3,399)	(8,254)	1,872,626	-	-	-	-	-	-	-	
Investments	586,510,554	9,321,405	(567,932)	(537,587)	(2,034,140)	(3,693,400)	32,486,728	(9,475,557)	175,227,737	144,043,685	85,625,852	48,406,326	56,572,033	51,135,404
Advances	488,652,848	62,593,575	10,135,948	12,181,250	23,916,330	64,885,943	71,316,745	85,592,125	20,899,895	12,435,127	38,611,034	32,280,480	30,610,066	23,194,330
Fixed assets	36,571,645	15,111,331	-	-	344,364	338,691	335,467	991,873	967,618	913,846	3,189,098	2,669,891	3,637,163	8,072,303
Intangible assets	368,840	-	-	-	26,988	26,894	25,225	66,218	55,250	52,291	113,474	-	-	2,500
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	61,812,360	14,829,345	2,935,711	6,300,087	6,935,173	7,537,061	7,631,313	9,879,817	5,542,526	130,651	26,835	16,464	29,222	18,155
	1,299,138,956	218,220,305	12,500,814	19,940,351	34,180,461	70,967,815	111,795,478	87,054,476	202,693,026	157,575,600	127,566,293	83,373,161	90,848,484	82,422,692
Liabilities														
Bills payable	20,168,673	20,168,673	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	228,745,034	908,853	153,421,371	75,452	825,020	12,860,661	23,518,085	12,824,411	657,941	812,771	3,395,138	3,594,897	6,842,894	9,007,540
Deposits and other accounts	903,592,980	716,819,226	18,256,147	15,008,415	38,718,273	11,392,152	10,555,974	19,137,128	24,264,133	25,433,036	5,291,864	4,915,071	13,769,205	32,356
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,992,800	-	-	-	-	-	800	800	800	3,200	3,200	6,400	14,976,800	
Deferred tax liabilities	1,377,707	507,823	-	-	35,771	34,277	34,277	102,366	88,402	89,499	211,187	152,884	26,655	94,566
Other liabilities	68,329,071	23,238,417	2,905,133	2,056,776	4,825,818	6,967,803	5,383,357	9,820,091	5,008,867	291,837	985,826	1,120,752	1,916,645	3,807,749
	1,237,206,265	761,642,992	174,582,651	17,140,643	44,404,882	31,254,893	39,492,493	41,884,796	30,020,143	26,627,943	9,887,215	9,786,804	22,561,799	27,919,011
Net assets														
	61,932,691	(543,422,687)	(162,081,837)	2,799,708	(10,224,421)	39,712,922	72,302,985	45,169,680	172,672,883	130,947,657	117,679,078	73,586,357	68,286,685	54,503,681
Share capital	11,114,254													
Reserves	16,467,282													
Surplus on revaluation of assets	6,081,731													
Unappropriated profit	28,163,914													
Non - controlling interest	105,510													
	61,932,691													



46.6 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

For assets and liabilities that have a contractual maturity, the expected maturity is considered to be the same as contractual maturity. Assets and Liabilities that do not have a contractual maturity have been categorised on the basis of expected maturities as determined by ALCO. In case of saving and current accounts, their historical net withdrawal pattern over the next one year was reviewed, based on year - end balances for the last three years. Thereafter, taking a conservative view, ALCO categorised these deposits in various maturity bands. Other assets and liabilities have been categorised on the basis of assumptions / judgments that are believed to be reasonable.

	Total	2020								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	105,936,009	105,936,009	-	-	-	-	-	-	-	-
Balances with other banks	19,681,362	19,681,362	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,175,301	2,175,301	-	-	-	-	-	-	-	-
Investments	765,318,984	(1,350,589)	62,899,171	42,492,324	133,255,216	91,579,088	109,010,681	171,274,822	153,093,362	3,064,909
Advances	510,050,394	102,592,570	142,432,167	79,781,992	46,786,813	44,412,146	30,614,505	31,490,892	24,104,075	7,835,234
Fixed assets	43,976,664	428,096	1,945,568	1,601,345	2,563,934	3,951,185	11,154,950	4,121,980	4,409,762	13,799,844
Intangible assets	294,862	22,627	45,249	62,059	40,267	41,490	-	-	-	83,170
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	75,345,810	28,382,864	23,379,236	12,369,589	8,449,019	1,753,753	7,776	25,971	-	977,602
	1,522,779,386	257,868,240	230,701,391	136,307,309	191,095,249	141,737,662	150,787,912	206,913,665	181,607,199	25,760,759
Liabilities										
Bills payable	31,013,221	31,013,221	-	-	-	-	-	-	-	-
Borrowings	211,627,267	101,756,291	41,850,042	17,644,403	6,040,892	12,927,163	5,891,219	10,195,980	14,808,462	512,815
Deposits and other accounts	1,099,223,458	175,991,190	123,504,672	112,041,996	136,917,549	164,995,554	160,784,910	180,970,135	44,004,920	12,532
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,989,600	-	800	800	1,600	3,200	3,200	6,400	7,973,600	7,000,000
Deferred tax liabilities	139,836	(2,533,473)	236,066	109,641	(167,184)	780,634	1,991,335	(47,244)	(679,113)	449,174
Other liabilities	85,342,289	26,445,043	20,411,596	11,052,652	8,976,000	2,754,422	1,259,471	7,400,106	4,267,763	2,775,236
	1,442,335,671	332,672,272	186,003,176	140,849,492	151,768,857	181,460,973	169,930,135	198,525,377	70,375,632	10,749,757
Net assets										
Share capital	11,114,254									
Reserves	18,431,277									
Surplus on revaluation of assets	10,366,693									
Unappropriated profit	40,416,713									
Non - controlling interest	114,778									
	80,443,715	(74,804,032)	44,698,215	(4,542,183)	39,326,392	(39,723,311)	(19,142,223)	8,388,288	111,231,567	15,011,002



	Total	2019								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	113,838,856	113,838,856	-	-	-	-	-	-	-	-
Balances with other banks	9,526,278	9,526,278	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,857,575	(15,051)	1,872,626	-	-	-	-	-	-	-
Investments	586,510,554	(3,259,311)	28,501,889	(9,495,557)	327,185,814	85,430,770	48,739,400	57,062,681	49,755,633	2,589,235
Advances	488,652,848	108,827,103	136,202,688	85,592,125	33,335,022	38,611,034	32,280,480	30,610,066	17,252,868	5,941,462
Fixed assets	36,571,645	637,584	1,060,272	6,583,184	2,146,926	3,277,664	2,669,891	3,637,163	3,465,261	13,093,700
Intangible assets	368,840	26,950	52,043	66,104	107,313	113,018	-	-	-	3,412
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	61,812,360	29,811,664	15,237,052	9,969,220	5,767,552	31,790	19,120	29,222	18,154	928,586
	1,299,138,956	259,394,073	182,926,570	92,715,076	368,542,627	127,464,276	83,708,891	91,339,132	70,491,916	22,556,395
Liabilities										
Bills payable	20,168,673	20,168,673	-	-	-	-	-	-	-	-
Borrowings	228,745,034	155,230,696	36,378,746	12,824,411	1,470,712	3,395,138	3,594,897	6,842,894	8,997,966	9,574
Deposits and other accounts	903,592,980	153,708,736	92,514,051	89,703,053	120,263,094	132,310,530	131,933,736	147,844,463	35,301,322	13,995
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	14,992,800	-	800	800	1,600	3,200	3,200	6,400	7,976,800	7,000,000
Deferred tax liabilities	1,377,707	(585,158)	(29,884)	1,067,350	15,649	172,658	269,460	200,932	(248,539)	515,239
Other liabilities	68,329,071	25,476,926	12,351,160	9,820,091	5,300,703	985,826	1,120,752	8,047,228	2,946,918	2,279,467
	1,237,206,265	353,999,873	141,214,873	113,415,705	127,051,758	136,867,352	136,922,045	162,941,917	54,974,467	9,818,275
Net assets										
Share capital	11,114,254									
Reserves	16,467,282									
Surplus on revaluation of assets	6,081,731									
Unappropriated profit	28,163,914									
Non - controlling interest	105,510									
	61,932,691									



47. EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the Board of Directors proposed a final cash dividend of Rs. 4.5 (2019: Rs. 3.5) per share.

48. GENERAL

- 48.1** Captions, as prescribed by BPRD Circular No. 02 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the statement of financial position and profit and loss account.
- 48.2** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 48.3** Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements wherever necessary to facilitate comparison and better presentation.

49. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in the Board of Directors' meeting held on 27 January 2021.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



Annexure I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2020**

(Rupees in '000)

S. No.	Name and address of the borrower(s)	Name of individuals / partners / directors (with CNIC Nos.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest / Mark-up Written off	Other financial relief provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Muhammad Zahid Saddique H # P-19, Rapid Garden Green Town, Faisalabad.	Muhammad Zahid Saddique (CNIC: 33100-0449298-5)	Muhammad Saddique	528	205	85	818	518	205	85	808
2.	Muhammad Ali H # 5 / 5-47 Shah Faisal Colony Water Pump Stop, Karachi.	Muhammad Ali (CNIC: 42201-9209306-7)	Abdul Karim	707	291	143	1,141	707	293	143	1,143
3.	Khalid Mehmood H # 20-E, E-Market Block-6, P.E.C.H.S., Karachi.	Khalid Mehmood (CNIC: 42301-0974870-7)	Fazal Din	405	166	54	625	405	166	54	625
4.	Naheed Rehman Phase V, Off Kh E Majahid 44/1, 14 St. DHA, Karachi.	Naheed Rehman (CNIC: 42301-5043520-4)	Atta Ur Rehman	467	77	120	664	467	77	120	664
5.	Muhammad Ahson Hayat Block-7, Near Bismillah Taqi Hopital A-281, Admin Society, Karachi.	Muhammad Ahson Hayat (CNIC: 42201-0969890-5)	Qazi Muhammad Hayat	896	297	187	1,380	896	297	187	1,380
6.	Ghulam Hyder Memon Flat # M-3, Plot # BC-08 Block-4, Clifton Tower, Clifton, Karachi.	Ghulam Hyder Memon (CNIC: 41408-6248354-9)	Muhammad Ishaque	505	212	82	799	505	212	82	799
7.	Millat Agencies Plot # S/104, S.I.T.E., Karachi.	Muhammad Yousuf Tayyab (CNIC: 42201-1325572-5)	Tayyab	1,733	460	-	2,193	1,733	460	-	2,193
8.	Muhammad Yousuf Tayyab House # D-82, Navy Housing Scheme, Gizri, Chaudhry Khaliq-u-Zaman Road, Clifton Karachi.	Muhammad Yousuf Tayyab (CNIC: 42201-1325572-5)	Tayyab	481	68	-	549	481	68	-	549
		Total		5,722	1,776	671	8,169	5,712	1,778	671	8,161



Annexure II

ISLAMIC BANKING BUSINESS

The Bank is operating 106 (2019: 83) Islamic banking branches and 143 (2019: 142) Islamic banking windows at the end of the year.

	Note	2020	2019
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		5,727,007	4,553,339
Balances with other banks		6,557	7,297,026
Due from financial institutions	1	2,175,301	1,857,575
Investments	2	71,453,157	21,669,565
Islamic financing and related assets - net	3	58,304,712	50,689,875
Fixed assets		479,006	402,062
Intangible assets		—	—
Due from Head Office		—	—
Other assets			
Total Assets		1,197,756	7,595,621
		139,343,496	94,065,063
LIABILITIES			
Bills payable		137,796	45,838
Due to financial institutions		18,962,087	9,718,686
Deposits and other accounts	4	93,238,405	67,981,321
Due to Head Office		14,457,740	3,282,835
Subordinated debt		—	—
Other liabilities	5	2,345,248	3,773,952
		(129,141,276)	(84,802,632)
NET ASSETS		10,202,220	9,262,431
REPRESENTED BY			
Islamic Banking Fund		7,600,000	6,800,000
Reserves		—	—
Deficit on revaluation of assets		(142,701)	(88,942)
Unremitted profit	6	2,744,921	2,551,373
		10,202,220	9,262,431
CONTINGENCIES AND COMMITMENTS	7		



The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2020 is as follows:

	Note	2020 (Rupees in '000)	2019
Profit / return earned	8	8,493,424	8,056,283
Profit / return expensed	9	(4,047,777)	(4,055,827)
Net Profit / return		4,445,647	4,000,456
Other income			
Fee and commission income		310,209	229,655
Dividend income		94,448	4,353
Foreign exchange income		97,171	67,924
Income / (loss) from derivatives		—	—
Gain / (loss) on securities		169,484	—
Other income		95,723	93,109
Total other income		767,035	395,041
Total income		5,212,682	4,395,497
Other expenses			
Operating expenses		(2,349,393)	(1,786,510)
Other charges		(44)	—
Total other expenses		(2,349,437)	(1,786,510)
Profit before provisions		2,863,245	2,608,987
Provisions and write offs - net		(118,324)	(57,614)
Profit for the year		2,744,921	2,551,373

1. Due from Financial Institutions

	2020 (Rupees in '000)	2019
In local currency		
Bai Muajjal Receivable from the State Bank of Pakistan	2,175,301	1,857,575

1.1 Securities held as collateral against amounts due from financial institutions

	2020			2019		
	Held by Bank	Further given as collateral	Total (Rupees in '000)	Held by Bank	Further given as collateral	Total
GoP Ijarah Sukuks	2,175,301	—	2,175,301	1,857,575	—	1,857,575

The GoP Ijarah Sukuks carry rates ranging from 8.89% to 9.08% (2019: 10.39% to 10.49%).



	2020				2019					
	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value		
2. Investments by segments		(Rupees in '000)								
Federal Government Securities										
- Ijarah Sukuk	31,954,335	-	(208,246)	31,746,089	2,000,000	-	(20,000)	1,980,000		
- Neelum Jhelum Hydropower Co. Ltd. Sukuk	3,781,250	-	-	3,781,250	4,468,750	-	-	4,468,750		
- Bai Muajjal with Government of Pakistan	11,328,818	-	-	11,328,818	10,133,361	-	-	10,133,361		
- Pakistan Energy Sukuk II (Power Holding Ltd.)	21,102,725	-	123,875	21,226,600	-	-	-	-		
	68,167,128	-	(84,371)	68,082,757	16,602,111	-	(20,000)	16,582,111		
Shares										
- Listed Companies	97,442	(63,384)	15,861	49,919	97,442	(57,567)	9,399	49,274		
Non Government Debt Securities										
- Listed	1,322,529	-	(96,457)	1,226,072	1,454,215	-	(94,777)	1,359,438		
- Unlisted	2,025,000	-	-	2,025,000	1,984,707	-	-	1,984,707		
	3,347,529	-	(96,457)	3,251,072	3,438,922	-	(94,777)	3,344,145		
Units of Mutual Funds										
	100,000	(52,856)	22,265	69,409	1,200,000	(47,401)	16,436	1,169,035		
Associate										
- First Habib Islamic Income Fund	-	-	-	-	525,000	-	-	525,000		
Total Investments	71,712,099	(116,240)	(142,702)	71,453,157	21,863,475	(104,968)	(88,942)	21,669,565		
3. Islamic financing and related assets		Note		2020		2019		(Rupees in '000)		
Ijarah										
Murabaha		3.1		1,656,565		2,365,239				
Diminishing Musharaka		3.2		9,148,387		8,255,703				
Islamic Long Term Financing Facility (ILTFF)				11,404,565		13,499,915				
Istisna				1,737,762		1,449,640				
Islamic Refinance for Renewable Energy (IFRE)				2,364,376		3,929,818				
Islamic Export Refinance - Istisna				14,035		-				
Musawamah				1,083,650		1,685,500				
Islamic Export Refinance - Musawamah				3,710,693		3,979,048				
Running Musharaka				826,500		200,000				
Islamic Export Refinance - Running Musharaka				84,799		2,845,780				
Staff Financing				6,270,000		2,318,300				
Advance against Musawamah				594,202		431,960				
Advance against Istisna				1,700,257		920,594				
Advance against Istisna - IERF				5,702,233		4,168,944				
Advance against Ijarah				4,829,300		3,694,450				
Advance against Diminishing Musharaka				735,441		52,940				
Advance against IRF Wages and Salaries				1,083,563		815,069				
Advance against ILTFF				2,355,044		-				
Advance against IFRE				1,082,706		121,424				
Advance against ITERF				875,000		-				
Financing against Bills - Musawamah				914,221		-				
Gross Islamic financing and related assets				293,805		10,900				
	58,467,104		50,745,224							
Less: provision against Islamic financings				135,936		32,893				
- Specific				26,456		22,456				
- General				(162,392)		(55,349)				
Islamic financing and related assets - net of provision		58,304,712		50,689,875						



3.1 Ijarah

	2020						
	Cost			Accumulated depreciation			Book value
	As at 01 January 2020	Additions / (deletions)	As at 31 December 2020	As at 01 January 2020	Charge for the year / (deletions)	As at 31 December 2020	as at 31 December 2020
(Rupees in '000)							
Plant and Machinery	934,345	169,556 (699,823)	404,078	358,906	218,211 (397,996)	179,121	224,957
Vehicles	2,406,744	546,978 (726,312)	2,227,410	890,722	467,430 (466,999)	891,153	1,336,257
Equipment	607,883	– (321,736)	286,147	334,105	123,163 (266,472)	190,796	95,351
Total	3,948,972	716,534 (1,747,871)	2,917,635	1,583,733	808,804 (1,131,467)	1,261,070	1,656,565
	=====	=====	=====	=====	=====	=====	=====

	2019						
	Cost			Accumulated depreciation			Book value
	As at 01 January 2019	Additions / (deletions)	As at 31 December 2019	As at 01 January 2019	Charge for the year / (deletions)	As at 31 December 2019	as at 31 December 2019
(Rupees in '000)							
Plant and Machinery	1,252,766	132,311 (450,732)	934,345	477,305	280,914 (399,313)	358,906	575,439
Vehicles	2,543,137	704,429 (840,822)	2,406,744	809,693	509,992 (428,963)	890,722	1,516,022
Equipment	604,287	65,427 (61,831)	607,883	258,651	129,438 (53,984)	334,105	273,778
Total	4,400,190	902,167 (1,353,385)	3,948,972	1,545,649	920,344 (882,260)	1,583,733	2,365,239
	=====	=====	=====	=====	=====	=====	=====

3.1.1 Future ijarah payments receivable

	2020			2019		
	Not later than 1 year	Later than 1 year and less than 5 years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Total
	(Rupees in '000)			(Rupees in '000)		
Ijarah rental receivables	685,438	871,283	1,556,721	1,056,088	1,435,753	2,491,841
	=====	=====	=====	=====	=====	=====

Note 2020 2019
(Rupees in '000)

3.2 Murabaha

Murabaha financing	3.2.1	7,020,386	6,907,752
Advances for Murabaha		2,128,001	1,347,951
		9,148,387	8,255,703
3.2.1 Murabaha receivable - gross	3.2.2	7,202,836	7,212,743
Less: Deferred murabaha income	3.2.4	(75,641)	(125,034)
Profit receivable shown in other assets		(106,809)	(179,957)
Murabaha financings		7,020,386	6,907,752



		2020 (Rupees in '000)	2019
3.2.2	The movement in Murabaha financing during the year is as follows:		
Opening balance		7,212,743	9,042,474
Sales during the year		26,037,743	31,056,039
Adjusted during the year		<u>(26,047,650)</u>	<u>(32,885,770)</u>
Closing balance		<u>7,202,836</u>	<u>7,212,743</u>
3.2.3	Murabaha sale price	25,990,650	32,129,388
Murabaha purchase price		<u>(25,303,306)</u>	<u>(31,122,793)</u>
		<u>687,344</u>	<u>1,006,595</u>
3.2.4	Deferred murabaha income		
Opening balance		(125,034)	(114,816)
Arising during the year		<u>(694,160)</u>	<u>(1,048,539)</u>
Less: Recognised during the year		<u>743,553</u>	<u>1,038,321</u>
Closing balance		<u>(75,641)</u>	<u>(125,034)</u>

4. Deposits and other accounts

2020			2019					
In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total			
(Rupees in '000)								
34,780,071	1,476,398	36,256,469	21,427,120	1,213,985	22,641,105			
33,690,149	1,458,082	35,148,231	21,917,057	811,234	22,728,291			
21,354,917	–	21,354,917	17,144,488	–	17,144,488			
<u>89,825,137</u>	<u>2,934,480</u>	<u>92,759,617</u>	<u>60,488,665</u>	<u>2,025,219</u>	<u>62,513,884</u>			
62,908	–	62,908	4,306	–	4,306			
415,880	–	415,880	4,263,131	–	4,263,131			
–	–	–	1,200,000	–	1,200,000			
<u>478,788</u>	<u>–</u>	<u>478,788</u>	<u>5,467,437</u>	<u>–</u>	<u>5,467,437</u>			
<u>90,303,925</u>	<u>2,934,480</u>	<u>93,238,405</u>	<u>65,956,102</u>	<u>2,025,219</u>	<u>67,981,321</u>			
2020			2019					
(Rupees in '000)								
for Entities Institutions								
			58,871,300		41,348,006			
			2,096,892		1,001,499			
			46		3,872,049			
			478,742		1,595,388			
			<u>31,791,425</u>		<u>20,164,379</u>			
			<u>93,238,405</u>		<u>67,981,321</u>			

4.1.1 Deposits includes eligible deposits covered under deposit protection mechanism as required by the Deposit Protection Act 2016, amounting to Rs. 75,124.486 million (2019: Rs. 53,841.170 million)



		2020 (Rupees in '000)	2019
5.	Charity Fund		
	Opening balance	43,474	14,218
	Additions during the year		
	Received from customers on account of delayed payment	26,975	33,795
	Charity accrued but not yet received	5,072	3,424
	Dividend purification amount	205	212
	Other Non - Shariah compliant income	2,330	3,230
	Profit on charity saving account	2,314	1,835
		36,896	42,496
	Payments / utilization during the year		
	Health	(26,144)	(6,227)
	Social Welfare	(10,428)	(7,013)
	Education	(2,500)	–
		(39,072)	(13,240)
	Closing balance	41,298	43,474
5.1	Detail of charity in excess of Rs.0.5 million in as follows:		
	Friends of Cardiology Hospital, Multan	–	1,431
	Green Crescent Trust	1,607	1,431
	Edhi Foundation	3,607	1,431
	Karachi Down Syndrome Program	–	1,431
	Indus Hospital	3,615	1,431
	Child Aid Association	3,607	1,075
	IDA RIEU Welfare Association	1,607	859
	Bait-ul-Sukoon	1,607	–
	Dar-ul-Sukun	3,607	1,431
	SIUT	3,607	1,431
	Gawadar Development Authority Hospital	5,494	–
	Osmania Hospital	1,607	–
	Al Mustafa Trust	1,607	–
	Jinnah Foundation	2,000	–
	National Institute of Child Health	3,000	–
	The Kidney Centre	1,000	–
	Pakistan Children's Heart Foundation	1,000	–
		38,572	11,951
6.	Islamic Banking Business Unappropriated Profit		
	Opening balance	2,551,373	928,748
	Add: Islamic Banking profit for the year	2,744,921	2,551,373
	Less: Remitted to Head Office	(2,551,373)	(928,748)
	Closing balance	2,744,921	2,551,373
7.	Contingencies and Commitments		
	Guarantees	4,415,658	2,719,414
	Commitments	17,468,898	7,710,226
		21,884,556	10,429,640
8.	Profit / Return Earned on Financing, Investments and Placement		
	Profit earned on:		
	Financing	4,389,705	5,205,830
	Investments	3,712,628	2,252,959
	Placements	391,091	597,494
		8,493,424	8,056,283



	2020	2019
	(Rupees in '000)	
9. Profit on Deposits and Other Dues Expensed		
Deposits and other accounts	3,594,464	3,845,832
Due to Financial Institutions	259,532	154,464
Due to Head Office	193,781	55,531
	<u>4,047,777</u>	<u>4,055,827</u>

10. Profit and Loss Distribution and Pool Management

10.1 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.

10.2 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.)



10.3 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-Ul-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 year was 50% (2019: 50%) of net income and the depositors' profit sharing ratio was 50% (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.

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

	2020				
	Distributable Income	Mudarib Share	Mudarib Share	HIBA Amount	HIBA
	(Rupees in '000)	(Percentage)	(Rupees in '000)	(Percentage)	
LCY Pool	6,354,802	2,118,598	33.34%	413,276	19.51%
FCY Pool	96,447	61,600	63.87%	8,754	14.21%

	2019				
	Distributable Income	Mudarib Share	Mudarib Share	HIBA Amount	HIBA
	(Rupees in '000)	(Percentage)	(Rupees in '000)	(Percentage)	
LCY Pool	5,332,255	2,057,735	38.59%	572,480	27.82%
FCY Pool	31,725	29,854	94.10%	3,790	12.70%

	2020		2019	
		(Percentage)		(Percentage)
10.5 Profit rate earned vs. profit rate distributed to the depositors during the year				
Profit rate earned	9.99%		10.56%	
Profit rate distributed	4.69%		6.66%	



Disclosure on Complaint Handling

The Bank has a comprehensive Customer Grievances Handling Policy, which is based on the principles of fairness, promptness, and customer's right to approach alternate remedial avenues in case of need. Customers may register their complaints through Call Center, Bank's Website, direct emails and letters through drop-boxes or directly to Customer Services Division / CEO's Office, which are promptly logged and acknowledged. The complaints are tracked for end-to-end resolution within regulatory timelines and escalated to Senior Management, as required. In case a complainant is not satisfied with the resolution provided by the Bank, he may escalate his complaint to Banking Mohtasib Pakistan. This process is communicated to customers through notices in Branches and the Website.

During 2020, Bank's Customer Complaint Unit has been further strengthened to ensure quick resolution of customers' complaints. Further, training on complaints handling guidelines has also been completed by a large number of staff.

In 2020, the Bank received 109,951 complaints, about 42% higher than the previous year. The complaints were investigated and closed within an average turnaround time of 6 working days.



Report of Shariah Board for the year ended December 31, 2020

In the name of Allah, the Beneficent, the Merciful

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Bank AL Habib – Islamic Banking Division (BAHL-IBD) are conducted in a manner that comply with Shari'ah principles and guidelines issued by the Shari'ah Board of the BAHL-IBD at all times. The Shari'ah Governance Framework issued by the State Bank of Pakistan, required from the Shari'ah Board (SB) to submit a report on the overall Shari'ah compliance environment of BAHL-IBD.

To form the opinion as expressed in this report, the Shari'ah Compliance Department carried out Shari'ah Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, during the last year, Shari'ah Board reviewed the Internal Shari'ah Audit and External Shari'ah Audit Reports. Based on above, we are of the view that:

- I. BAHL-IBD has complied with Shari'ah rules and principles in the light of fatawa, rulings and guidelines issued by its Shari'ah Board.
- II. BAHL-IBD has complied with directives, regulations, instructions and guidelines i.e. related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- III. BAHL-IBD has complied with the SBP instructions on profit and loss distribution and Pool Management.
- IV. BAHL-IBD has the basic mechanism to ensure Shari'ah Compliance in its overall operations.
- V. The BOD appreciates the importance of Shari'ah Compliance in the products, processes and operations of the BAHL-IBD. Improvement is required in level of awareness of Islamic Banking staff as well Executive Management in order to improve their understanding on the importance of Shari'ah Compliance in their respective areas, particularly improvement is required in Foreign Trade Department.
- VI. The Management has provided adequate resources to Shari'ah Compliance Department and also committed to provide further staff enabling them to discharge their duties effectively and ensuring the Shari'ah Compliance environment in BAHL-IBD.
- VII. The Bank has a well-defined mechanism in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shari'ah have been credited to charity account and are being properly utilized. In year 2020, charity amount of Rs. 31.823 Million has been realized, out of which an income of Rs. 2.330 Million was credited to charity due to Shari'ah non-compliance as per instructions of Shari'ah Board. An amount of Rs. 39.072 Million has been granted to various charitable institutions against previous year's balances.

Karachi: January 15, 2021

**Mufti Muhammad Sarfaraz Nihal
Resident Shariah Board Member**

**Mufti Ismatullah Hamdullah
Chairman Shariah Board**

**Mufti Mohib ul Haq Siddiqui
Shariah Board Member**



شریعہ بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۲۰ء

بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ اس بات کو تینی بنائے کہ بینک الحبیب اسلامک بینکنگ ڈویژن کی سرگرمیاں ہمیشہ شریعت کے اصولوں اور شریعہ بورڈ کی ہدایات کے مطابق ہوں۔ بینک دولت پاکستان کی جانب سے جاری کردہ شریعہ گورننس فریم ورک کے تحت بینک الحبیب اسلامک بینکنگ ڈویژن کا شریعہ بورڈ اس بات کا پابند ہے کہ وہ مجموعی شریعہ کمپلائنس ماحول پر ایک رپورٹ جمع کروائے۔

راتئے تشكیل دیئے کیلئے جیسا کہ اس رپورٹ میں بیان کیا گیا ہے، شریعہ کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاملے سے متعلقہ دستاویزات اور ترتیبِ عمل کے کانفڑات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعہ بورڈ نے پہلے سال کے دوران شریعہ کمپلائنس اور اندرونی و بیرونی شریعہ آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی نیاد پر ہماری رائے یہ ہے کہ:

- ۱۔ اسلامی بینکاری کی خدمات فراہم کرتے ہوئے بینک الحبیب اسلامک بینکنگ ڈویژن نے شریعہ بورڈ کے فتاویٰ، احکامات اور ہدایات کو لحاظ رکھا۔
- ۲۔ بینک الحبیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعہ بورڈ کے شریعہ کمپلائنس کے حوالے سے جاری کردہ قوانین اور ہدایات و احکامات کی پاسداری کی۔
- ۳۔ بینک الحبیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول میٹچمنٹ سے متعلق بینک دولت پاکستان کے احکامات پر عمل کیا۔
- ۴۔ بینک الحبیب اسلامک بینکنگ ڈویژن میں شرعی اصولوں کی پاسداری کے حوالے سے نیادی طریقہ کار رائج ہے۔
- ۵۔ بورڈ آف ڈائریکٹرز، بینک الحبیب اسلامک بینکنگ ڈویژن کی پراؤکٹس، طریقہ ہائے کار اور تعامل میں شریعت کی پاسداری کی اہمیت کو سراہتے ہیں۔ اسلامک بینکنگ کے عملے اور اعلیٰ انتظامیہ کی آگاہی کا معیار، بہتر کرنے کی ضرورت ہے تاکہ متعلقہ شعبوں میں شریعت کی پاسداری کی فہم بہتر ہو سکے۔ بیرونی تجارت کے شعبے میں شریعہ کمپلائنس کی فہم کو خاص طور پر بہتر کرنے کی ضرورت ہے۔
- ۶۔ بینک کی انتظامیہ نے شریعہ کمپلائنس ڈپارٹمنٹ کیلئے مناسب وسائل ہمیا کیے ہیں اور یہ عزم کیا ہے کہ اس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے عہدہ برآ ہونے اور شریعہ کمپلائنس ماحول کو تینی بنانے کیلئے مزید عملہ اور وسائل فراہم کریں گے۔
- ۷۔ بینک میں ایک مناسب وضع شدہ نظام ہے جو اس قابل ہے کہ کسی بھی غیر شرعی ذریعہ یا طریقے سے حاصل کیے گئے منافع کو صدقہ کے اکاؤنٹ میں ڈالنے اور بطریق احسان صدقہ کی مدد میں لگانے کو تینی بناسکے۔ ۲۰۲۰ء میں صدقے کی مدد میں 31.823 ملین روپے جمع ہوئے، جن میں سے 2.330 ملین روپے کی آمدنی خیراتی اکاؤنٹ میں شریعہ کی عدم پاسداری کی وجہ سے شریعہ بورڈ کے احکام سے جمع کئے گئے۔ تقریباً 39.072 ملین روپے گزشتہ سال جمع شدہ رقم کی مدد میں مختلف خیراتی اداروں کو ادا کئے گئے۔

مفتی عصمت اللہ حمد اللہ

چیئرمین شریعہ بورڈ

مفتی محب الحق صدیقی

مبر شریعہ بورڈ

مفتی محمد فراز نہال

ریزیڈنٹ شریعہ بورڈ ممبر

کراچی مورخہ 15 جنوری 2021ء



بینک الحبیب اور اس کی ذیلی کمپنیاں آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ

بینک الحبیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحبیب کمپیل مارکیٹس (پرائیوٹ) لمبیڈ (سابقہ حبیب ایسٹ میٹچ میٹ لمبیڈ) کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۲۰ء کو ختم ہونے والے سال کیلئے پیش کرنا باعث سرت ہے:

(000 روپے میں)	سالانہ منافع قبل از ٹکسٹ
28,709,420	ٹکسیسیشن
(10,751,960)	سالانہ منافع بعد از ٹکسٹ
<u>17,957,460</u>	غیر اختیاری مفاد سے منسوب شدہ منافع
(9,728)	ہولڈنگ کمپنی کے شیئر ہولڈر ز سے منسوب شدہ منافع
<u>17,947,732</u>	گزشتہ غیر مختص شدہ منافع
28,163,914	فکسڈ اٹائم جات کی روپیلیوں کے اضافہ میں سے منتقلی۔ بعد از ٹکسٹ
104,484	دیگر جامع آمدنی۔ بعد از ٹکسٹ
(128,275)	
28,140,123	تحصیص کیلئے دستیاب منافع
<u>46,087,855</u>	تحصیص:
(1,781,154)	اسٹپیوٹری ریزرو میں منتقلی
(3,889,988)	نقد منافع منقسمہ۔ ۲۰۱۹ء
(5,671,142)	غیر مختص شدہ منافع
40,416,713	فی شیئر آمدنی (بعد از ٹکسٹ)۔ ہولڈنگ کمپنی
روپے 16.15	

شیئر ہولڈنگ کی ساخت

شیئر ہولڈنگ کی ساخت بر طبق ۳۱ دسمبر ۲۰۲۰ء بینک الحبیب لمبیڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حبیب

چیرمین

بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکیوٹو

کراچی: ۲۷ جنوری ۲۰۲۱ء



عمومی

ہم اپنے کمپنی کے مسلسل اعتماد اور تائید، متفہمی و غیر متفہمی مالیاتی اداروں کے مجموعے اور تعاون، اور اسٹیٹ بینک آف پاکستان کے اُن کی رہنمائی پر، بے حد مشکور ہیں۔
ہم اپنے تمام الحبیب ٹیم ممبر ان کا بھی ان کے خلوص، لگن اور انہمکھ محنت پر ان کا شکر یہ ادا کرتے ہیں۔

عباس ڈی - حبیب

چیئرمین

بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکیٹو

کراچی: ۲۷ جنوری ۲۰۲۱ء



۷۔ گزشتہ 6 سالوں کے اہم آپرینٹنگ اور مالیاتی اعداد و شمار کا خلاصہ درج ذیل ہے:

(ملین روپے میں)

2015	2016	2017	2018	2019	2020	صارفین کے مجموعی ڈپاٹس
516,213	584,172	692,576	796,901	903,703	1,099,686	مجموعی ایڈوانس
207,289	261,440	339,833	478,215	488,669	510,252	منافع قبل از ٹکس
12,332	13,164	13,890	14,264	19,011	28,581	منافع بعد از ٹکس
7,405	8,119	8,501	8,418	11,169	17,812	شیئر ہو لڈ رز کی ایکوئی
31,698	35,673	40,409	46,283	55,489	69,570	فی شیئر آمدی (روپے)
6.66	7.31	7.65	7.57	10.05	16.03	نقد منافع میسیمہ (%)
35	35	30	25	35	45	

۸۔ پرودیٹنٹ فنڈ اور گریجویٹ فنڈ کے آٹھ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیوں کی سرمایہ کاریوں کی مالیت بہ طابق ۳۱ دسمبر ۲۰۱۹ء درج ذیل ہیں:

(روپے میں)

پرودیٹنٹ فنڈ	گریجویٹ فنڈ
7,441,961	2,701,041

۹۔ شیئر ہو لڈ نگ کی ساخت اور اس سے متعلق اضافی معلومات صفحات 133، 134 اور 135 پر درج ہیں۔

۱۰۔ بورڈ نے اپنی کارکردگی کی جانچ کیلئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کیلئے اندر ورن خانہ طریقہ کار اور اعداد اور تکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔ بورڈ کی جانچ کے دائرہ کار میں مکمل بورڈ، انفرادی ڈائریکٹر، بورڈ کی کمیٹیاں، چیئر مین اور چیف ایگزیکٹو شامل ہیں۔ مجموعی نتائج / حاصل شدہ معلومات سے متعلقہ پارٹیوں کو آگاہ کیا جائے گا۔ جانچ کے دوران اگر کسی شعبے میں بہتری کی گنجائش نظر آئی تو اس کیلئے مناسب اقدامات کئے جائیں گے۔ ہر تقویٰ کی سال کے لئے جانچ کا عمل آئندہ سال ۳۱ مارچ تک مکمل کیا جائے گا۔ مزید برال بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیس سال ایک ایکسٹریل اند پینڈنٹ جائزہ کار کے ذریعے لیا جائے گا۔ ہم نے پاکستان انسٹی ٹیوٹ آف کار پوریٹ گورننس (پی آئی سی جی) کو بورڈ کی کارکردگی کی ایکسٹریل اند پینڈنٹ جائزہ کے لئے نامزد کیا ہے۔

بینک کی جانب سے منتخب کئے گئے ماہرین اور کسی بورڈ ممبر یا یا کلیدی ایگزیکٹو کے درمیان مفادات کا کوئی تصادم نہیں ہے۔

۱۱۔ ڈائریکٹر، سی ای او، سی ایف او، ایٹریل آٹھ کے سربراہ، کمپنی یکریٹری اور ایگزیکٹو اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے بینک کے شیئرز میں سال کے دوران کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

• 10,299 شیئر ز 3 ایگزیکٹو کی جانب سے فروخت کئے گئے۔

• 9,299 شیئر ز 3 ایگزیکٹو کی جانب سے خریدے گئے۔

اس ٹھمن میں ”ایگزیکٹو“ کی تعریف میں پاکستان اسٹاک ایکسچنچ کی روں بک میں درج شدہ افسران کے علاوہ بینک کے اسٹنٹ جزل نیجرز اور اس سے بالا عہدیدار ان کو بھی شامل کیا گیا ہے۔



ادارتی سماجی ذمہ داری

آپ کا بینک مکمل طور پر ادارتی سماجی ذمہ داری کے تصور پر کار بند ہے اور اس ضمن میں وسیع تر سرگرمیوں کے ذریعے اپنی اس ذمہ داری کو پورا کر رہا ہے جس میں درج ذیل شامل ہیں:

- سال کے دوران صحت، سماجی اور علمی ترقی اور عوام کی فلاج و بہبود کے لئے عطیات اور خیرات کی صورت میں 543.59 ملین روپے کی فراہمی۔
- توانائی کا، بہتر استعمال، غیر ضروری بھلی جلانے پر پابندی اور ماحول کو محفوظ اور حفتمند بنانے کے لئے انسد امتبا کو نوٹی کے قانون پر عملدر آمدور ”نو اس موٹنگ زون“ کا قیام۔
- کاروباری ضابطہ اخلاق اور انسداد بدعنوائی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق ”کوڈ آف کنڈ کسٹ“ اور ”ائیٹی۔ بر ابہری اینڈ کرپشن پالیسی“ پر لازمی عملدر آمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لگا گوشیدوں آف چار جزا اور شرائط و ضوابط کی تشبیہ۔
- اسٹاف کے ساتھ خوشنگوار تعلقات، میراث اور کارکردگی کا اعتراف، دوران ملازمت اور باقاعدہ تربیت پر گراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے موقع۔
- مذہب، ذات پات اور اسلامی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، شمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے برائی خیت و رک میں توسع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہ راست ٹیکسیز کے ذریعے سال کے دوران قومی خزانے میں 12.10 ملین روپے جمع کرائے گئے۔ مزید براہ 17.25 ملین روپے سے زیادہ کی اضافی رقم و دھوڈنگ ٹیکسیز، فیڈرل ایکسائز ڈیوٹیز اور سروز پر سیلز بینک کی مد میں بینک کے ذریعے منہما / وصول کی گئی اور حکومت پاکستان / صوبائی حکومتوں کو ادا کی گئی۔
- گزشتہ 5 سالوں کے دوران بینک نے پرائیم منڈر یوچہ بنس اون پر ڈرام کے تحت 46.31 ملین روپے دیئے گئے۔

کار پوریٹ اور فناشل رپورٹنگ پر اسٹیڈیٹ

- ۱۔ بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکوئی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- ۲۔ بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- ۳۔ مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لگائی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تجھیہ جات موزوں ترین اور مختاط فیصلوں پر ہتھی ہیں۔
- ۴۔ مالیاتی حسابات کی تیاری میں انٹریشنل فناشل رپورٹنگ اسٹیڈیٹر ز اور اسلامک فناشل اکاؤنٹنگ اسٹیڈیٹر ز، جو کہ پاکستان میں رائج ہیں، ان پر عمل کیا گیا اور ان سے اگر کسی حد تک روگردانی کی گئی تو اس کو واضح انداز میں بیان کیا گیا ہے۔
- ۵۔ انٹریشنل کنٹرولر کا جامع نظام تیار کیا گیا ہے اور یہ موثر طور پر نافذ العمل ہے اور اس کی نگرانی بھی کی جاتی ہے۔ بورڈ کی جانب سے فناشل رپورٹنگ پر انٹریشنل کنٹرولر سے متعلق انتظامیہ کی جانچ شمول مجموعی انٹریشنل کنٹرولر کی تویث صفحہ 31 پر درج ہے۔
- ۶۔ بینک کے لئے ”چلتے ہوئے کاروباری ادارے“ کا تصور مناسب ہے۔ اس ضمن میں بے یقین کا کوئی امکان موجود نہیں ہے جو بینک کے ”چلتے ہوئے کاروباری ادارے“ کے تصور پر شکوہ پیدا کرے۔



آڈیٹر

موجودہ آڈیٹر زای وائی فورڈ ہوڑز، چارڑا کاؤنٹری میں، ریٹائر ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹر نے ۳۱ دسمبر ۲۰۲۱ء کو ختم ہونے والے سال کے لئے باہمی طور پر طے کئے جانے والے معاوضے پر ان کی بحیثیت بینک کے آڈیٹر زد دوبارہ تقری کے لئے سفارش کی ہے۔

رسک میجنٹ فریم ورک

بینک ہمیشہ اپنے جم اور اس کے کاروبار کی نوعیت کے مطابق رسک میجنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کی سالوں میں تشكیل دیا گیا اور اس میں مزید ہتھیار لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنمایا اصول، ڈپاٹریز کی رقامت کو بطور امانت تحفظ فراہم کرنا ہے۔ یہ ہی وجہ ہے کہ بینک بنس رسک سے نہیں کے لئے معتدل اور تھاٹر ویاپناتا ہے۔ بینک کے رسک میجنٹ فریم ورک کی نمایاں خصوصیات درج ذیل ہیں:

• کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ منظوری کا طریقہ کار، انٹریل رسک بینگ کا استعمال؛ مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرسمنٹ ایڈیٹریشن؛ کریڈٹ سہولتوں کا جائزہ و فگرانی، اور کمپریز کی کریڈٹ اہلیت کی مستقل جاچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کا تشكیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل کریڈٹ میٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک میجنٹ میکٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہے۔

• مارکیٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ مارکیٹ رسک پالیسی، کمپریز اور ڈیلرز کی لمحش کی منظوری اور ٹریڈری اینڈ انویسٹمنٹ پالیسی، سرمایہ کار یوں کیلئے سینکڑا نظمی کی منظوری اور بینک کی ایسیٹ نیپلیٹی میجنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کار کے پورٹ فولیو کے باقاعدہ جائزے اور فگرانی کے ذریعے کیا جاتا ہے۔ علاوہ ازیں ڈیلری رسک پالیسی بینک کی ڈیلری ٹو ٹو زیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی فگرانی ٹریڈری اور میں آفس کے ذریعے روزانہ کی بنیاد پر کی جاتی ہے۔ انویسٹمنٹ پورٹ فولیو سے متعلق فیصلے زیادہ تر (ALCO) کی جانب سے لیے جاتے ہیں۔ بورڈ کی رسک میجنٹ میکٹی بینک کے مارکیٹ اور ڈیلری رسک، ڈیپٹل ایڈیٹریشنی اور مربوط رسک میجنٹ (جسے اٹر پرائز رسک میجنٹ بھی کہا جاتا ہے) کے انتظام کی رہنمائی کرتی ہے۔

• آپریشنل رسک کا انتظام بورڈ کی جانب سے منظور کردہ آڈٹ پالیسی، آپریشنل رسک پالیسی، کمپلائنز پالیسی اینڈ پروگرام، آئی ٹی اور آئی ٹی سیکیورٹی پالیسی، ہیومن ریسورس پالیسی، کنزیویر پر ڈیشن فریم ورک اور بورڈ کی جانب سے منظور شدہ آڈٹ سورنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی، اور کنزیویر کی شکایات سے نہیں کی پالیسی، کوئی مد نظر رکھا جاتا ہے۔ آپریشنل مینیٹنگ و طریقہ کار، انٹریل نشروں اور اہم ٹریڈری زیشن کی حفاظت داری کے لئے دو ہرے اختیارات کا انتظام؛ کاروبار جاری رکھنے کا پلان بہمول آئی ٹی کلئے ڈیزائن اسٹریکٹوری پلان اور بانچوں اور ڈویژنز کے آڈٹ کے ذریعے کیا جاتا ہے۔ بورڈ کی آڈٹ کمیٹی بینک کے آپریشنل رسک کے انتظام کے سلسلے میں رہنمائی فراہم کرتی ہے۔

اس کے علاوہ رسک میجنٹ پالیسی، رسک ٹالرنس اسٹیٹ اور کنٹری رسک میجنٹ پالیسی بینک کو درپیش ممکنہ رسک کا بندو بست کرنے میں مزید رہنمائی فراہم کرتی ہیں۔

رسک میجنٹ پر اسٹیٹ بینک آف پاکستان کی رہنمادیاں پر عمل درآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک میجنٹ ڈویژن بشمول ایک مڈل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریڈری آپریشنز میں موجود خدشات کی فگرانی اور جائزے کی ذمہ داری سنبھالتا ہے۔ ڈویژن کی جانب سے کئے جانے والے اقدامات میں گورنمنٹ سیکیورٹیز کے پورٹ فولیو کی حاصلیت کی جا چکی، پورٹ فولیو کی مدت اور ترمیم شدہ دورانی کا حساب رکھنا، پیچوری کی عدم موافق، اٹاٹھ جات اور مالی ذمہ دار یوں کی شرح حسابت کا جائزہ، فارورڈ فارن آچیچی گیپ پوزیشن کا تجزیہ، ایف یزرا اور شیئر ز پورٹ فولیو کی مزید مفصل روپورنگ؛ ایکو ٹیز میں ڈینگ اور بینک اسٹیٹمنٹس کو بہتر بنانے کے طریقہ کار کی تشكیل، آف مارکیٹ فارن آچیچی ریس اور غیر ملکی زر مبادلہ کی آمدی کی فگرانی، آپریشنل نقصانات کے اعداد و شمار کا حصول، اہم رسک انڈیکیٹریز کی نشاندہی، بینک کے دس بڑے رسک کی شناخت، تمام پروڈکٹس اور پروپریتیز کے لئے رسک کی جاچ اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرسمنٹ جائزہ کیلئے خود مختار طریقہ کار کا قیام شامل ہیں۔ بینک کے اٹر پرائز و ایڈیٹریل مربوط رسک پروڈکٹ کی جاچ بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکیٹریز، انٹریل ڈیپٹل ایڈیٹریشنی اسٹیٹ پروس اور اٹر لیس ٹیمینٹ اور ری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔



ڈائریکٹر کی روی میوزیشن پالیسی

بینک کے شیئر ہولڈر نے ”ڈائریکٹر کے روی میوزیشن کو معین کرنے کے لئے پالیسی اور طریقہ کارز“ کی منظوری دی ہے جس میں واضح کیا گیا ہے کہ:

- بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے نان ایگزیکٹو ڈائریکٹر کے روی میوزیشن کا فصلہ بورڈ کی جانب سے اٹیٹ بینک کی طرف سے وقار نو قا مقرر کردہ زیادہ حد کے اندر کیا جائے گا۔
- بورڈ کے چیئر مین، بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کیلئے مقرر کردہ روی میوزیشن کے علاوہ 20 فیصد اضافی فیس کے حقدار ہوں گے جو چیئر مین کی وسیع تر قابلیت، تجربے، باشمور فیصلوں کی الہیت اور مارکیٹ روابط کو منظر رکھتے ہوئے طے کیا گیا ہے۔ بورڈ کی جانب سے چیئر مین، بینک کے کاروباری پلان پر عملدرآمد اور بینک کی انتظامیہ کی کارکردگی پر نگاہ رکھیں گے۔
- گل وقت ڈائریکٹر وہ معاوضہ حاصل کریں گے جو کہ ممبر ان (شیئر ہولڈر) نے ان کیلئے طے کیا ہے۔
- اگر ڈائریکٹر/ چیئر مین کی مجموعی کارکردگی مسلسل 2 سالوں کے لئے بورڈ ممبر ان کی سالانہ کارکردگی کی جانچ پر ٹال رپورٹ کے مطابق ”بہتری کی ضرورت“ کی کیلیگری میں رہی ہو تو (انفرادی ڈائریکٹر کی صورت میں) بورڈ کے چیئر مین اور (بورڈ کے چیئر مین کی صورت میں) انڈپینڈنٹ ڈائریکٹر و دیگر ڈائریکٹر کم کارکردگی کے حامل ڈائریکٹر/ چیئر مین کے روی میوزیشن پر از سر نو غور کریں گے۔

کریڈٹ رینگ

الحمد للہ پاکستان کریڈٹ رینگ ایجنٹ لائیٹ (PACRA) نے بینک کے لئے بینک کی رینگ AA+(ڈبل اے پلس) اور مختصر مدت کے لئے A1+(ڈبل اے ون پلس) برقرار کی ہیں۔ ہمارے انکیوڑہ، سب اڑینیڈ ٹرم فناں سرٹیفیکیٹ (TFCs) کی رینگ AA (ڈبل اے) برائے 2016-2017 اور TFC-2018 اور AA (ڈبل اے مائنس) برائے 2017-2018 (پر چوپ) ہیں۔ یہ رینگ کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ میں ذمہ دار یوں سے عہدہ برائے ہونے کی بہت مضبوط صلاحیت ہے۔

مستقبل کا جائزہ

سال 2020ء کے آغاز میں پاکستان کی معیشت محتاط مانیٹری اور مالیاتی پالیسیوں کے نتیجے میں بتدینج استحکام کی جانب گامزن رہی تاہم جب بہتری آنی شروع ہوئی تو 19-COVID (کورونا وائرس) کے عالمی پھیلاؤ نے ہمارے ملک کو بھی متاثر کیا۔ اور اس کے نتیجے میں عوام انس کیلئے صحت کے خطرات بڑھنے کے ساتھ ساتھ معاشرے کے نچلے طبقے کیلئے شدید معاشی مشکلات درپیش آئیں۔ نتیجتاً کاروباری سرگرمیاں متاثر ہوئیں۔ 1952 کے بعد پہلی بار جی ڈی پی میں نمایاں کی دیکھی گئی۔ الحمد للہ، حکومت اور اٹیٹ بینک آف پاکستان کی جانب سے کاروباری اداروں اور مختلف طبقات کو بروقت ریلیف فراہم کرنے اور موثر اقدامات کے نتیجے میں متعدد دیگر ملکوں کے مقابلے میں پاکستان کے اندر 19-COVID (کورونا وائرس) کے اثرات کا خاطر خواہ تدارک ممکن ہو سکا۔ جبکہ برآمدی فروغ اور غیر ملکی سرمایہ کاری سمیت دیگر یہ رونی مخاذ پر غیر قیمتی صورتحال برقرار رہی۔ یہ وہ ملک زیر تسلیمات میں اضافہ ہوا جبکہ غیر ملکی ذخیر بلند تر سطح پر برقرار رہے، افراطی زر بڑی حد تک کنٹرول میں رہا اور بینک کے ڈپاٹس میں 5 سالوں کی بلند ترین سطح ریکارڈ کی گئی۔ اٹیٹ بینک کی عارضی اقتصادی روی فناں ہولت برائے صنعتی سرمایہ کاری، حکومت کی ہاؤسنگ و تعمیراتی سکیٹر پر خصوصی توجہ اور 19-COVID (کورونا وائرس) وکیسین کی متوقع دستیابی کی وجہ سے معیشت کی بحالت امکانات روشن ہیں۔ ہم پُر امید ہیں کہ ہماری عمومی محتاط پالیسیوں کے پیش نظر بینک انشاء اللہ فروغ اور ترقی کے مراحل کی جانب گامزن رہے گا۔



ہیومن ریسورس ایڈری میوزیشن کمیٹی			آڈٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
3	3	سید حسن علی بخاری، چیئرمین	7	7	جناب سفر علی لاکھانی، چیئرمین
3	3	سید مظہر عباس	6	7	سید مظہر عباس
3	3	جناب عباس ڈی۔ حبیب	7	7	جناب انور حاجی کریم
3	3	محترمہ فرحانہ ماوجی خان	7	7	سید حسن علی بخاری
3	3	جناب ارشد ناصر	7	7	جناب ارشد ناصر

ر س ک میجمنٹ کمیٹی			کریڈٹ ر س ک میجمنٹ کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
3	3	جناب عدنان آفریدی، چیئرمین	3	3	سید مظہر عباس، چیئرمین
3	3	جناب میل آر۔ حبیب	2	3	جناب سفر علی لاکھانی
3	3	محترمہ فرحانہ ماوجی خان	3	3	جناب میل آر۔ حبیب
2	3	جناب انور حاجی کریم	3	3	سید حسن علی بخاری
3	3	جناب سفر علی لاکھانی	3	3	جناب مرتضی افغان۔ حبیب

آئی فی کمیٹی			آئی ایف آر ایس-9 کمیٹی		
شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام	شرکت کردہ اجلاس	منعقدہ اجلاس	ڈائریکٹر کا نام
3	3	جناب عباس ڈی۔ حبیب، چیئرمین	2	2	سید حسن علی بخاری، چیئرمین
3	3	جناب میل آر۔ حبیب	2	2	جناب ارشد ناصر
3	3	جناب ارشد ناصر	2	2	جناب میل آر۔ حبیب
3	3	سید مظہر عباس			
3	3	جناب منصور علی خان			

ڈائریکٹر زکارٹرینگ پروگرام

ڈائریکٹر ز نے گزشتہ سالوں میں یا تو مطلوبہ ٹریننگ حاصل کر لی ہے یا وہ لسٹ کمپنیز (کوڈ آف کار پوریٹ گورننس) ریگولیشنز 2019، میں درج مطلوبہ اہلیت کے تحت اس سے مستثنی ہیں۔



بورڈ کے اجلاس

سال کے دوران بورڈ کے 4 اجلاس منعقد ہوئے اور ان میں ڈائریکٹرز کی شرکت درج ذیل رہی:

ڈائریکٹر کا نام	منعقدہ اجلاس	شرکت کردہ اجلاس
جناب عباس ڈی- جبیب	4	4
جناب انور حاجی کریم	4	4
محترم فرمانہ ماؤ جی خان	4	4
سید مظہر عباس	4	4
جناب گمیل آر- جبیب	4	4
جناب سفر علی لاکھانی	4	4
سید حسن علی بخاری	4	4
جناب مرتضی ایچ- جبیب	4	4
جناب ارشد ناصر	4	4
جناب عدنان آفریدی	4	4
جناب منصور علی خان، چیف ایگریکٹو	4	4

کمیٹی کے اجلاس

لیٹ کمیٹی (کوڈ آف کار پوریٹ گورننس) ریگولیشنز، 2019 کے تحت یہ ضروری ہے کہ بورڈ کی تمام کمیٹیوں یعنی آٹھ کمیٹی، ہیومن ریسورس اینڈ ری میوزریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی اور آئی ایف آر ایس-9 کمیٹی کی تشكیل کا اظہار کیا جائے۔

سال کے دوران آٹھ کمیٹی کے 7 اجلاس اور ہیومن ریسورس اینڈ ری میوزریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی اور آئی ٹی کمیٹی کے 3 اجلاس جبکہ آئی ایف آر ایس-9 کمیٹی کے 2 اجلاس منعقد ہوئے اور ان میں ممبران کی حاضری درج ذیل رہی:



الحبيب ایسیٹ میجنٹ لمیڈ (اے ایچ اے ایم ایل) میں سرمایہ کاری (سابقہ حبیب ایسیٹ میجنٹ لمیڈ)

ہم آپ کو بہرہت اطلاع دیتے ہیں کہ سال کے دوران آپ کے بینک نے الحبيب ایسیٹ میجنٹ لمیڈ (اے ایچ اے ایم ایل) کے ہمارے پاس پہلے سے موجود 30 فیصد کے علاوہ باقیاندہ 70 فیصد شیرز بھی حاصل کرنے لئے ہیں۔ اس حصول کے نتیجے میں اے ایچ اے ایم ایل بینک کا ممکن ملکیتی ذیلی ادارہ بن چکا ہے۔ مزید برآں بینک نے اے ایچ اے ایم ایل میں 450 ملین روپے کی اضافی ایکو ٹی ٹھی شاہل کی ہے۔

ٹاپ 25 کمپنیز ایوارڈ برائے سال 2019

اللہ تعالیٰ کے فضل و کرم سے ہم بہرہت آگاہ کرتے ہیں کہ بینک کو سال 2019ء کے لئے پاکستان اسٹاک ایچیجن (پی ایس ایکس) کی جانب سے ”ٹاپ 25 کمپنیز ایوارڈ“ کے لئے منتخب کیا گیا۔ ایوارڈ کیلئے اہلیت کا معیار سرماۓ کا بہتر استعمال، منافع جات، آزاد و سنتیاب شیرز، شفافیت، کار پوریٹ گورننس اور سرمایہ کار سے تعلق اور لسٹنگ کمپنیز اور سیکیورٹیز: خصوصیات پر عملدرآمد تھا۔ الحمد للہ، بینک کو اس ایوارڈ کے لئے آٹھویں مرتبہ منتخب کیا گیا ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی مجموعی تعداد درج ذیل ہے:

09	مرد	•
01	خاتون	•
<hr/>		
10		

بورڈ کی تشکیل درج ذیل ہے:

سید حسن علی بخاری جناب ارشد ناصر جناب سفر علی لاکھانی	انڈپینڈنٹ ڈائریکٹرز
جناب عباس ڈی۔ حبیب جناب انور حابی کریم سید مظہر عباس جناب مرغیب ایچ۔ حبیب جناب عدنان آفریدی	نان۔ ایگریکلٹو ڈائریکٹرز
جناب گمیل آر۔ حبیب	ایگریکلٹو ڈائریکٹر
محترمہ فرحانہ ماہی خان	خاتون ڈائریکٹر۔ نان۔ ایگریکلٹو

جناب منصور علی خان بینک کے چیف ایگریکٹو ہیں۔ بحیثیت بینک کے ای اودہ بینک کے ڈائریکٹر تصور کئے جاتے ہیں۔



ڈائریکٹر زکی رپورٹ

الحمد لله بینک الحبیب کے ڈائریکٹر زکیلے 30 دسمبر 2020ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسروت ہے۔

آپ پینگ نتائج اور ان کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

000 روپے میں)	سالانہ منافع قبل از ٹکیس
28,581,064	ٹکسیشن
(10,769,528)	سالانہ منافع بعد از ٹکیس
17,811,536	گزشتہ غیر مختص شدہ منافع
27,907,758	فکسڈ اناشیجات کی ری ولیوایشن کے اضافے میں سے منتقلی۔ بعد از ٹکیس
104,484	ویگر جامع آمدنی۔ بعد از ٹکیس
(128,275)	
27,883,967	تخصیص کیلئے درستیاب منافع
45,695,503	تخصیص:
(1,781,154)	اسٹپھوڑی ریز رو میں منتقلی
(3,889,988)	نقد منافع منقسمہ۔ 2019ء
(5,671,142)	
40,024,361	غیر مختص شدہ منافع
16.03 روپے	بنیادی/معتدل فی شیر آمدنی۔ بعد از ٹکیس

31 دسمبر 2020ء کو ختم ہونے والے سال کے لئے ڈائریکٹر زکی نے 45% نقد منافع منقسمہ یعنی 4.50 روپے فی شیئر تجویز کیا ہے۔

کارکردگی کا جائزہ

الحمد لله آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈپاٹس ایک سال قبل کے مقابله میں بڑھ کر 1,099.7 بیلین روپے ہو گئے جبکہ ایڈوانس 488.7 بیلین روپے سے بڑھ کر 510.3 بیلین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری جم 1,704.6 بیلین روپے رہا۔ سالانہ منافع قبل از ٹکیس 28.6 بیلین روپے رہا جبکہ گزشتہ سال یہ منافع 19.0 بیلین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹکیس گزشتہ سال کے 11.2 بیلین روپے کے مقابله میں 17.8 بیلین روپے رہا۔

سال کے دوران بینک نے 95 فیصد برائیکس قائم کیں اور 5 ذیلی برائیکس کو مکمل برائیکس میں تبدیل کیا۔ بینک کا موجودہ نیٹ ورک 854 دفاتر پر مشتمل ہے جس میں 818 برائیکس ہیں۔ (بیشول 106 اسلامک بینکنگ برائیکس اور 3 اور سیز برائیکس، بھرین، ملائیشیاء اور سیشلز) 32 ذیلی برائیکس اور 4 نمائندہ دفاتر، دوئی، اسٹنبول، بیگنگ اور نیرو بی شاہی ہیں۔ بینک کی جانب سے پاکستان اور بیرون ملک نیٹ ورک میں توسعہ کا سلسلہ جاری رہے گا۔



بورڈ کی مجموعی کارکردگی پر چیئر مین کی جانب سے جائزہ رپورٹ

الحمد لله، میں بسرت بورڈ کی مجموعی کارکردگی اور بینک کے اغراض و مقاصد کے حصول کے سلسلے میں بورڈ کی جانب سے ادا کیے جانے والے موثر کردار پر رپورٹ پیش کر رہا ہوں۔

بینک کے انتظام اور کنٹرول کے اختیارات بورڈ آف ڈائریکٹرز کے پاس ہیں مساوی طور خاص ان اختیارات کے جوشیئر ہولڈرز بینک کے اجلاس عام میں استعمال کرتے ہیں۔ ڈائریکٹرز نے روزمرہ کے امور میں جنہت کے سپرد کئے ہیں تاہم یہ سپردگی بورڈ کی آگاہی کے تحت ان کے کنٹرول اور ہدایت سے مشروط ہے۔ ڈائریکٹرز کیلئے ضروری ہے کہ وہ اپنی صلاحیتوں کے عین مطابق اپنی ذمہ داریاں اور فحصے، آزادانہ طور پر بینک کے مفادات کو پیش نظر رکھتے ہوئے سرانجام دیں۔ بورڈ نے اپنی کارکردگی کی جانچ کے لئے ایک باقاعدہ طریقہ کا منظور کیا ہے۔ بینک نے بورڈ کی جانچ کے لئے اندر وون خانہ طریقہ کا اور اعدادی تکمیک مع اسکو رشده سوال نامے کا امتحاب کیا ہے۔

بورڈ کی اس کارکردگی کی جانچ کا مجموعی مقصد درج ذیل شعبوں پر توجہ مرکوز کرتے ہوئے بینک کی دیر پا توسع و ترقی کو یقینی بنانا ہے۔

- ا۔ بورڈ کی تشکیل اور اس کے امور
- ب۔ کارپوریٹ اسٹریٹجی اور بنس پلان
- س۔ بینک کی کارکردگی کی عمرانی
- ڈ۔ انٹرل آڈٹ اور انٹرل کنٹرول
- ای۔ رسک میجنٹ اور کمپلائنس
- ایف۔ ضروری معلومات کی تیکیہ
- ج۔ بہتری کے لئے تجویز

اس حوالے سے بورڈ کی کارکردگی کی جانچ بورڈ کے منظور کروہ طریقہ کار کے مطابق 2020 میں کی گئی جس کے تحت یہ نتیجہ اخذ کیا گیا کہ بورڈ کی مجموعی کارکردگی پر شمول بینک کے مقاصد کے حصول کیلئے بورڈ کا موثر کردار بالعموم باعث اطمینان ہے۔

عباس ڈی۔ حبیب

چیئر مین

بورڈ آف ڈائریکٹرز

کراچی: ۲۷ جنوری ۲۰۲۱ء



Branch Network

The Bank has a network of 850 branches including 32 sub-branches, 03 overseas branches and 106 Islamic Banking branches. The Bank also has 04 representative offices and 02 booths. The Bank has branches / sub-branches / representative offices in the following cities:

- Aadha
- Abbotabad
- Adda Mirza Tahir
- Ahmed Pur East
- Ajnala
- Akbarpura
- Ali Pur Chattha
- Ali Pur, Islamabad
- Alipur
- Amin Pur Bangla
- Arif Wala
- Attock
- Badin
- Bagh (A.K.)
- Bagh-o-Bahar
- Bahawalnagar
- Bahawalpur
- Bampokha
- Bannu
- Basti Malook
- Batkhela
- Battagram
- Bhakkar
- Bhalwal
- Bhan Saeedabad
- Bhera
- Bheria Road
- Burewala
- Chaksawari (A.K.)
- Chakwal
- Chaman
- Charsadda
- Chenab Nagar
- Chichawatni
- Chillas
- Chiniot
- Chishtian
- Chitral
- Chiwanda
- Choa Saiden Shah
- Chowk Sarwar Shaheed
- Chunian
- Dadu
- Dadyal (A.K.)
- Daharki
- Dalbandin
- Danyour
- Daragai Malakand
- Dari Dholay Wali
- Darya Khan Mari
- Daska
- Daulat Nagar
- Deh 75 Nusrat
- Deh Gad
- Deh Noonari
- Deh taib
- Dehra
- Depalpur
- Dera Ghazi Khan
- Dera Ismail Khan
- Dera Murad Jamali
- Derianwala
- Dhamtal
- Dhudhial
- Digri
- Dina
- Dinga
- Domala
- Dunyapur
- Dureji
- Ellahabad
- Faisalabad
- Faqirwali
- Fateh Jang
- Fatehpur
- Fazil Pur
- Feroza
- Ferozewatoan
- Fort Abbas
- Gaggo Mandi
- Gambat
- Garha Mor
- Gawadar
- Ghakhar
- Gharo
- Ghotki
- Gilgit
- Gojra
- Golarchi
- Gujranwala
- Gujranwala
- Gujrat
- Gulyana
- Hafizabad
- Hala
- Hangu
- Harapa
- Haripur
- Haroonabad
- Hasan Abdal
- Hasilpur
- Hattar
- Havellian
- Hazro
- Head Bakaini
- Head Rajkan
- Hingorja
- Hub
- Hyderabad
- Islamabad
- Jacobabad
- Jalalpur Jattan
- Jalalpur Pirwala
- Jampr
- Jaranwala
- Jehlum
- Jhang
- Joharabad
- Kabirwala
- Kacha Pakka
- Kahror Pacca
- Kahuta
- Kalakot
- Kalat
- Kallar Syedan
- Kallur Kot
- Kamalia
- Kamar Mushani
- Kamoke
- Kamra
- Kandhkot
- Kandiaro
- Kankowai
- Karachi
- Karianwala
- Karkhana Bazar Vehari
- Kashmore
- Kassowal
- Kasur
- Khairpur
- Khairpur Nathanshah
- Khanbela
- Khanewal
- Khanpur
- Khar, Bajaur Agency
- Kharan
- Kharian
- Khichiwala
- Khipro
- Khoi Ratta (A.K.)
- Khudian Khas
- Khurrianwala
- Khushab
- Khuzdar
- Killa Saifullah
- Kohat
- Kot Abdul Malik
- Kot Addu
- Kot Chutta
- Kot Ghulam Muhammad
- Kot Radha Kishan
- Kot Samaba
- Kotla Arab Ali Khan
- Kotli (A.K.)
- Kotri
- Kunjah
- Kunri
- Lahore
- Lala Musa
- Larkana
- Layyah
- Liaquatpur
- Liaquatabad Thal
- Lodhran
- Loralai
- Maisi
- Malakwal
- Mandi Bahauddin
- Mandra
- Mangowal
- Manshera
- Mardan
- Maroot
- Mastung
- Mathanichangan Swabi
- Matiari
- Matli
- Mehrar
- Mehrabpur
- Mian Channu
- Mianwali
- Mingora
- Mirpur (A.K.)
- Mirpur Mathelo
- Mirpurkhas
- Mithi
- More Eminabad
- Moro
- Multan
- Multan, Khurd
- Muradabad
- Muridke
- Muslim bagh
- Mustafabad
- Muzaffarabad (A.K.)
- Muzaffargarh
- Naar (A.K.)
- Nankhana Sahib
- Narowal
- Naseerabad
- Nassarpur
- Naukot
- Naushero Feroze
- Nawabshah
- Noonawali
- Nooriabad
- Noushki
- Nowshera
- Nowshera Virkan
- Okara
- Pabbi
- Painsera
- Pakpattan
- Panjgur
- Panu Aqil
- Parachinar
- Pasni
- Pasrur
- Pattoki
- Peshawar
- Phalia
- Phool Nagar
- Pindi Bhattian
- Pindi Bohri
- Pindi Gheb
- Pir Mahal
- Pishin
- Pull Kharan
- Pull Manda (A.K.)
- Pull sunny
- Qambar Ali Khan
- Qambar Bypass
- Qasba Gujrat
- Qazi Ahmed
- Qila Didar Singh
- Quaidabad
- Quetta
- Rahim Yar Khan
- Rahwali
- Raiwind
- Raja Ram
- Rajanpur
- Rajoya Sadat
- Rakhnri
- Rangpur Adda
- Rawalakot (A.K.)
- Rawalpindi
- Renala Khurd
- Rohtas Wali
- Rohri
- Sadda
- Sadigabad
- Sahib Nagar
- Sahiwal
- Sakhakot
- Sakrand
- Saleh Khana
- Samar Bagh
- Sambrial
- Sanghar
- Sara e Alamgir
- Sargodha
- Sawabi
- Shabqadar
- Shahdadkot
- Shahdadpur
- Shaher Sultan
- Shahi Wala
- Shahkas
- Shahkot
- Shahpur Chakar
- Shakargarh
- Sharaqpur
- Sheikh Wahan
- Sheikhupura
- Shikarpur
- Shorkot
- Shujabad
- Sialkot
- Sibi
- Skardu
- Sorab
- Sowari
- Sujawal
- Sukkur
- Sultan Colony
- Sumandari
- Takhtbai
- Talagang
- Talbani
- Tanda
- Tandianwala
- Tando Adam
- Tando Allahyar
- Tando Bagho
- Tando Jam
- Tando Muhammad Khan
- Tank
- Taranada Muhammad Pannah
- Tarnol
- Taxila
- Thari Mirwah
- Tharu Shah
- Thatta
- Thull
- Tibba Sultanpur
- Timergara
- Toba Tek Singh
- Tootkay
- Turbat
- Ubauro
- Uch Sharif
- Ugoki
- Umerkot
- Usman Shah Huri
- Usta Muhammad
- Wah Cantt
- Warri
- Wazirabad
- Winder, Lasbela
- Yazman
- Zafarwal
- Zahir Pir
- Zohb

Overseas Branches

- Manama (Bahrain)
- Labuan (Malaysia)
- Victoria (Seychelles)

Representative Offices

- Beijing, China
- Dubai, U.A.E.
- Istanbul, Turkey
- Nairobi, Kenya

Principal Office

Mackinnons Building, I. I. Chundrigar Road, Karachi.

Phones: (92-21) 32412421, 32446916 & 111-786-110

Fax: (92-21) 32419752

SWIFT CODE : BAHLPKKA website : www.bankalhabib.com

Registered Office

126-C, Old Bahawalpur Road, Multan.

Phones: (92-61) 4580314-16, & 111-786-110

Fax: (92-61) 4582471



E - DIVIDEND BANK MANDATE FORM

Mandatory Requirements of Bank Account Details with International Bank Account Number (IBAN) for Electronic Credit of Cash Dividend Payment as per Companies Act 2017

I, Mr. / Ms. / Mrs. _____ S/o, D/o, W/o, _____ hereby authorize **Bank AL Habib Limited** (the Bank) to send / directly credit cash dividends declared by the Bank, in my bank account as detailed below:

Details of Shareholder of Bank AL Habib Limited	
Name of the Shareholder	
Father / Husband Name	
Folio No. / CDC Account and Participant's I.D	
CNIC No. / NICOP No.	
Passport No. (in case of foreign shareholder)	
NTN (in case of corporate shareholder)	
Cell number of shareholder	
Landline number of shareholder (if any)	
E-mail address of shareholder	
Shareholder's Bank Account Details:	
Title of Bank Account (the bank account title must be in the name of the title holder/principal holder of the shares)	
International Bank Account Number (IBAN) -24 digits "Mandatory"	P K _____
<i>(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the Bank AL Habib Limited and Central Depository Company of Pakistan Limited (CDC) will not be held responsible, in any manner, for any loss or delay in your cash dividend payment)</i>	
Bank's name	
Branch name	
Branch address	
It is stated that the above-mentioned information is valid and correct and in case of any change therein, I/we will immediately intimate the Bank's Share Registrar accordingly.	
Signature of Shareholder	
(For individual shareholder, signature must be as per specimen signature registered with Bank AL Habib Limited, please also enclose legible copy of CNIC/NICOP as applicable. In case of corporate entity, signature of authorized person with company stamp is required)	

Please note that:

- The shareholders who hold shares in Physical Form are requested to fill the above mentioned E-Dividend Bank Mandate Form and send it to the Bank's Share Registrar address; i.e.; **CDC Share Registrar Services Limited, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Karachi-74400, Pakistan.** Tel: **0800-23275**
- The shareholders who hold shares in Book-Entry Form are requested to fill the above mentioned E-Dividend Bank Mandate Form and send it to the relevant Broker/Participants/Investor Account Services of the Central Depository Company of Pakistan Limited where the shareholders' CDC account is being dealt.
- Bank AL Habib Limited and CDC shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, or failure in performance of any of its obligations whatsoever, caused due to incorrect payment instructions provided by the shareholder and/or due to any event beyond the control of the Bank.
- In case of non-receipt of IBAN with bank details, as requested above, future cash dividend, if any, could be withheld according to the directives of Securities and Exchange Commission of Pakistan.



Form of Proxy

The Company Secretary
Bank AL Habib Limited
126-C, Old Bahawalpur Road,
MULTAN.

I/We _____ of _____

being a member(s) of Bank AL Habib Limited and holding _____

ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____

do hereby appoint _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

or failing him/her _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

another member of the Bank as my/our proxy to vote for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Bank to be held on Thursday, March 25, 2021 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2021.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Bank or as per CNIC / Passport in case the share(s) is / are registered in CDC account).

Witnesses:

1. Signature _____

Name _____

Address _____

CNIC/Passport No. _____

2. Signature _____

Name _____

Address _____

CNIC/Passport No. _____

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC / Passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.



مختارنامہ (پرائسی فارم)

میں اہم ساکن بھیت ممبر (رکن) بینک الحبیب لمیڈ اور حامل عام حصہ، بمطابق شیر رجسٹر فولیو نمبر اسی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ممبر (رکن) محترم ا محترمہ فولیو نمبر اسی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر کو یا ان کی غیر حاضری میں ممبر (رکن) محترم ا محترمہ فولیو نمبر اسی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر کو اپنے اہم ایمیل پر بروز جمعرات ۲۵ مارچ ۲۰۲۱ء کو بینک الحبیب لمیڈ کے رجسٹر آفس میں منعقد ہونے والے بینک کے تیسیوں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی انتواع کی صورت میں اپنا اہمابطور مختار (پرائسی) مقرر کرتا اکرتی ہوں اکرتے ہیں۔

آن بروز ۲۰۲۱ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی نکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹر شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈر کے دستخط اُن کے کمپیوٹر ائرڈر قوی شناختی کارڈ یا پاسپورٹ کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط

نام

پتہ

کمپیوٹر ائرڈر قوی شناختی کارڈ یا پاسپورٹ نمبر

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہو اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پرائسی) شرکت کرنے، بولنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔

سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختارنامہ (پرائسی فارم) کے ہمراہ کمپیوٹر ائرڈر قوی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی مسلک کرنی ہوگی۔

مختار (پرائسی) کو اجلاس کے وقت اپنا اصل کمپیوٹر ائرڈر قوی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بھیت ممبر (رکن)، بورڈ آف ڈائریکٹریز کی منظور شدہ قرارداد اپار آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختارنامہ (پرائسی فارم) جمع کرنا ہو گے۔

مختارنامہ (پرائسی فارم) پر ممبر (رکن) یا ان کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختارنامہ (پرائسی فارم) پر کمپنی کی مہر، ہونا بھی ضروری ہے۔

مختارنامے (پرائسی فارم) بعد نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹر آفس میں اجلاس کے مقررہ وقت سے کم از کم ۲۸ گھنٹے قبل جمع کرنا ضروری ہے۔

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- ?? FAQs Answered

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(based on live feed from KSE)
- ISIL Knowledge center
- ISIL Risk profiler*
- ISIL Financial calculator
- ISIL Subscription to Alerts (event notifications, corporate and regulatory actions)
- ISIL JamaPunji application for mobile device
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jamapunji.pk [@jamapunji_pk](https://twitter.com/jamapunji_pk)

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