
هَذَا مِنْ فَضْلِ رَبِّي



VISION STATEMENT

TO BE OUR CUSTOMERS' MOST CONVENIENT
AND TRUSTED BANK

MISSION STATEMENT

TO MAKE BANKING SAFE, SIMPLE, AND PLEASANT



CORPORATE INFORMATION

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



| | | |
|------------------------------------|--|-------------------------------------|
| IFRS 9 Committee | Syed Hasan Ali Bukhari Arshad Nasar Qumail R. Habib | <i>Chairman</i> 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 | |

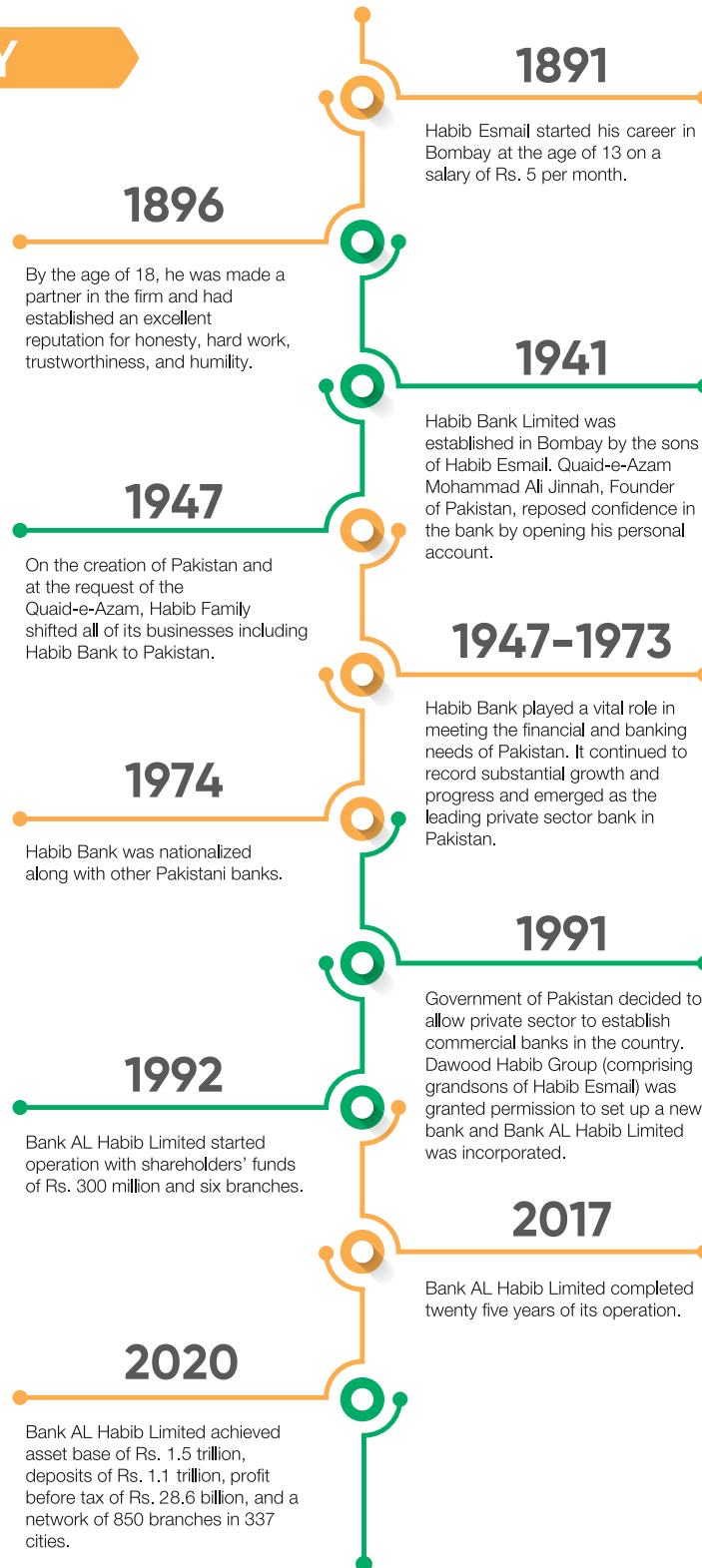


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HISTORY

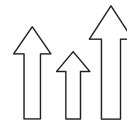




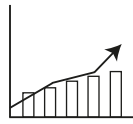
HIGHLIGHTS YEAR 2020



Total Assets
PKR 1.52 Tr



Deposits
PKR 1.10 Tr



Profit before tax
PKR 28.6 Bn



Awards
Top 25 Companies Award
(2019) by PSX



Total Network

850

Branches & Sub-Branches



Domestic ATM Network

1,000+

Onsite & Offsite



Total Cities Served

334

in Pakistan



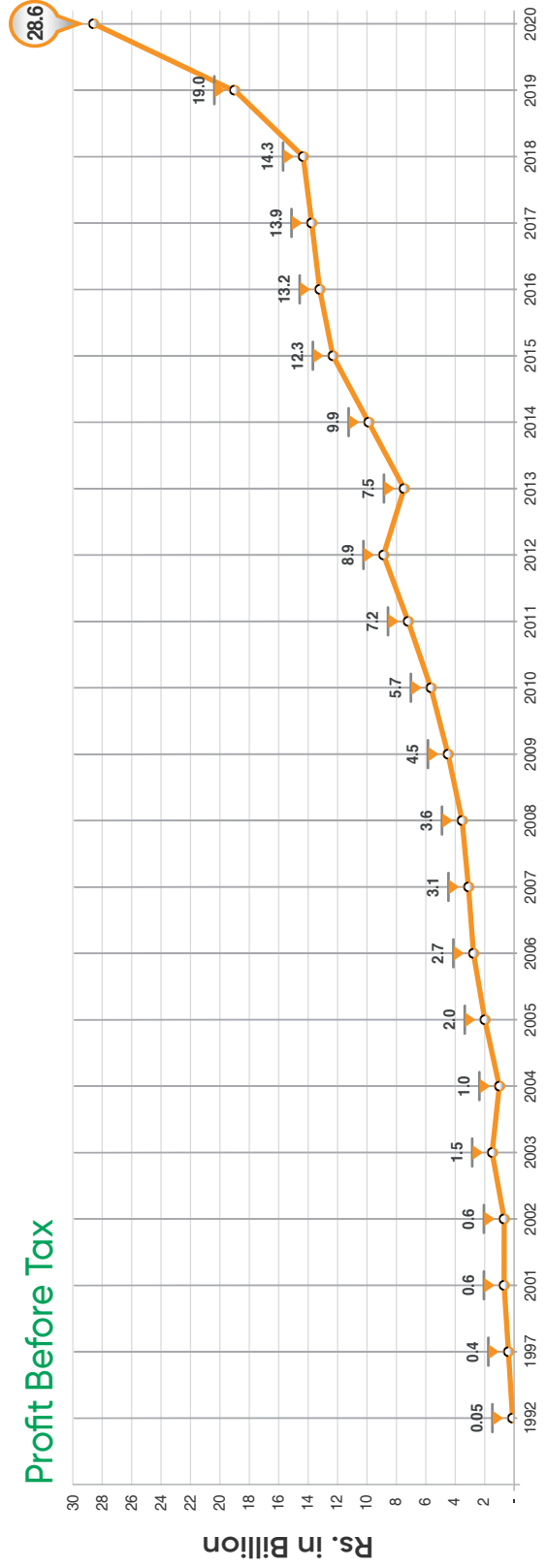
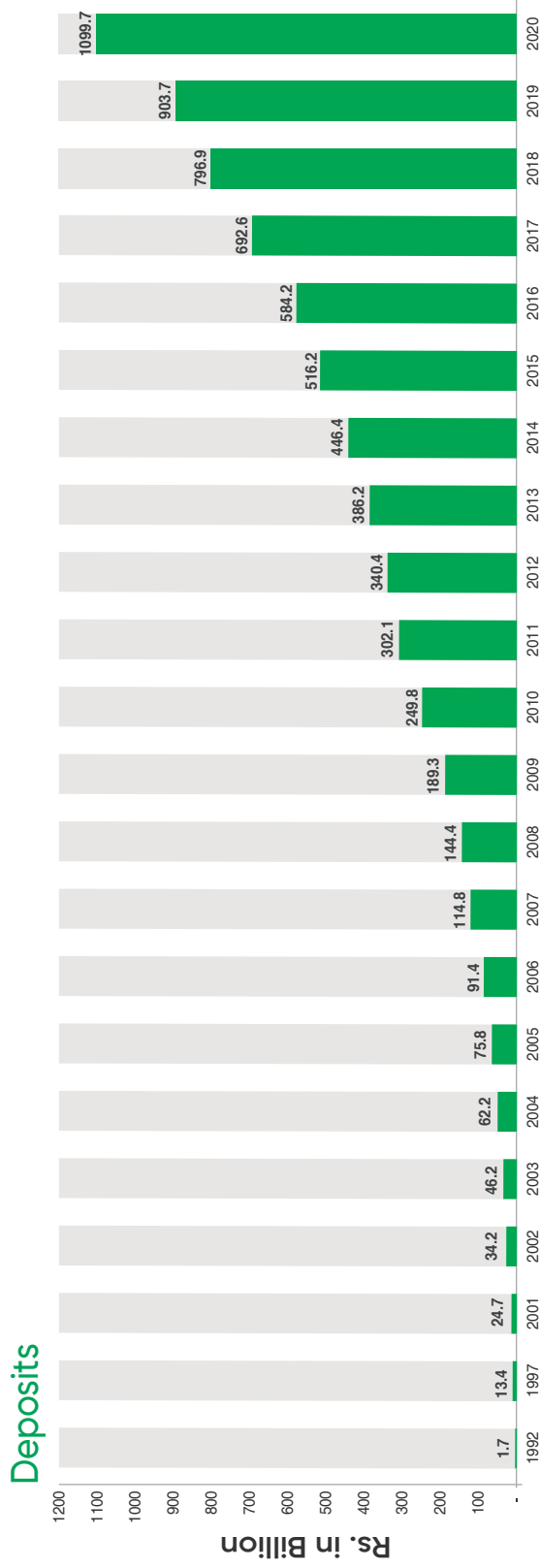
Total Foreign Branches and Representative Offices

7

Countries Across the Globe



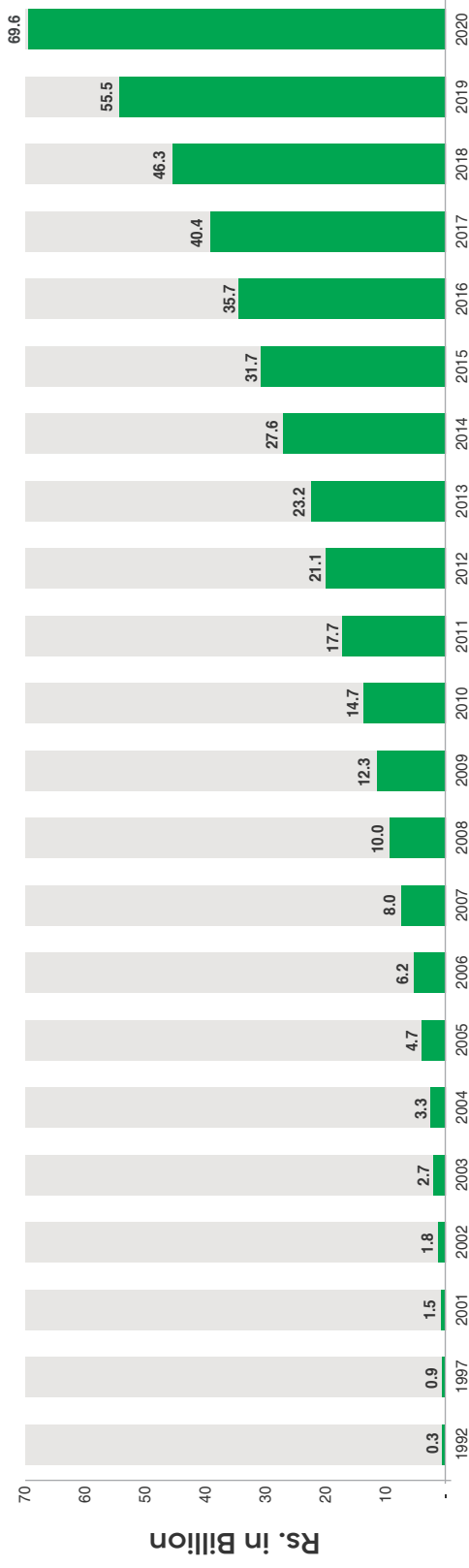
PERFORMANCE 1992-2020



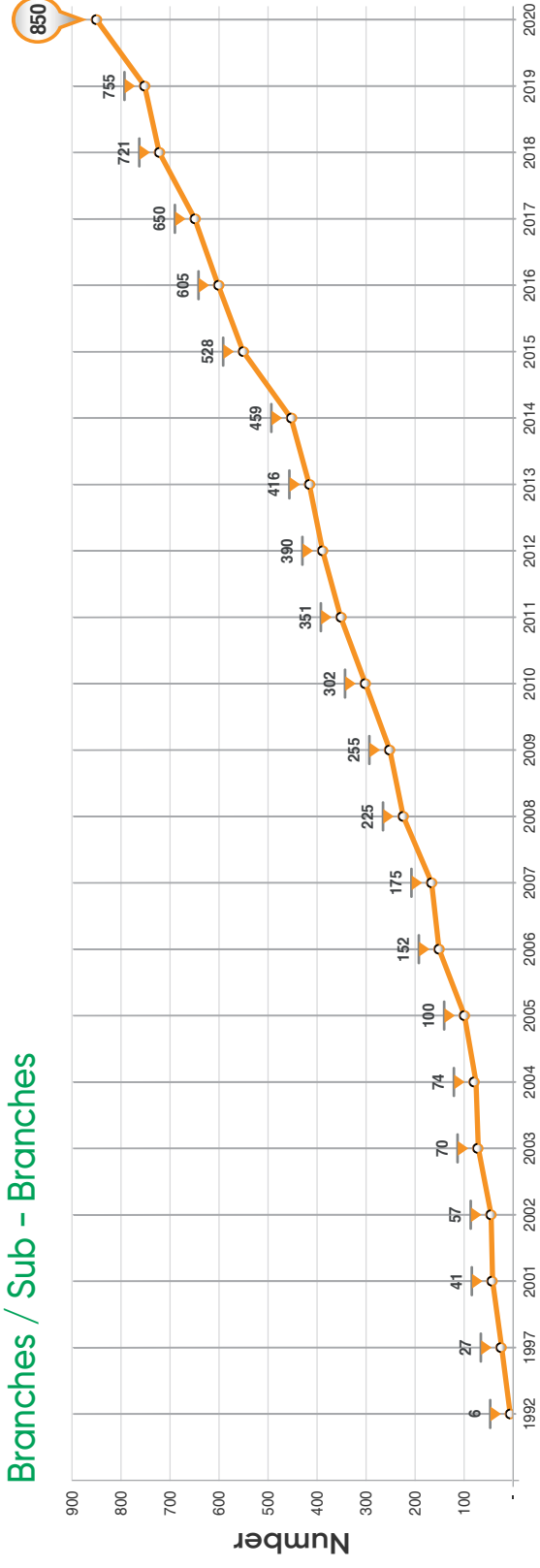
PERFORMANCE 1992-2020



Shareholders' Equity excluding surplus on revaluation of assets



Branches / Sub - Branches





Performance 1992-2020

| Years | (Rupees in Million) | | | | | | | | | |
|-------|---------------------|-----------|----------|-------------|---|-------------------|------------------|---------------|----------------|-------|
| | Assets | Deposits | Advances | Investments | Shareholders' Equity excluding surplus on revaluation of assets | Profit Before Tax | Profit After Tax | Cash Dividend | Stock Dividend | |
| 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% | 10.0% |
| 1997 | 16,515 | 13,445 | 7,372 | 7,440 | 851 | 442 | 199 | 20.0% | 15.0% | 15.0% |
| 1998 | 16,897 | 13,226 | 7,564 | 6,999 | 1,016 | 445 | 203 | 10.0% | 32.0% | 32.0% |
| 1999 | 19,870 | 14,113 | 10,925 | 4,601 | 1,169 | 373 | 153 | - | 20.0% | 20.0% |
| 2000 | 24,226 | 17,823 | 14,722 | 1,289 | 1,322 | 403 | 153 | - | 20.0% | 20.0% |
| 2001 | 29,025 | 24,697 | 15,902 | 5,664 | 1,532 | 551 | 246 | 5.0% | 20.0% | 20.0% |
| 2002 | 49,437 | 34,240 | 23,775 | 18,831 | 1,822 | 620 | 290 | - | 25.0% | 25.0% |
| 2003 | 58,066 | 46,178 | 35,232 | 14,109 | 2,726 | 1,513 | 1,012 | 10.0% | 25.0% | 25.0% |
| 2004 | 77,436 | 62,171 | 47,367 | 14,414 | 3,274 | 1,039 | 541 | - | 35.0% | 35.0% |
| 2005 | 91,502 | 75,796 | 55,304 | 19,758 | 4,746 | 2,022 | 1,464 | 15.0% | 40.0% | 40.0% |
| 2006 | 114,998 | 91,420 | 70,796 | 21,023 | 6,186 | 2,689 | 1,761 | 15.0% | 40.0% | 40.0% |
| 2007 | 141,234 | 114,819 | 79,224 | 35,287 | 8,014 | 3,052 | 2,211 | 15.0% | 30.0% | 30.0% |
| 2008 | 177,324 | 144,390 | 100,197 | 48,234 | 9,967 | 3,579 | 2,425 | 12.5% | 27.5% | 27.5% |
| 2009 | 249,807 | 189,280 | 105,985 | 111,018 | 12,287 | 4,512 | 2,856 | 20.0% | 20.0% | 20.0% |
| 2010 | 301,552 | 249,774 | 125,773 | 137,168 | 14,706 | 5,656 | 3,602 | 20.0% | 20.0% | 20.0% |
| 2011 | 384,282 | 302,099 | 114,872 | 222,959 | 17,723 | 7,155 | 4,533 | 25.0% | 15.0% | 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% | 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

Alhamdulillah, 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.

Karachi: January 27, 2021

Abbas D. Habib
Chairman
Board of Directors



DIRECTORS' REPORT

Alhamdulillah, 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 | (10,769,528) |
| 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 | (128,275) |
| | <u>27,883,967</u> |
| Profit available for appropriations | 45,695,503 |
| Appropriations: | |
| Transfer to Statutory Reserve | (1,781,154) |
| Cash dividend – 2019 | (3,889,988) |
| | <u>(5,671,142)</u> |
| Unappropriated profit carried forward | 40,024,361 |
| | <u><u>Rs. 16.03</u></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

Alhamdulillah, 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. Alhamdulillah, 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

Alhamdollillah, 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 Committee IT Committee | 1. Habib Insurance Company Limited 2. Habib & Sons (Private) Limited 3. AL Habib Asset Management Limited |
| 2 | Mr. Anwar Haji Karim | 15/10/1991 | Non-Executive | <ul style="list-style-type: none"> Audit Committee Risk Management Committee | 1. AL - Karam Textile Mills (Private) Limited 2. 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 Committee Risk Management Committee | 1. Razaque Steels (Private) Limited 2. Shabbir Tiles and Ceramics Limited |
| 4 | Syed Mazhar Abbas | 10/10/2000 | Non-Executive | <ul style="list-style-type: none"> Audit Committee Human Resource and Remuneration Committee Credit Risk Management Committee IT Committee | - |
| 5 | Mr. Qumail R. Habib | 15/10/1991 | Executive | <ul style="list-style-type: none"> Credit Risk Management Committee Risk Management Committee IT Committee IFRS 9 Committee | Habib Insurance Company Limited |
| 6 | Mr. Safar Ali Lakhani | 29/01/2014 | Independent | <ul style="list-style-type: none"> Audit Committee Credit Risk Management Committee Risk 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 | <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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-T’akhassus 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 Muahammad 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-T’akhassus 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 BAML, 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 Members 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 on 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 |
|---|---|
| 1. Provision against non-performing loans and advances | |
| <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:

- a) 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;
 - b) 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;
 - c) 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
 - d) 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 (Rupees in '000) | 2019 |
|---|------|--------------------------|----------------------|
| 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 |
| | | (Rupees) | |
| 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.

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Director

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Chairman



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

| | 2020 (Rupees in '000) | 2019 |
|--|--------------------------|------------|
| 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.

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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 | | Unappropriated Profit | Total |
|--|------------------|-------------------|--------------------------------------|------------------|-----------------|---------------------------------------|----------------------------|-----------------------|-------------|
| | | | | Special Reserve | General Reserve | Investments | Fixed / Non Banking Assets | | |
| | (Rupees in '000) | | | | | | | | |
| Balance as at 01 January 2019 | 11,114,254 | 12,742,793 | 1,348,237 | 126,500 | 540,000 | (1,279,509) | 4,547,711 | 20,411,694 | 49,551,680 |
| 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.

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Director

ABBAS D. HABIB
Chairman



UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 (Rupees in '000) | 2019 |
|---|------|--------------------------|---------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 28,581,064 | 19,010,995 |
| Less: Dividend income | | (486,008) | (451,101) |
| | | 28,095,056 | 18,559,894 |
| Adjustments: | | | |
| Depreciation | | 2,787,181 | 2,472,253 |
| Depreciation on right-of-use assets | | 1,661,393 | 1,395,355 |
| Amortisation | | 287,387 | 225,556 |
| Provisions and write - offs - net | 31 | 4,543,429 | 3,394,995 |
| Gain on sale of fixed assets - net | | (437,189) | (377,002) |
| (Gain) / loss on sale / redemption of securities - net | | (185,622) | 32,469 |
| Charge for compensated absences | | 247,041 | 135,164 |
| Mark-up expense on lease liability against right-of-use assets | | 956,906 | 734,780 |
| | | 9,860,526 | 8,013,570 |
| | | 37,955,582 | 26,573,464 |
| (Increase) / decrease in operating assets | | | |
| Lendings to financial institutions | | (317,726) | (1,857,575) |
| Held - for - trading securities | | (85,792) | 197,562 |
| Advances | | (24,572,057) | (12,196,267) |
| Other assets (excluding advance taxation) | | (13,843,443) | (15,880,721) |
| | | (38,819,018) | (29,737,001) |
| Increase / (decrease) in operating liabilities | | | |
| Bills payable | | 10,844,548 | (435,009) |
| Borrowings from financial institutions | | (16,439,509) | 109,148,680 |
| Deposits | | 195,983,579 | 106,802,257 |
| Other liabilities (excluding current taxation) | | 13,405,228 | 14,155,942 |
| | | 203,793,846 | 229,671,870 |
| | | 202,930,410 | 226,508,333 |
| Income tax paid | | (12,095,087) | (8,634,998) |
| Net cash flow generated from operating activities | | 190,835,323 | 217,873,335 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in available for sale securities | | (160,952,824) | (71,023,527) |
| Net investments in held to maturity securities | | (15,538,169) | (97,530,743) |
| Net investments in associates | | (890,390) | (525,000) |
| Investment in subsidiary | | (683,250) | - |
| Dividends received | | 471,651 | 464,001 |
| Investments in operating fixed assets | | (5,262,480) | (5,205,962) |
| Proceeds from sale of fixed assets | | 596,045 | 520,644 |
| Exchange differences on translation of net investment in foreign branches | | 182,841 | 592,878 |
| Net cash used in investing activities | | (182,076,576) | (172,707,709) |
| 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 | | | |
| Cash and cash equivalents at beginning of the year | 34 | 122,458,343 | 82,075,690 |
| Cash and cash equivalents at end of the year | 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.

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Chief Executive

ASHAR HUSAIN
Chief Financial Officer

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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 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| 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.

| | Note | 2020 (Rupees in '000) | 2019 (Rupees in '000) |
|--|------|--------------------------|--------------------------|
| 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 |
| | | 19,662,519 | 9,523,971 |
| Less: impairment against IFRS 9 in overseas branches | | (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 (Rupees in '000) | 2019 |
|--|--------------------------|-----------|
| 7. LENDING TO FINANCIAL INSTITUTIONS | | |
| In local currency: | | |
| Bai Muajjal Receivable from the State Bank of Pakistan | 2,175,301 | 1,857,575 |

7.1 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 |
| | (Rupees in '000) | | | | | |
| 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> | 8.3 & 8.4 | | | | | | | | |
| Federal Government Securities | | 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> | 8.3 & 8.5 | | | | | | | | |
| 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 |
| 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 |
| 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 | | | |
|--|-----------------------------|--------------------------------|------------------------|-------------------|-----------------------------|--------------------------------|------------------------|-------------------|
| | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortised cost | Provision for diminution | Surplus / (deficit) | Carrying value |
| 8.2 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 | 515,252,493 | - | 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 Sukuks | 26,952,616 | 4,108,362 |
| Sukuks | 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 | — | — |
| | | 154,236 | 431,587 | 104,236 | 195,001 |
| | | | | Cost | |
| | | | | 2020 | 2019 |
| | | | | (Rupees in '000) | |
| 8.4.3 Non Government Debt Securities | | | | | |
| 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 | — | |
| | | | 3,317,724 | 3,402,137 | |
| 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 | — | |
| | | | 2,224,940 | 2,184,667 | |
| 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 | |
| | | | 2,125,000 | 3,125,000 | |



| 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- |
| | <u>6,891,856</u> | | <u>6,524,223</u> | |

| | 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 | - |
| | <u>159,496,264</u> | <u>145,152,375</u> |

Non Government Debt Securities - Unlisted

| | | |
|------|----------|---------------|
| - A+ | - | 46,632 |
| | <u>-</u> | <u>46,632</u> |

Others

| | | |
|--|--------------|----------|
| Pakistan Corporate Restructuring Company Limited (PCRCL) | 4,481 | - |
| | <u>4,481</u> | <u>-</u> |

| 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 | - | - |
| | <u>1,708,659</u> | | <u>467,747</u> | |

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

| 2020 | 2019 | 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 | First Habib Islamic Stock Fund | First Habib Islamic Income Fund | First Habib Asset Allocation Fund |
|---------------------------------|---------------------------|-------------------------|------------------------|-----------------------|--------------------------------|---------------------------------|-----------------------------------|
| | (Rupees in '000) | | | | | | |
| 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 | 2020 | 2019 |
| (Rupees in '000) | | | | | | | |
| 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 | Not later than one year | Later than one and less than five years | Total |
| | (Rupees in '000) | | | | | |
| 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 |
| | <u>522,894,419</u> | <u>498,260,168</u> |

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 |
| | <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> |



9.4 Particulars of provision against advances

| | Note | 2020 | | | 2019 | | |
|--|-------|-----------|-----------|------------|-----------|-----------|-----------|
| | | Specific | General | Total | Specific | General | Total |
| (Rupees in '000) | | | | | | | |
| Opening balance | | 6,201,412 | 3,389,309 | 9,590,721 | 4,351,895 | 3,378,284 | 7,730,179 |
| Exchange adjustments | | 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 | | 6,497,479 | 6,145,308 | 12,642,787 | 6,201,412 | 3,389,309 | 9,590,721 |

9.4.1 Particulars of provision against advances

| | 2020 | | | 2019 | | |
|-----------------------|-----------|-----------|------------|-----------|-----------|-----------|
| | Specific | General | Total | Specific | General | Total |
| (Rupees in '000) | | | | | | |
| 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 |
| | 6,497,479 | 6,145,308 | 12,642,787 | 6,201,412 | 3,389,309 | 9,590,721 |

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 | 2019 |
|--|------|-------|-------|
| (Rupees in '000) | | | |
| 9.5.1 Against Provisions | 9.4 | 6,979 | 1,479 |
| Directly charged to Profit and Loss account | | - | - |
| | | 6,979 | 1,479 |
| 9.5.2 Write Offs of Rs. 500,000 and above | | | |
| - Domestic | 9.7 | 4,360 | 815 |
| Write Offs of below Rs. 500,000 | | 2,619 | 664 |
| | | 6,979 | 1,479 |



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 | | | | | | | Total |
|--|-------------------|----------------------------|-----------------------|---|------------------|------------------------------------|--|-------------------|
| | 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 | |
| | (Rupees in '000) | | | | | | | |
| 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 | <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> |
| 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 | <u>12,850,032</u> | <u>11,798,462</u> | <u>987,167</u> | <u>3,431,161</u> | <u>1,975,661</u> | <u>905,443</u> | <u>9,740,743</u> | <u>41,688,669</u> |
| 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 | <u>12,850,032</u> | <u>11,798,462</u> | <u>987,167</u> | <u>3,431,161</u> | <u>1,975,661</u> | <u>905,443</u> | <u>9,740,743</u> | <u>41,688,669</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 (Rupees in '000) | 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 (Rupees in '000) | 2019 |
|---|--------------------------|------------------|
| 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 (Rupees in '000) | | |
|--|--------------------------|--------------|-----------------|
| | Cost | Book value | Insurance claim |
| 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 | 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 | Note | 2019 | |
| | | 2020 | |
| | | (Rupees in '000) | |
| 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 |
| | | <u>74,811,041</u> | <u>61,696,790</u> |
| Less: Provision held against other assets | 12.2 | (6,884) | (7,383) |
| Other Assets (net of provision) | | <u>74,804,157</u> | <u>61,689,407</u> |
| Surplus on revaluation of non - banking assets acquired in satisfaction of claims | 12.1 | 139,165 | 34,482 |
| Other Assets - total | | <u>74,943,322</u> | <u>61,723,889</u> |
| 12.1 | | <u>957,093</u> | <u>1,013,291</u> |
| | | Market value of non - banking assets acquired in satisfaction of claims | |



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 (Rupees in '000) | 2019 |
|---|--------------------------|--------------------------|
| 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 | <u>954,077</u> | <u>909,382</u> |
| 12.2 Provision held against other assets | | |
| Receivable against consumer loans | <u>6,884</u> | <u>7,383</u> |
| 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) |
| | 825 | 450 |
| Amount written off | (1,324) | (346) |
| Closing balance | <u>6,884</u> | <u>7,383</u> |
| 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 | | 20,168,673 |
| | | <u>31,013,221</u> |
| 15. BORROWINGS | | |
| Secured | | |
| Borrowings from the State Bank of Pakistan | | |
| Under export refinance scheme | 15.1 | 42,657,650 |
| Under renewable energy | 15.2 | 3,946,903 |
| Under long term financing for imported and locally manufactured plant and machinery | 15.3 | 19,796,175 |
| Under modernisation of small and medium enterprises | 15.4 | 310,422 |
| Under women entrepreneurship | 15.5 | 19,159 |
| Under financing facility for storage of agricultural produce | 15.6 | 2,869 |
| Under refinance scheme for payment of wages and salaries | 15.7 | - |
| Under temporary economic refinance facility | 15.8 | - |
| | | <u>113,056,078</u> |
| Repurchase agreement borrowings | 15.9 | 66,733,178 |
| Borrowings from financial institutions | | 153,365,059 |
| | | 7,742,380 |
| Total secured | | <u>227,840,617</u> |
| Unsecured | | |
| Overdrawn nostro accounts | | 904,417 |
| | | <u>198,297</u> |
| | | <u>211,599,405</u> |



- 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 | In local currency | In foreign currencies | Total |
| | (Rupees in '000) | | | | | |
| 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 |
| | 1,099,686,361 | 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 |
| | 14,989,600 | 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 | At 31 December 2020 |
| | (Rupees in '000) | | | |
| Taxable Temporary Differences on | | | | |
| Accelerated tax depreciation | 960,038 | (32,608) | - | 927,430 |
| Surplus on revaluation of fixed assets / non - banking assets | 984,461 | (56,261) | 678,314 | 1,606,514 |
| Remeasurement of defined benefit plan | 165,629 | (165,629) | - | - |
| Surplus on revaluation of available for sale investments | 828,625 | - | 658,305 | 1,486,930 |
| Surplus on revaluation of held for trading securities | - | 270 | - | 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) | - | (1,270,805) |
| Provision against loans and advances, off balance sheet, etc. | (785,860) | (939,576) | - | (1,725,436) |
| Workers' welfare fund | - | (848,152) | - | (848,152) |
| | (1,558,564) | (2,285,829) | - | (3,844,393) |
| | 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 | At 31 December 2019 |
| | (Rupees in '000) | | | |
| Taxable Temporary Differences on | | | | |
| Accelerated tax depreciation | 1,042,090 | (82,052) | - | 960,038 |
| 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 | (688,967) | - | 1,517,592 | 828,625 |
| | 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) | - | (772,704) |
| Provision against loans and advances, off balance sheet, etc. | (71,145) | (714,715) | - | (785,860) |
| Surplus on revaluation of held for trading investments | (7,671) | 7,671 | - | - |
| | (272,961) | (1,285,603) | - | (1,558,564) |
| | 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 |
| | | 84,769,613 | 68,189,523 |
| 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) |
| | | 15,853 | 3,031 |
| Closing balance | | 146,692 | 129,369 |
| 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 | 2019 |
| | | (% per annum) | |
| Discount rate | | 10.25% | 12.25% |
| Expected rate of increase in salary in future years | | 9.25% | 11.25% |



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) | |
| <u>30,000,000</u> | <u>30,000,000</u> | Fully paid in cash | <u>300,000</u> | <u>300,000</u> |
| <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 | | 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 | | 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 |



| | 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 |
| | | <u>126,004</u> | <u>28,942</u> |
| 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 |
| | | <u>446,071,046</u> | <u>432,637,373</u> |
| 22.1 Guarantees: | | | |
| Financial guarantees | | 20,716,906 | 16,237,352 |
| Performance guarantees | | 72,097,766 | 64,849,275 |
| | | <u>92,814,672</u> | <u>81,086,627</u> |
| 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 |
| | | <u>351,718,547</u> | <u>346,877,061</u> |
| 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 |
| | | <u>128,823,137</u> | <u>197,844,773</u> |
| The maturities of above contracts are spread over the periods upto one year. | | | |
| 22.2.2 Commitments in respect of forward lending | | <u>7,124,914</u> | <u>2,214,998</u> |
| 22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. | | | |



| | 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 | CONTRACT | | 2020 SWAP | | TOTAL | |
|-----------------------|--------------------------|------------------------------|--------------------|------------------------------|--------------------|------------------------------|
| | Notional Principal | Mark to Market gain / (loss) | Notional Principal | Mark to Market gain / (loss) | Notional Principal | Mark to Market gain / (loss) |
| | (Rupees in '000) | | | | | |
| Banks | | | | | | |
| Hedging | 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 | 2020 Mark to Market | | |
|--------------------|--------------------------|--------------------|------------------------|------------------|------------------|
| | | | Negative | Positive | Net |
| | | | (Rupees in '000) | | |
| Upto 1 month | 297 | 51,974,821 | (112,849) | 296,381 | 183,532 |
| 1 to 3 months | 412 | 46,596,575 | (218,736) | 340,228 | 121,492 |
| 3 to 6 months | 352 | 19,991,703 | (128,829) | 161,815 | 32,986 |
| 6 months to 1 year | 177 | 10,260,038 | (30,408) | 132,729 | 102,321 |
| | <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 | 2019 |
|--|------|--------------------|--------------------|
| (Rupees in '000) | | | |
| 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 |
| | | <u>125,272,587</u> | <u>105,601,725</u> |
| 25. MARK - UP / RETURN / INTEREST EXPENSED | | | |
| 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 |
| | | <u>67,652,611</u> | <u>64,415,666</u> |
| 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 |
| | | <u>6,678,237</u> | <u>6,093,104</u> |
| 27. GAIN / (LOSS) ON SECURITIES | | | |
| Realised | 27.1 | 184,851 | (32,469) |
| Unrealised - held for trading | | 771 | - |
| | | <u>185,622</u> | <u>(32,469)</u> |
| 27.1 Realised gain / (loss) on: | | | |
| Federal Government Securities | | 5,494 | 100 |
| Shares | | 10,960 | (33,325) |
| Mutual funds | | 168,397 | 756 |
| | | <u>184,851</u> | <u>(32,469)</u> |
| 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 |
| | | <u>780,255</u> | <u>663,931</u> |
| 28.1 | | | |
| Includes courier, SWIFT, postage and other charges recovered from customers. | | | |



| | Note | 2020 | 2019 |
|---|------|-------------------|-------------------|
| | | (Rupees in '000) | |
| 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 | 29.2 | 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 | 2019 |
|---|-------------------|-------------------|
| | (Rupees in '000) | |
| 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 |

| | 2020 | 2019 |
|---|------------------|----------------|
| | (Rupees in '000) | |
| 29.3 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 |
| Masoomen 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 |



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> | <u>11,535</u> |
| Outsourced | 2,768 | 2,594 |
| Total staff strength | <u>15,496</u> | <u>14,129</u> |
| 35.1 | | |
| Domestic | 15,443 | 14,080 |
| Offshore | 53 | 49 |
| | <u>15,496</u> | <u>14,129</u> |

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 (Rupees in '000) |
|--|--------------------------|----------------------------------|
| 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 | 3,610,235 | 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 | | <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> |
| | | 2021 (Rupees in '000) |
| 36.11 Expected contributions to be paid to the funds in the next financial year | | <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 | 600,454 |

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 | Chief | Key | Other Risk |
| | Chairman | Executives (other than CE) | Non- Executives | Shariah Board | Executive | Management Personnel | Takers / Controllers |
| | (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

| | | 2020 | | | | | | | |
|------------------|-------------------------|----------------------------------|-----------------|---|---------------------------|----------------------------------|------------------|--------------|-------------------|
| | | 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. 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

Meeting Fees and Allowances Paid

For Board Committees

| S.No. | Name of Director | For Board Meetings | Audit Committee | Human | Risk | Credit Risk | IFRS 9 Committee | IT Committee | Total Amount Paid |
|------------------|-------------------------|--------------------|-----------------|-----------------------------------|----------------------|----------------------|------------------|--------------|-------------------|
| | | | | Resource & Remuneration Committee | Management Committee | Management Committee | | | |
| (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) | | | | | | |
| 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 | | | Total |
|---|------------|--------------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| (Rupees in '000) | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments | | | | |
| Federal Government Securities | 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 |
| (Rupees in '000) | | | | |
| On balance sheet financial instruments | | | | |
| 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 | | Total |
|--|-----------------------|---------------------------------------|----------------------|
| | Commercial banking | Retail banking (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 | <u>110,050,815</u> | <u>55,054,714</u> | <u>165,105,529</u> |
| Segment direct expenses | <u>(68,281,137)</u> | <u>(34,139,807)</u> | <u>(102,420,944)</u> |
| Inter segment expense allocation | <u>(29,560,092)</u> | - | <u>(29,560,092)</u> |
| Total expenses | <u>(97,841,229)</u> | <u>(34,139,807)</u> | <u>(131,981,036)</u> |
| Provisions | <u>(4,511,744)</u> | <u>(31,685)</u> | <u>(4,543,429)</u> |
| Profit before tax | <u>7,697,842</u> | <u>20,883,222</u> | <u>28,581,064</u> |
| 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 | <u>1,418,571,761</u> | <u>767,103,416</u> | <u>2,185,675,177</u> |
| 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 | <u>1,346,725,579</u> | <u>759,093,222</u> | <u>2,105,818,801</u> |
| Equity | 71,846,182 | 8,010,194 | 79,856,376 |
| Total equity and liabilities | <u>1,418,571,761</u> | <u>767,103,416</u> | <u>2,185,675,177</u> |
| Contingencies and commitments | <u>300,377,484</u> | <u>177,245</u> | <u>300,554,729</u> |



| | 2019 | | |
|--|--------------------|----------------|---------------|
| | Commercial banking | Retail banking | Total |
| (Rupees in '000) | | | |
| 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 | <u>132,204,780</u> | <u>1,656,989</u> | <u>1,554,017</u> | <u>129,651</u> | <u>135,545,437</u> |
| 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 | <u>28,149,025</u> | <u>286,355</u> | <u>137,869</u> | <u>7,815</u> | <u>28,581,064</u> |
| 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 | <u>1,451,341,083</u> | <u>38,558,283</u> | <u>42,341,339</u> | <u>2,178,436</u> | <u>1,534,419,141</u> |
| 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 | <u>1,376,801,188</u> | <u>34,838,675</u> | <u>41,338,095</u> | <u>1,584,807</u> | <u>1,454,562,765</u> |
| Equity | 74,539,895 | 3,719,608 | 1,003,244 | 593,629 | 79,856,376 |
| Total equity and liabilities | <u>1,451,341,083</u> | <u>38,558,283</u> | <u>42,341,339</u> | <u>2,178,436</u> | <u>1,534,419,141</u> |
| Contingencies and commitments | <u>294,581,495</u> | <u>5,157,900</u> | <u>815,334</u> | <u>—</u> | <u>300,554,729</u> |



| | 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 | 11,114,254 | 11,114,254 |
| 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 | 76,189,280 |
| 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 | 530,820,592 |
| 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% | 14.353% |

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% | 14.353% |

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 | <u>3.978%</u> | <u>3.984%</u> |
| 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 | <u>261.810%</u> | <u>273.635%</u> |
| 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 | <u>142.289%</u> | <u>133.272%</u> |

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 | - | - | - | - |
| | <u>754,797,348</u> | <u>577,180,351</u> | <u>-</u> | <u>-</u> | <u>1,394,948</u> | <u>270,855</u> |
| 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 |
| | <u>754,797,348</u> | <u>577,180,351</u> | <u>-</u> | <u>-</u> | <u>1,394,948</u> | <u>270,855</u> |



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 |
| 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 | | | | AJK including Gilgit- Baltistan |
| | Punjab | Sindh | KPK including FATA (Rupees in '000) | Balochistan | Islamabad | | |
| Punjab | 201,150,395 | 199,695,718 | 202,288 | 222,110 | 33,345 | 980,461 | 16,473 |
| Sindh | 210,692,996 | 2,259,607 | 206,820,742 | 1,066,542 | 543,154 | 2,830 | 121 |
| 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 | 610,998 |
| Total | 453,257,424 | 201,997,124 | 207,156,409 | 5,539,356 | 1,303,284 | 36,633,659 | 627,592 |

| Province / Region | 2019 | | | | | | |
|----------------------------------|--------------------|--------------------|---|------------------|------------------|-------------------|---------------------------------------|
| | Disbursements | | Utilization | | | | AJK including Gilgit- Baltistan |
| | Punjab | Sindh | KPK including FATA (Rupees in '000) | Balochistan | Islamabad | | |
| Punjab | 195,104,300 | 192,857,427 | 12,264 | 1,185,522 | 62,647 | 983,896 | 2,544 |
| Sindh | 188,567,708 | 481,735 | 180,055,998 | 2,103,571 | 5,920,715 | 3,750 | 1,939 |
| 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 | 573,933 |
| Total | 424,111,144 | 193,343,003 | 180,182,386 | 7,552,541 | 6,429,965 | 36,024,833 | 578,416 |

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, sukuk / 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 | Banking book | Trading book | Total |
| | (Rupees in '000) | | | | | |
| 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 | | | Net foreign currency exposure |
|----------------------|-------------------------|------------------------------|-------------------------|-------------------------------|
| | Foreign currency assets | Foreign currency liabilities | Off-balance sheet items | |
| | (Rupees in '000) | | | |
| 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 | | | Net foreign currency exposure |
|----------------------|-------------------------------|--|----------------------------|-------------------------------------|
| | Foreign currency assets | Foreign currency liabilities (Rupees in '000) | Off-balance sheet items | |
| 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 (Rupees in '000) | Banking book | 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 (Rupees in '000) | 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

2020

| 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 | - | 105,935,947 | 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 | | | | | | | | | | | | | |
| | <u>79,856,376</u> | | | | | | | | | | | | | |



| | 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 | Over 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 | 51,135,404 |
| 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 | 23,194,330 |
| 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 | 8,068,145 |
| 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 | 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 |
| 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 | | | | | | | | | | | | | |



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 |
| (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 | 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 | | | | | | | | | |
| | <u>79,856,376</u> | | | | | | | | | |



| | 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 44/1, 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 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, Gizri, Chaudhry Khalique-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 (Rupees in '000) | 2019 |
|--|------|--------------------------|---------------------|
| 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 | | 1,197,756 | 7,595,621 |
| Total Assets | | 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 |
| | (Rupees in '000) | | | | | |
| 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 |

| | Note | 2020 | | 2019 | |
|---|------|------------------|--|------------|--|
| | | (Rupees in '000) | | | |
| 3. Islamic financing and related assets | | | | | |
| 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 | - (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) | | | | | |
| 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 | | | |
| Less: Deferred murabaha income | 3.2.2 | 7,202,836 | 7,212,743 |
| Profit receivable shown in other assets | 3.2.4 | (75,641) | (125,034) |
| Murabaha financings | | (106,809) | (179,957) |
| | | 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 | <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 | (694,160) | (1,048,539) |
| 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) | | | | | |
| 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 |
| | <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> |
| 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 |
| | <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) | |
| 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 | <u>31,791,425</u> | <u>20,164,379</u> |
| | <u>93,238,405</u> | <u>67,981,321</u> |

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 | 2019 |
|--|-------------------|-------------------|
| | (Rupees in '000) | |
| 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 |
| | 4,047,777 | 4,055,827 |
| 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-UI-Maal. The Bank also commingles its funds with those of depositors.

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

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

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

The Bank's profit sharing ratio during the 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 | 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 (Percentage) | 2019 |

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

MOHAMMAD TAQI LAKHANI
Company Secretary

Karachi: March 4, 2021

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 Shakra-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 NITPF 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 IZAFAT 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 National Bank of Pakistan, Trustee Dept. | 1 | 57,694,329 |



| 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 W/o. Mr. Abbas D. Habib | 1 | 4,818,197 |
| Mrs. Shirin Lakhani W/o Mr. Safar Ali Lakhani | 1 | 77,042 |
| 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 | | | |
| | 24 | | |

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

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 |
| | | (Rupees) | |
| 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.

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Chief Financial Officer

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ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



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

| | 2020 (Rupees in '000) | 2019 |
|--|--------------------------|-------------------|
| 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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Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

Note 2020 2019
(Rupees in '000)

Adjustments:

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

28,709,420
(432,360)
28,277,060

19,040,463
(397,558)
18,642,905

2,789,676
1,661,393
288,379
4,546,944
(440,311)
(114,337)
(182,013)
248,264
956,906
9,754,901

2,474,524
1,395,355
226,327
3,399,357
(377,019)
(94,992)
32,469
135,164
734,780
7,925,965

38,031,961

26,568,870

(Increase) / decrease in operating assets

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

(317,726)
(85,792)
(24,387,418)
(14,183,514)
(38,974,450)

(1,857,575)
197,562
(12,179,593)
(15,893,345)
(29,732,951)

Increase / (decrease) in operating liabilities

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

10,844,548
(16,411,647)
195,630,478
13,863,126
203,926,505

(435,009)
109,148,680
106,741,113
14,197,263
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
Net investments in held to maturity securities
Net investments in associates
Dividends received
Investments in operating fixed assets
Proceeds from sale of fixed assets
Exchange differences on translation of net investment in foreign branches

(160,929,584)
(15,538,169)
(1,478,845)
417,919
(5,264,293)
599,433
182,841
(182,010,698)

(71,017,537)
(97,530,743)
(469,232)
410,458
(5,207,819)
520,727
592,878
(172,701,268)

Net cash used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Payments of subordinated debt
Dividend paid
Payment against lease liabilities

(3,200)
(3,841,582)
(1,972,143)
(5,816,925)

(3,200)
(2,767,686)
(2,012,087)
(4,782,973)

Net cash flow from financing activities

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

36 2,958,357

36 122,460,717

Cash and cash equivalents at end of the year

40,364,013

82,096,704

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.

MANSOOR ALI KHAN
Chief Executive

ASHAR HUSAIN
Chief Financial Officer

SYED HASAN ALI BUKHARI
Director

ANWAR HAJI KARIM
Director

ABBAS D. HABIB
Chairman



NOTES TO THE CONSOLIDATED 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 | 255,234 |
| Gain on bargain purchase | | 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 |
| | | <u>83,755</u> |
| 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 |
| | | <u>179,930</u> |
| Total assets | | <u>263,685</u> |
| Current liabilities | | |
| Accrued expenses and other liabilities | | 8,451 |
| Net assets acquired as part of business combination | | <u>255,234</u> |

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 | <u>80,670</u> |

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 |
| | | 19,681,366 | 9,526,280 |
| Less: impairment against IFRS 9 in overseas branches | | (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 | <u>2,175,301</u> | <u>1,857,575</u> |

8.1 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 |
| | (Rupees in '000) | | | | | |
| GoP Ijarah Sukuks | <u>2,175,301</u> | - | <u>2,175,301</u> | <u>1,857,575</u> | - | <u>1,857,575</u> |

- 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) | | | | | | | |
| <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 |
| | | <u>600,339,959</u> | <u>(3,375,284)</u> | <u>4,253,523</u> | <u>601,218,198</u> | <u>439,212,968</u> | <u>(2,173,814)</u> | <u>2,374,823</u> | <u>439,413,977</u> |
| <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) | - | - | - | - | - | - |
| | | <u>161,209,404</u> | <u>(263,172)</u> | <u>-</u> | <u>160,946,232</u> | <u>145,666,754</u> | <u>(42,342)</u> | <u>-</u> | <u>145,624,412</u> |
| <i>Associates</i> | 9.6 | 3,058,005 | - | - | 3,058,005 | 1,472,165 | - | - | 1,472,165 |
| Total Investments | | <u>764,703,146</u> | <u>(3,638,456)</u> | <u>4,254,294</u> | <u>765,318,984</u> | <u>586,351,887</u> | <u>(2,216,156)</u> | <u>2,374,823</u> | <u>586,510,554</u> |



| | 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 | 2019 |
|---|--------------------|--------------------|
| | (Rupees in '000) | |
| 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 |
| | 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 |
| 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 | |
| | | | | 2020 | 2019 |
| | | | | (Rupees in '000) | |
| 9.4.3 Non Government Debt Securities | | | | | |
| 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- |
| | <u>6,891,856</u> | | <u>6,524,223</u> | |

| | 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 | - |
| | <u>159,496,264</u> | <u>145,152,375</u> |

Non Government Debt Securities - Unlisted

| | | |
|------|----------|---------------|
| - A+ | - | 46,632 |
| | <u>-</u> | <u>46,632</u> |

Others

| | | |
|--|--------------|----------|
| Pakistan Corporate Restructuring Company Limited (PCRCL) | 4,481 | - |
| | <u>4,481</u> | <u>-</u> |

| 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 | - | - |
| | <u>1,708,659</u> | | <u>467,747</u> | |

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

| 2020 | 2019 | 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 | 9.6.2 | 570,080 | 538,332 |
| - | 9,000,000 | AL Habib Asset Management Limited (formerly Habib Asset Management Limited) | | - | 64,532 |
| 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 | | 141,131 | 144,578 |
| 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 | | 8,608 | 8,468 |
| 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 | | 2,194,250 | 139,539 |
| 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 | | 48,910 | 8,284 |
| 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 | | 25,186 | 550,279 |
| 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 | | 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 (Rupees in '000) | 2019 |
|--|------|--------------------------|------------------|
| 9.6.3 Movement of investments in associates | | | |
| 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 | 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 | | <u>515,311,708</u> | <u>490,985,653</u> | <u>7,381,473</u> | <u>7,257,916</u> | <u>522,693,181</u> | <u>498,243,569</u> |
| 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 |
| | | <u>6,145,308</u> | <u>3,389,309</u> | <u>6,497,479</u> | <u>6,201,412</u> | <u>12,642,787</u> | <u>9,590,721</u> |
| Advances - net of provision | | <u>509,166,400</u> | <u>487,596,344</u> | <u>883,994</u> | <u>1,056,504</u> | <u>510,050,394</u> | <u>488,652,848</u> |



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 | | 6,497,479 | 6,145,308 | 12,642,787 | 6,201,412 | 3,389,309 | 9,590,721 |

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 |
| | 6,497,479 | 6,145,308 | 12,642,787 | 6,201,412 | 3,389,309 | 9,590,721 |

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 | 6,979 | 1,479 |
| | | - | - |
| | | 6,979 | 1,479 |
| 10.5.2 Write Offs of Rs. 500,000 and above - Domestic | 10.7 | 4,360 | 815 |
| Write Offs of below Rs. 500,000 | | 2,619 | 664 |
| | | 6,979 | 1,479 |



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>43,976,664</u> | <u>36,571,645</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>2,279,324</u> | <u>1,597,551</u> |

11.2 Property and Equipment

| | 2020 | | | | | | | Total |
|--|-------------------|----------------------------|-----------------------|---|------------------|------------------------------------|--|-------------------|
| | 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 | |
| | (Rupees in '000) | | | | | | | |
| 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>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> |
| 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>12,850,032</u> | <u>11,802,086</u> | <u>987,676</u> | <u>3,433,493</u> | <u>1,977,867</u> | <u>905,443</u> | <u>9,740,743</u> | <u>41,697,340</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>12,850,032</u> | <u>11,802,086</u> | <u>987,676</u> | <u>3,433,493</u> | <u>1,977,867</u> | <u>905,443</u> | <u>9,740,743</u> | <u>41,697,340</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 (Rupees in '000) | 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 (Rupees in '000) | 2019 |
|---|--------------------------|------------------|
| 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 (Rupees in '000) | | |
|--|--------------------------|--------------|-----------------|
| | Cost | Book value | Insurance claim |
| 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>–</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> | – | – | |
| Useful life | <u>2 years</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>–</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>–</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>–</u> | <u>368,840</u> |
| Rate of amortisation (percentage) | <u>50%</u> | – | – | |
| Useful life | <u>2 years</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 | 2019 |
|--|------|--------------------------|--------------------------|
| (Rupees in '000) | | | |
| 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 |
| | | <u>75,213,529</u> | <u>61,785,261</u> |
| Less: Provision held against other assets | 13.2 | (6,884) | (7,383) |
| Other Assets (net of provision) | | <u>75,206,645</u> | <u>61,777,878</u> |
| Surplus on revaluation of non - banking assets acquired in satisfaction of claims | | 139,165 | 34,482 |
| Other Assets - total | | <u><u>75,345,810</u></u> | <u><u>61,812,360</u></u> |
| 13.1 Market value of non - banking assets acquired in satisfaction of claims | | <u><u>957,093</u></u> | <u><u>1,013,291</u></u> |
| 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) | | | |
| 13.1.1 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) | - |
| Accumulated depreciation | | (7,059) | (7,066) |
| Closing balance | | <u><u>954,077</u></u> | <u><u>909,382</u></u> |
| 13.2 Provision held against other assets | | | |
| Receivable against consumer loans | | <u><u>6,884</u></u> | <u><u>7,383</u></u> |
| 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) |
| | | 825 | 450 |
| Amount written off | | (1,324) | (346) |
| Closing balance | | <u><u>6,884</u></u> | <u><u>7,383</u></u> |

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 |
| 16. BORROWINGS | | | |
| Secured | | | |
| 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 | – |
| | | 113,056,078 | 66,733,178 |
| Repurchase agreement borrowings | 16.9 | 98,345,030 | 153,365,059 |
| Borrowings from financial institutions | | – | 7,742,380 |
| Others | 16.10 | 27,862 | – |
| Total secured | | 211,428,970 | 227,840,617 |
| Unsecured | | | |
| Overdrawn nostro accounts | | 198,297 | 904,417 |
| | | 211,627,267 | 228,745,034 |
| 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 |
| | <u>211,627,267</u> | <u>228,745,034</u> |

17. 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 | 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 |
| | <u>948,067,637</u> | <u>134,698,803</u> | <u>1,082,766,440</u> | <u>773,337,394</u> | <u>116,364,047</u> | <u>889,701,441</u> |
| Financial institutions | | | | | | |
| Current deposits | 3,568,698 | 203,742 | 3,772,440 | 1,717,620 | 1,234,067 | 2,951,687 |
| Savings deposits | 113,638 | 18 | 113,656 | 4,298,015 | 16 | 4,298,031 |
| Term deposits | 1,335,500 | 135,060 | 1,470,560 | 1,750,000 | 114,123 | 1,864,123 |
| Current deposits - remunerative | 10,381,339 | 697,737 | 11,079,076 | 4,578,433 | 192,643 | 4,771,076 |
| Others | 21,286 | - | 21,286 | 6,622 | - | 6,622 |
| | <u>15,420,461</u> | <u>1,036,557</u> | <u>16,457,018</u> | <u>12,350,690</u> | <u>1,540,849</u> | <u>13,891,539</u> |
| | <u>963,488,098</u> | <u>135,735,360</u> | <u>1,099,223,458</u> | <u>785,688,084</u> | <u>117,904,896</u> | <u>903,592,980</u> |
| | | | | 2020 | 2019 | |
| | | | | (Rupees in '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 |
| | <u>1,099,223,458</u> | <u>903,592,980</u> |

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 (Rupees in '000) | 2019 |
|---|------|--------------------------|------------|
| 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. 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). |



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) | - | 927,891 |
| Surplus on revaluation of fixed assets / non - banking assets | 984,461 | - | (56,261) | 678,314 | 1,606,514 |
| Remeasurement of defined benefit plan | 165,629 | - | (165,629) | - | - |
| Surplus on revaluation of available for sale investments | 829,057 | - | - | 658,131 | 1,487,188 |
| Surplus on revaluation of held for trading securities | - | 706 | 270 | - | 976 |
| | 2,940,053 | 574 | (254,503) | 1,336,445 | 4,022,569 |
| Deductible Temporary Differences on | | | | | |
| Provision against diminution in the value of investments | (772,704) | - | (498,101) | - | (1,270,805) |
| Provision against loans and advances, off balance sheet, etc. | (785,860) | - | (939,576) | - | (1,725,436) |
| Workers' welfare fund | - | - | (848,152) | - | (848,152) |
| Provision for compensated absences | (292) | (230) | (1,220) | - | (1,742) |
| Recognised tax losses | (2,863) | - | (30,961) | - | (33,824) |
| Others | (627) | (2,032) | (115) | - | (2,774) |
| | (1,562,346) | (2,262) | (2,318,125) | - | (3,882,733) |
| | 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 |

| | Note | 2020 | 2019 |
|--|------|-------------------|-------------------|
| | | (Rupees in '000) | |
| 20. OTHER LIABILITIES | | | |
| 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) |
| | | <u>15,853</u> | <u>3,031</u> |
| Closing balance | | <u>146,692</u> | <u>129,369</u> |
| 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 | | <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> |
| 21. SHARE CAPITAL | | | |
| 21.1 Authorised Capital | | | |
| | 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> |
| 21.2 Issued, subscribed and paid up capital | | | |
| | 2020 | 2019 | |
| | Number of shares | | |
| | <u>30,000,000</u> | 30,000,000 | Fully paid in cash |
| | <u>1,081,425,416</u> | 1,081,425,416 | Issued as bonus shares |
| | <u>1,111,425,416</u> | <u>1,111,425,416</u> | |
| | | | <u>300,000</u> |
| | | | <u>10,814,254</u> |
| | | | <u>11,114,254</u> |
| 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. | | |
| | | 2020 (Rupees in '000) | 2019 |
| 22. SURPLUS ON REVALUATION OF ASSETS | Note | | |
| Surplus on revaluation of: | | | |
| - Investments | 22.1 | <u>4,329,994</u> | 2,436,773 |
| - Fixed Assets | 22.2 | <u>9,062,739</u> | 5,495,269 |
| - Non - banking assets acquired in satisfaction of claims | 22.3 | <u>139,165</u> | 34,482 |
| | | <u>13,531,898</u> | 7,966,524 |
| Deferred tax on surplus on revaluation of: | | | |
| - Available for sale securities | 22.1 | <u>1,488,343</u> | 829,984 |
| - Fixed Assets | 22.2 | <u>1,663,701</u> | 1,049,269 |
| - Non - banking assets acquired in satisfaction of claims | 22.3 | <u>13,161</u> | 5,540 |
| | | <u>3,165,205</u> | 1,884,793 |
| | | <u>10,366,693</u> | <u>6,081,731</u> |



| | 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) |
| | | 4,329,994 | 2,436,773 |
| Less: related deferred tax | | 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 (Rupees in '000) | 2019 |
|---|--------|--------------------------|--------------------|
| 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 | | <u>114,778</u> | <u>105,510</u> |
| 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 |
| | | <u>446,071,046</u> | <u>432,637,373</u> |
| 24.1 Guarantees: | | | |
| Financial guarantees | | 20,716,906 | 16,237,352 |
| Performance guarantees | | 72,097,766 | 64,849,275 |
| | | <u>92,814,672</u> | <u>81,086,627</u> |
| 24.2 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 | 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 |
| | | <u>351,718,547</u> | <u>346,877,061</u> |
| 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 |
| | | <u>128,823,137</u> | <u>197,844,773</u> |
| The maturities of above contracts are spread over the periods upto one year. | | | |
| 24.2.2 Commitments in respect of forward lending | | <u>7,124,914</u> | <u>2,214,998</u> |
| 24.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense. | | | |
| | | 2020 (Rupees in '000) | 2019 |
| 24.3 Claims against the Bank not acknowledged as debts | | <u>1,537,827</u> | <u>4,673,685</u> |



24.4 Other contingent liabilities

Income tax returns of the Bank have been submitted upto and including the Bank's financial year 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.



| 25.2 Maturity Analysis | Number of Contracts | Notional Principal | 2020 | | |
|--|---------------------|--------------------|------------------------------|------------------|------------------|
| | | | 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 |
| | 1,238 | 128,823,137 | (490,822) | 931,153 | 440,331 |
| | | | 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 |
| | 1,332 | 197,844,773 | (1,767,178) | 1,032,137 | (735,041) |
| | | | 2020 | 2019 | |
| 26. MARK - UP / RETURN / INTEREST EARNED | | | (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 EXPENSED | | | | | |
| 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 | | | | | |
| 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 (Rupees in '000) | 2019 |
|--|------|--------------------------|------------------|
| 29. GAIN / (LOSS) ON SECURITIES | | | |
| Realised | 29.1 | 181,242 | (32,469) |
| Unrealised - held for trading | | 771 | - |
| | | <u>182,013</u> | <u>(32,469)</u> |
| 29.1 Realised gain / (loss) on: | | | |
| Federal Government Securities | | 5,494 | 100 |
| Shares | | 10,960 | (33,325) |
| Mutual funds | | 164,788 | 756 |
| | | <u>181,242</u> | <u>(32,469)</u> |
| 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 |
| | | <u>819,337</u> | <u>662,966</u> |
| 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 |
| | | <u>5,408,183</u> | <u>4,749,513</u> |
| 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 |
| | | <u>2,144,457</u> | <u>1,332,723</u> |



| | 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 | 2019 |
|--|---|--------------------|
| | (Rupees in '000) | |
| 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 |
| Masoomen Hospital | 13,000 | – |
| The Indus Hospital | 10,000 | – |
| The Kidney Centre | 25,000 | – |
| Prime Minister's Corona Philanthropy Drive | 25,532 | – |
| | <u>157,132</u> | <u>110,700</u> |
| * 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 | 2019 |
| | (Rupees in '000) | |
| 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 |
| | <u>9,103</u> | <u>7,100</u> |
| 32. | OTHER CHARGES | |
| Penalties imposed by the State Bank of Pakistan | <u>56,672</u> | <u>93,244</u> |
| 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 | – |
| | <u>4,546,944</u> | <u>3,399,357</u> |
| 34. | TAXATION | |
| Current | 13,319,509 | 8,763,573 |
| Prior years | 5,079 | 571,907 |
| Deferred | <u>(2,572,628)</u> | <u>(1,486,647)</u> |
| | <u>10,751,960</u> | <u>7,848,833</u> |



| | Note | 2020 | 2019 |
|---|--------|----------------------|----------------------|
| | | (Rupees in '000) | |
| 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%) | | 10,048,297 | 6,664,162 |
| 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 | 34.1.1 | <u>(863,220)</u> | <u>(400,150)</u> |
| | | <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 | 2019 |
| | | (Rupees in '000) | |
| 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 | 2019 |
| | | (Rupees in '000) | |
| 36. CASH AND CASH EQUIVALENTS | | | |
| Cash and balances with treasury banks | 6 | 105,936,009 | 113,838,856 |
| Balances with other banks | 7 | 19,681,362 | 9,526,278 |
| Overdrawn nostro accounts | 16 | <u>(198,297)</u> | <u>(904,417)</u> |
| | | <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 (Rupees in '000) | Dividend |
| 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 (Rupees in '000) | Dividend |
| 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 | <u>12,784</u> | <u>11,565</u> |
| Outsourced | 2,771 | 2,596 |
| Total staff strength | <u>15,555</u> | <u>14,161</u> |
| 37.1 | | |
| Domestic | 15,502 | 14,112 |
| Offshore | 53 | 49 |
| | <u>15,555</u> | <u>14,161</u> |

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 | 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 |
| 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 | | 4,323,932 | 3,590,184 |
| 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 | | 3,640,418 | 3,116,957 |
| 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 | | 683,514 | 473,227 |
| 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 |
| | | 424,170 | 403,923 |



| | 2020 (Rupees in '000) | 2019 |
|--|--------------------------|--------------------------|
| 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 | 3,610,235 | 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 | | |
| | | <u>491,345</u> |
| 38.12 Expected charge for the next financial year | | |
| | | <u>491,345</u> |
| 38.13 Maturity profile | | |
| 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 | | <u>3,563,167</u> |
| | | <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 : | |
| Employer's contribution | <u><u>604,424</u></u> |
| Employees' contribution | <u><u>604,424</u></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 | | | | | | |
|--|------------------|---|--------------------|-----------------------------|--------------------|--------------------------------|---------------------------------------|
| | Chairman | Directors Executives (other than CE) | Non- Executives | Members Shariah Board | Chief Executive | Key Management Personnel | Other Risk Takers / Controllers |
| | (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

| | | 2020 | | | | | | | |
|------------------|-------------------------|----------------------------------|-----------------|---|---------------------------|----------------------------------|------------------|--------------|-------------------|
| | | 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. 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 | Risk | Credit Risk | IFRS 9 Committee | IT Committee | Total Amount Paid |
|------------------|-------------------------|--------------------|-----------------|-----------------------------------|----------------------|----------------------|------------------|--------------|-------------------|
| | | | | Resource & Remuneration Committee | Management Committee | Management Committee | | | |
| (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 |
| | | <u>4,800</u> | <u>5,850</u> | <u>2,250</u> | <u>1,950</u> | <u>2,250</u> | <u>–</u> | <u>1,050</u> | <u>18,150</u> |

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 | <u>5,136</u> | <u>3,907</u> | <u>3,636</u> | <u>4,236</u> | <u>2,547</u> | <u>3,036</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |



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 | | | Total |
|---|------------|--------------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| (Rupees in '000) | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value | | | | |
| Investments | | | | |
| Federal Government Securities | 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 |
| (Rupees in '000) | | | | |
| On balance sheet financial instruments | | | | |
| 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 | | | | Total |
|--|----------------------|--------------------|-----------------------------------|------------------|----------------------|
| | Commercial banking | Retail banking | Retail brokerage (Rupees in '000) | Asset management | |
| 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 | | | | Total |
|--|----------------------|---------------------|------------------|------------------|----------------------|
| | Commercial banking | Retail banking | Retail brokerage | Asset management | |
| | (Rupees in '000) | | | | |
| 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 | | | | | | | | |
| | - | - | 2,022,871 | - | - | - | 3,385,253 | - |
| Other transactions - Investor Portfolio Securities | | | | | | | | |
| 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 | 11,114,254 | 11,114,254 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 67,350,151 | 53,214,684 |
| Eligible Additional Tier 1 (ADT 1) Capital | 6,658,103 | 6,690,557 |
| Total Eligible Tier 1 Capital | 74,008,254 | 59,905,241 |
| Eligible Tier 2 Capital | 24,026,053 | 16,643,063 |
| Total Eligible Capital (Tier 1 + Tier 2) | 98,034,307 | 76,548,304 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 537,583,556 | 443,518,148 |
| Market Risk | 10,243,551 | 12,343,837 |
| Operational Risk | 98,014,443 | 74,991,311 |
| Total | 645,841,550 | 530,853,296 |
| Common Equity Tier 1 Capital Adequacy Ratio | 10.428% | 10.024% |
| Tier 1 Capital Adequacy Ratio | 11.459% | 11.285% |
| Total Capital Adequacy Ratio | 15.179% | 14.420% |

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% | 14.353% |
| CAR on consolidated basis | 15.179% | 14.420% |

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 | 74,008,255 | 59,905,242 |
| Total Exposures | <u>1,853,426,344</u> | <u>1,498,187,417</u> |
| 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> | <u>132,953,270</u> |
| 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> | <u>606,312,286</u> |
| Net Stable Funding Ratio | <u>142.187%</u> | <u>133.272%</u> |

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 |
| | (Rupees in '000) | | | | | |
| 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 |
| 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 |

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 |

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 | | | | AJK including |
| | Punjab | Sindh | KPK including FATA (Rupees in '000) | Balochistan | Islamabad | Gilgit-Baltistan | |
| Punjab | 201,150,395 | 199,695,718 | 202,288 | 222,110 | 33,345 | 980,461 | 16,473 |
| Sindh | 210,692,996 | 2,259,607 | 206,820,742 | 1,066,542 | 543,154 | 2,830 | 121 |
| 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 | 610,998 |
| Total | 453,257,424 | 201,997,124 | 207,156,409 | 5,539,356 | 1,303,284 | 36,633,659 | 627,592 |

| Province / Region | 2019 | | | | | | |
|----------------------------------|--------------------|--------------------|-------------------------------------|------------------|------------------|-------------------|----------------|
| | Disbursements | | Utilization | | | | AJK including |
| | Punjab | Sindh | KPK including FATA (Rupees in '000) | Balochistan | Islamabad | Gilgit-Baltistan | |
| Punjab | 195,104,300 | 192,857,427 | 12,264 | 1,185,522 | 62,647 | 983,896 | 2,544 |
| Sindh | 188,567,708 | 481,735 | 180,055,998 | 2,103,571 | 5,920,715 | 3,750 | 1,939 |
| 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 | 573,933 |
| Total | 424,111,144 | 193,343,003 | 180,182,386 | 7,552,541 | 6,429,965 | 36,024,833 | 578,416 |

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 | Net foreign currency exposure |
| | (Rupees in '000) | | | |
| 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 |
| | (Rupees in '000) | | | |
| Impact of 1% change in foreign exchange rates on | | | | |
| - Profit and loss account | - | - | - | - |
| - Other comprehensive income | 9,729 | - | 1,038 | - |



46.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

| 2020 | | | | | | | | | | | | |
|---|-------|----------------------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|--|---------------|
| 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 | | | | | | | | | | | | |
| (Rupees in '000) | | | | | | | | | | | | |
| 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 (Rupees in '000) | | | | | | | | | | | | |
| 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 | Over 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 | 154,989,022 |
| 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 | 31,939,309 |
| 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 | 9,301,161 |
| 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 | 80,443,715 | (721,221,724) | (118,050,911) | 2,453,463 | (5,294,383) | 77,617,786 | 53,624,088 | 82,661,956 | 101,568,784 | 16,574,666 | 117,254,378 | 132,000,530 | 180,528,533 | 160,726,549 |
| 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 | | | | | | | | | | | | | |
| | <u>80,443,715</u> | | | | | | | | | | | | | |



| | 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 | Over 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 | 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 |
| (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 | 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 | 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 |
| 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 | | | | | | | | | |
| | <u>80,443,715</u> | | | | | | | | | |



| | 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 | 113,838,856 | 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 | 61,932,691 | (94,605,800) | 41,711,697 | (20,700,629) | 241,490,869 | (9,403,076) | (53,213,154) | (71,602,785) | 15,517,449 | 12,738,120 |
| 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 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, 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 (Rupees in '000) | 2019 |
|--|------|--------------------------|---------------------|
| 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 | | 1,197,756 | 7,595,621 |
| Total Assets | | 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 |
| | (Rupees in '000) | | | | | |
| 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 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 |

| | Note | 2020 | | 2019 | |
|---|------|------------------|--|------------|--|
| | | (Rupees in '000) | | | |
| 3. Islamic financing and related assets | | | | | |
| 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 (ILTF) | | 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 ILTF | | 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 31 December 2020 |
| | 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 | |
| | (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 31 December 2019 |
| | 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 | |
| | (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) | | | | | |
| Ijarah rental receivables | 685,438 | 871,283 | 1,556,721 | 1,056,088 | 1,435,753 | 2,491,841 |

Note

2020
(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 | | | |
| Less: Deferred murabaha income | 3.2.2 | 7,202,836 | 7,212,743 |
| Profit receivable shown in other assets | 3.2.4 | (75,641) | (125,034) |
| Murabaha financings | | (106,809) | (179,957) |
| | | 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 | <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 | <u>25,990,650</u> | <u>32,129,388</u> |
| 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 | (694,160) | (1,048,539) |
| 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) | | | | | |
| 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 |
| | <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> |
| 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 |
| | <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) | |
| 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 | <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 | 2019 |
|--|-------------------|-------------------|
| | (Rupees in '000) | |
| 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 |
| | 4,047,777 | 4,055,827 |
| 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: | |
| | <ul style="list-style-type: none"> - 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: | |
| | <ul style="list-style-type: none"> - 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-UI-Maal. The Bank also commingles its funds with those of depositors.

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

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

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

The Bank's profit sharing ratio during the 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 | 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 (Percentage) | 2019 |

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



شریعی بورڈ رپورٹ بمطابق ۳۱ دسمبر ۲۰۲۰ء

بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ بینک الحیب اسلامک بینکنگ ڈویژن کی سرگرمیاں ہمیشہ شریعت کے اصولوں اور شریعی بورڈ کی ہدایات کے مطابق ہوں۔ بینک دولت پاکستان کی جانب سے جاری کردہ شریعی گورننس فریم ورک کے تحت بینک الحیب اسلامک بینکنگ ڈویژن کا شریعی بورڈ اس بات کا پابند ہے کہ وہ مجموعی شریعی کمپلائنس ماحول پر ایک رپورٹ جمع کروائے۔

رائے تشکیل دینے کیلئے جیسا کہ اس رپورٹ میں بیان کیا گیا ہے، شریعی کمپلائنس ڈپارٹمنٹ نے ہر قسم کے معاملے سے متعلقہ دستاویزات اور ترتیب عمل کے کاغذات کے آزمائشی بنیادوں پر جائزے لیے۔ شریعی بورڈ نے پچھلے سال کے دوران شریعی کمپلائنس اور اندرونی و بیرونی شریعی آڈٹ کی رپورٹس کا جائزہ لیا اور ان کی بنیاد پر ہماری رائے یہ ہے کہ:

- ۱- اسلامی بینکاری کی خدمات فراہم کرتے ہوئے بینک الحیب اسلامک بینکنگ ڈویژن نے شریعی بورڈ کے فتاویٰ، احکامات اور ہدایات کو ملحوظ رکھا۔
- ۲- بینک الحیب اسلامک بینکنگ ڈویژن نے بینک دولت پاکستان اور اس کے شریعی بورڈ کے شریعی کمپلائنس کے حوالے سے جاری کردہ قوانین اور ہدایات و احکامات کی پاسداری کی۔
- ۳- بینک الحیب اسلامک بینکنگ ڈویژن نے نفع نقصان کی تقسیم اور پول میئنجمنٹ سے متعلق بینک دولت پاکستان کے احکامات پر عمل کیا۔
- ۴- بینک الحیب اسلامک بینکنگ ڈویژن میں شرعی اصولوں کی پاسداری کے حوالے سے بنیادی طریقہ کار رائج ہے۔
- ۵- بورڈ آف ڈائریکٹرز، بینک الحیب اسلامک بینکنگ ڈویژن کی پراڈکٹس، 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 شریعی کمپلائنس کی فہم کو خاص طور پر بہتر کرنے کی ضرورت ہے۔
- ۶- بینک کی انتظامیہ نے شریعی کمپلائنس ڈپارٹمنٹ کیلئے مناسب وسائل مہیا کیے ہیں اور یہ عزم کیا ہے کہ اس ڈپارٹمنٹ کو اپنی ذمہ داریوں سے عہدہ برآ ہونے اور شریعی کمپلائنس ماحول کو یقینی 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 ذریعے یا طریقے سے حاصل کیے گئے منافع کو صدقہ کے اکاؤنٹ میں ڈالنے اور بطریق احسن صدقہ کی مد میں لگانے کو یقینی بنا سکے۔ ۲۰۲۰ء میں صدقے کی مد میں 31.823 ملین روپے جمع ہوئے، جن میں سے 2.330 ملین روپے کی آمدنی خیراتی اکاؤنٹ میں شریعی عدم پاسداری کی وجہ سے شریعی بورڈ کے احکام سے جمع کئے گئے۔ تقریباً 39.072 ملین روپے گزشتہ سال جمع شدہ رقم کی مد میں مختلف خیراتی اداروں کو ادا کئے گئے۔

مفتی عصمت اللہ حمد اللہ
چیرمین شریعی بورڈ

مفتی محب الحق صدیقی
ممبر شریعی بورڈ

مفتی محمد سرفراز نہال
ریزیڈنٹ شریعی بورڈ ممبر

کراچی مورخہ 15 جنوری 2021ء



بینک الحیب اور اس کی ذیلی کمپنیاں آڈٹ شدہ مجموعی مالیاتی حسابات پر ڈائریکٹرز کی رپورٹ

بینک الحیب کے ڈائریکٹرز کیلئے اس کی ذیلی کمپنیوں الحیب کیمپٹل مارکیٹس (پرائیویٹ) لمیٹڈ اور الحیب ایسٹ منیجمنٹ لمیٹڈ (سابقہ حیب ایسٹ منیجمنٹ لمیٹڈ) کے آڈٹ شدہ مجموعی مالیاتی حسابات برائے ۳۱ دسمبر ۲۰۲۰ء کو ختم ہونے والے سال کیلئے پیش کرنا باعث مسرت ہے:

| | |
|----------------|---|
| (000 روپے میں) | |
| 28,709,420 | سالانہ منافع قبل از ٹیکس |
| (10,751,960) | ٹیکسیشن |
| 17,957,460 | سالانہ منافع بعد از ٹیکس |
| (9,728) | غیر اختیاری مفاد سے منسوب شدہ منافع |
| 17,947,732 | ہولڈنگ کمپنی کے شیئر ہولڈرز سے منسوب شدہ منافع |
| 28,163,914 | گزشتہ غیر مختص شدہ منافع |
| 104,484 | فلسڈ اثاثہ جات کی ریویلویشن کے اضافہ میں سے منتقلی۔ بعد از ٹیکس |
| (128,275) | دیگر جامع آمدنی۔ بعد از ٹیکس |
| 28,140,123 | |
| 46,087,855 | تخصیص کیلئے دستیاب منافع |
| | تخصیص: |
| (1,781,154) | اسٹیٹوٹری ریزرو میں منتقلی |
| (3,889,988) | نقد منافع منقسمہ۔ ۲۰۱۹ء |
| (5,671,142) | |
| 40,416,713 | غیر مختص شدہ منافع |
| روپے 16.15 | فی شیئر آمدنی (بعد از ٹیکس)۔ ہولڈنگ کمپنی |

شیئر ہولڈنگ کی ساخت

شیئر ہولڈنگ کی ساخت بمطابق ۳۱ دسمبر ۲۰۲۰ء بینک الحیب لمیٹڈ کے مالیاتی حسابات کے ساتھ منسلک ہے۔

عباس ڈی۔ حیب
چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان
چیف ایگزیکٹو

کراچی: ۲۷ جنوری ۲۰۲۱ء



عمومی

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

عباس ڈی۔ حبیب

چیئر مین
بورڈ آف ڈائریکٹرز

منصور علی خان

چیف ایگزیکٹو

کراچی: ۲۷ جنوری ۲۰۲۱ء



۷۔ گزشتہ 6 سالوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ درج ذیل ہے:

(ملین روپے میں)

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | |
|---------|---------|---------|---------|---------|-----------|-------------------------|
| 516,213 | 584,172 | 692,576 | 796,901 | 903,703 | 1,099,686 | صارفین کے مجموعی ڈپازٹس |
| 207,289 | 261,440 | 339,833 | 478,215 | 488,669 | 510,252 | مجموعی ایڈوانسز |
| 12,332 | 13,164 | 13,890 | 14,264 | 19,011 | 28,581 | منافع قبل از ٹیکس |
| 7,405 | 8,119 | 8,501 | 8,418 | 11,169 | 17,812 | منافع بعد از ٹیکس |
| 31,698 | 35,673 | 40,409 | 46,283 | 55,489 | 69,570 | شیر ہولڈرز کی ایکویٹی |
| 6.66 | 7.31 | 7.65 | 7.57 | 10.05 | 16.03 | فی شیر آمدنی (روپے) |
| 35 | 35 | 30 | 25 | 35 | 45 | نقد منافع منقسمہ (%) |

۸۔ پروویڈنٹ فنڈ اور گریجویٹ فنڈ کے آڈٹ شدہ مالیاتی حسابات کی بنیاد پر ان اسکیموں کی سرمایہ کاریوں کی مالیت بمطابق ۳۱ دسمبر ۲۰۱۹ء درج ذیل ہیں:

(روپے میں '000)

| | |
|-----------|--------------|
| 7,441,961 | پروویڈنٹ فنڈ |
| 2,701,041 | گریجویٹ فنڈ |

۹۔ شیر ہولڈنگ 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 اندرون خانہ طریقہ کار اور اعدادی تیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔ بورڈ کی جانچ کے دائرہ کار میں مکمل بورڈ، انفرادی ڈائریکٹرز، بورڈ کی کمیٹیاں، چیئرمین 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 تقویمی سال کے لئے جانچ کا عمل آئندہ سال ۳۱ مارچ تک مکمل کیا جائے گا۔ مزید برآں بورڈ کی کارکردگی کا جائزہ کم از کم ہر تیسرے سال ایک ایکسٹرنل انڈیپنڈنٹ جائزہ کار کے ذریعے لیا جائے گا۔ ہم نے پاکستان انسٹی ٹیوٹ آف کارپوریٹ گورننس (پی آئی سی جی) کو بورڈ کی کارکردگی کی ایکسٹرنل انڈیپنڈنٹ جائزہ کے لئے نامزد کیا ہے۔

بینک کی جانب سے منتخب کئے گئے ماہرین اور کسی بورڈ ممبر یا کلیدی ایگزیکٹو کے درمیان مفادات کا کوئی تضاد نہیں ہے۔

۱۱۔ ڈائریکٹرز، سی ای او، ایف او، انٹرنل آڈٹ کے سربراہ، کمپنی سیکریٹری اور ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے بینک کے شیرز میں سال کے دوران کوئی تجارت نہیں کی گئی، سوائے درج ذیل کے:

• 10,299 شیرز 3 ایگزیکٹوز کی جانب سے فروخت کئے گئے۔

• 9,299 شیرز 3 ایگزیکٹوز کی جانب سے خریدے گئے۔

اس ضمن میں ”ایگزیکٹو“ کی تعریف میں پاکستان اسٹاک ایکسچینج کی رول بک میں درج شدہ افسران کے علاوہ بینک کے اسٹینٹ جنرل مینجز اور اس سے بالا عہدیداران کو بھی شامل کیا گیا ہے۔



ادارتى سماجى ذمہ داری

آپ کا بینک مکمل طور پر ادارتی سماجی ذمہ داری کے تصور پر کاربند 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 تعلیمی ترقی اور عوام کی فلاح و بہبود کے لئے عطیات اور خیرات کی صورت میں 543.59 ملین روپے کی فراہمی۔
- توانائی کا بہتر استعمال، غیر ضروری بجلی جلانے پر پابندی اور ماحول کو محفوظ اور صحت مند بنانے کے لئے انسدادِ تمباکو نوشی کے قانون پر عملدرآمد اور ”نواسموکنگ زون“ کا قیام۔
- کاروباری ضابطہ اخلاق اور انسدادِ بدعنوانی کے اقدامات کے تحت تمام اسٹاف ممبران کے لئے بینک کے ضابطہ اخلاق ”کوڈ آف کنڈکٹ“ اور ”اینٹی۔ براہیری اینڈ کریپشن پالیسی“ پر لازمی عملدرآمد۔
- صارفین کے تحفظ کے اقدامات اور اس ضمن میں بینک کی پروڈکٹس اور خدمات پر لاگو شیڈول آف چارجز اور شرائط و ضوابط کی تشہیر۔
- اسٹاف کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کا اعتراف، دورانِ ملازمت اور باقاعدہ تربیتی پروگراموں کے ذریعے اسٹاف کیلئے سیکھنے اور ترقی کے مواقع۔
- مذہب، ذات پات اور لسانی امتیاز کے بغیر ایک شفاف طریقہ کار کے ذریعے روزگار کی فراہمی، بشمول برائے خصوصی افراد۔
- دیہی علاقوں کیلئے بینک کے برانچ نیٹ ورک میں توسیع جس سے دیہی ترقی میں مدد ملے۔
- بینک کی جانب سے براہ راست ٹیکسز کے ذریعے سال کے دوران قومی خزانے میں 12.10 بلین روپے جمع کرائے گئے۔ مزید برآں 17.25 بلین روپے سے زیادہ کی اضافی رقم ودہولڈنگ ٹیکسز، فیڈرل ایکسائز ڈیوٹی اور سروسز پر سیلز ٹیکس کی مد میں بینک کے ذریعے منہا/ وصول کی گئی اور حکومت پاکستان/ صوبائی حکومتوں کو ادا کی گئی۔
- گزشتہ 5 سالوں کے دوران بینک نے پرائم منسٹر یوتھ بزنس لون پروگرام کے تحت 46.31 بلین روپے دیئے گئے۔

کارپوریٹ اور فنانشل رپورٹنگ پراسٹیٹمنٹ

- 1- بینک کی جانب سے تیار کئے گئے مالیاتی حسابات، اس کے تمام کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- 2- بینک کی جانب سے باقاعدہ حساب کتاب رکھا گیا ہے۔
- 3- مالیاتی حسابات کی تیاری میں موزوں اور درست اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئی ہیں۔ اگر اس میں کوئی تبدیلی کی گئی تو اس کو واضح انداز میں بیان کیا گیا اور اکاؤنٹنگ کے تخمینہ جات موزوں ترین اور محتاط فیصلوں پر مبنی ہیں۔
- 4- مالیاتی حسابات کی تیاری میں انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرز اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرز، 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۔
- 5- انٹرنل کنٹرولز 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 فنانشل رپورٹنگ پر انٹرنل کنٹرولز سے متعلق انتظامیہ کی جانچ بشمول مجموعی انٹرنل کنٹرولز کی توثیق صفحہ 31 پر درج ہے۔
- 6- بینک کے لئے ”چلتے ہوئے کاروباری ادارے“ کا تصور مناسب ہے۔ اس ضمن میں بے یقینی کا کوئی امکان موجود نہیں ہے جو بینک کے ”چلتے ہوئے کاروباری ادارے“ کے تصور پر شکوک پیدا کرے۔



آڈیٹرز

موجودہ آڈیٹرز ای وائی فورڈ رہوڈز، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کیلئے پیش کیا ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز 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 آڈیٹرز دوبارہ تقرری کے لئے سفارش کی ہے۔

رسک مینجمنٹ فریم ورک

بینک ہمیشہ اپنے حجم اور اس کے کاروبار کی نوعیت کے مطابق رسک مینجمنٹ فریم ورک کا حامل رہا ہے۔ یہ فریم ورک کئی سالوں میں تشکیل دیا گیا اور اس میں مزید بہتری لانے کا سلسلہ جاری ہے۔ بینک کا ایک اہم رہنما اصول، ڈپازٹرز کی رومات کو بطور امانت تحفظ فراہم کرنا ہے۔ یہی وجہ ہے کہ بینک بزنس رسک سے نمٹنے کے لئے معتدل اور محتاط رویہ اپناتا ہے۔ بینک کے رسک مینجمنٹ کمیٹی مجموعی طور پر بینک کے کریڈٹ رسک کے انتظام کی رہنمائی کرتی ہیں:

- کریڈٹ رسک کا انتظام بورڈ کی جانب سے منظور کردہ کریڈٹ پالیسیز، بہتر کریڈٹ منظوری کا طریقہ کار: انٹرنل رسک ریٹنگز کا استعمال، مقرر کردہ دستاویزی ضروریات؛ پوسٹ ڈسبرسمنٹ ایڈسٹریشن؛ کریڈٹ سہولتوں کا جائزہ و نگرانی، اور کسٹمرز کی کریڈٹ اہلیت کی مستقل جانچ پر مشتمل ہے۔ بینک نے بڑے کریڈٹ رسک کے پیش نظر خود مختار پوسٹ ڈسبرسمنٹ جائزے کے لئے بھی طریقہ کار تشکیل دیا ہے۔ کریڈٹ پورٹ فولیو سے متعلق فیصلے بنیادی طور پر سینٹرل کریڈٹ کمیٹی کرتی ہے۔ بورڈ کی کریڈٹ رسک مینجمنٹ کمیٹی 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، کسٹمرز اور ڈیلرز کی لمٹس کی منظوری اور ٹریڈری اینڈ انویسٹمنٹ پالیسی، سرمایہ کاریوں کیلئے سینئر انتظامیہ کی منظوری اور بینک کی ایسیٹ لیبیلیٹی مینجمنٹ کمیٹی (ALCO) کی جانب سے سرمایہ کاری کے پورٹ فولیو کے باقاعدہ جائزے اور نگرانی کے ذریعے کیا جاتا ہے۔ علاوہ ازیں لیکویڈٹی رسک پالیسی بینک کی لیکویڈٹی پوزیشن کے انتظام میں رہنمائی فراہم کرتی ہے جس کی نگرانی ٹریڈری اور مڈل 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 مینجمنٹ کمیٹی بینک کے مارکیٹ اور لیکویڈٹی رسک، کپیٹل ایڈیکویسی اور مر بوط رسک مینجمنٹ (جسے انٹر پرائز رسک مینجمنٹ 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، کمپلائنس پالیسی اینڈ پروگرام، آئی ٹی اور آئی ٹی سیکورٹی پالیسیز، ہیومن ریسورس پالیسی، کنزرویٹو پروڈکشن فریم ورک اور بورڈ کی جانب سے منظور شدہ آڈٹ سورسنگ پالیسی کے ذریعے کیا جاتا ہے اور اس کے ساتھ فراڈ سے تحفظ کی پالیسی، اور کنزرویٹو کی شکایات سے نمٹنے کی پالیسی، کو بھی مد نظر رکھا جاتا ہے۔ آپریشنل مینولز و طریقہ کار، انٹرنل کنٹرولز اور اہم ٹرانزیکشن کی حفاظت داری کے لئے دوہرے اختیارات کا نظام؛ کاروبار جاری رکھنے کا پلان بشمول آئی ٹی کیلئے ڈیزاسٹر ریکوری پلان اور برانچوں اور ڈویژنوں 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 مینجمنٹ پالیسی، رسک ٹالرنس اسٹیٹمنٹ اور کسٹری رسک مینجمنٹ پالیسی بینک کو درپیش ممکنہ رسک کا بندوبست کرنے میں مزید رہنمائی فراہم کرتی ہیں۔

رسک مینجمنٹ پراسیڈر بینک آف پاکستان کی رہنما ہدایات پر عمل درآمد کرنے کی غرض سے بینک نے ایک علیحدہ سے رسک مینجمنٹ ڈویژن بشمول ایک مڈل آفس قائم کیا ہے جو کہ آزادانہ طور پر ٹریڈری آپریشنز میں موجود خدشات کی نگرانی اور جائزے کی ذمہ داری سنبھالتا ہے۔ ڈویژن کی جانب سے کئے جانے والے اقدامات میں گورنمنٹ سیکورٹیز کے پورٹ فولیو کی حساسیت کی جانچ؛ پورٹ فولیو کی مدت اور ترمیم شدہ دورانیے کا حساب رکھنا، میچورٹی کی عدم موافقت، اثاثہ جات اور مالی ذمہ داریوں کی شرح حساسیت کا جائزہ، فارورڈ فارن ایکسیج گیب پوزیشنز کا تجزیہ، ٹی ایف سیز اور سیز پورٹ فولیو کی مزید مفصل رپورٹنگ؛ ایکویٹیٹیز میں ڈیلنگ اور سٹیٹمنٹس کو بہتر بنانے کے طریقہ کار کی تشکیل؛ آف مارکیٹ فارن ایکسیج ریس اور غیر ملکی زرمبادلہ کی آمدنی کی نگرانی، آپریشنل نقصانات کے اعداد و شمار کا حصول، اہم رسک انڈیکسز کی نشاندہی، بینک کے دس بڑے رسک کی شناخت، تمام پروڈکٹس اور پروسیجرز کے لئے رسک کی جانچ اور بڑے کریڈٹ رسک کے پوسٹ ڈسبرسمنٹ جائزے کیلئے خود مختار طریقہ کار کا قیام شامل ہیں۔ بینک کے انٹر پرائز و اینڈ مر بوط رسک پروفائل کی جانچ، بازل فریم ورک، رسک کا جائزہ، اہم رسک انڈیکسز، انٹرنل کپیٹل ایڈیکویسی اسسٹمنٹ پروسس اور اسٹریٹجک ٹیسٹنگ اور ری کوری پلان استعمال کرتے ہوئے انجام دی جاتی ہے۔



ڈائریکٹرز کی میوزیشن پالیسی

بینک کے شیئر ہولڈرز نے ”ڈائریکٹرز کی میوزیشن کو متعین کرنے کے لئے پالیسی اور طریقہ کار“ کی منظوری دی ہے جس میں واضح کیا گیا ہے کہ:

- بورڈ اور کمیٹی کے اجلاسوں میں شرکت کیلئے نان۔ ایگزیکٹو ڈائریکٹرز کی میوزیشن کا فیصلہ بورڈ کی جانب سے اسٹیٹ بینک کی طرف سے وقتاً فوقتاً مقرر کردہ زیادہ سے زیادہ حد کے اندر کیا جائے گا۔
- بورڈ کے چیئرمین، بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کیلئے مقرر کردہ ری میوزیشن کے علاوہ 20 فیصد اضافی فیس کے حقدار ہوں گے جو چیئرمین کی وسیع تر قابلیت، تجربے، باشعور فیصلوں کی اہلیت اور مارکیٹ روابط کو مد نظر رکھتے ہوئے طے کیا گیا ہے۔ بورڈ کی جانب سے چیئرمین، بینک کے کاروباری پلان پر عملدرآمد اور بینک کی انتظامیہ کی کارکردگی پر نگاہ رکھیں گے۔
- کل وقتی ڈائریکٹر وہ معاوضہ حاصل کریں گے جو کہ ممبران (شیئر ہولڈرز) نے ان کیلئے طے کیا ہے۔
- اگر ڈائریکٹر/چیئرمین کی مجموعی کارکردگی مسلسل 2 سالوں کے لئے بورڈ ممبران کی سالانہ کارکردگی کی جانچ پڑتال رپورٹ کے مطابق ”بہتری کی ضرورت“ کی کیٹیگری میں رہی ہو تو (انفرادی ڈائریکٹرز کی صورت میں) بورڈ کے چیئرمین اور (بورڈ کے چیئرمین کی صورت میں) انڈیپنڈنٹ ڈائریکٹرز و دیگر ڈائریکٹرز کم کارکردگی کے حامل ڈائریکٹر/چیئرمین کی ری میوزیشن پر اسز نوغور کریں گے۔

کریڈٹ ریٹنگ

الحمد للہ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے لمبی مدت کے لئے بینک کی ریٹنگ گز +AA (ڈبل اے پلس) اور مختصر مدت کے لئے A1+ (اے ون پلس) برقرار رکھی ہیں۔ ہمارے انسکیورڈ، سبارڈینیٹڈ ٹرم فنانس سرٹیفکیٹس (TFCs) کی ریٹنگ گز AA (ڈبل اے) برائے TFC-2016 اور TFC-2018 اور AA (ڈبل اے مائنس) برائے TFC-2017 (پریچپول) ہیں۔ یہ ریٹنگ گز کریڈٹ رسک کی بہت کم توقع ظاہر کرتی ہیں، جس کی وجہ مالی ذمہ داریوں سے عہدہ براء 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 بتدریج استحکام کی جانب گامزن رہی تاہم جب بہتری آنی شروع ہوئی تو COVID-19 (کورونا وائرس) کے عالمی پھیلاؤ نے ہمارے ملک کو بھی متاثر کیا۔ اور اس کے نتیجے میں عوام الناس 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 کمی دیکھی گئی۔ الحمد للہ، حکومت اور اسٹیٹ 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 COVID-19 (کورونا وائرس) کے اثرات کا خاطر خواہ تدارک ممکن ہو سکا۔ جبکہ برآمدی فروغ اور غیر ملکی سرمایہ کاری سمیت دیگر بیرونی محاذ پر غیر یقینی صورتحال برقرار رہی۔ بیرون ملک زرتریسیات میں اضافہ ہوا جبکہ غیر ملکی ذخائر بلند تر سطح پر برقرار رہے، افراط زر بڑی حد تک کنٹرول میں رہا اور بینک کے ڈپازٹس میں 5 سالوں کی بلند ترین سطح ریکارڈ کی گئی۔ اسٹیٹ بینک کی عارضی اقتصادی ری فنانس سہولت برائے صنعتی سرمایہ کاری، حکومت کی ہاؤسنگ و تعمیراتی سیکٹر پر خصوصی توجہ اور COVID-19 (کورونا وائرس) ویکسین کی متوقع دستیابی کی وجہ سے معیشت کی بحالی کے 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 اینڈری 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، چیئر مین | 7 | 7 | جناب سفر علی لاکھانی، چیئر مین |
| 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 ماڈجی خان | 7 | 7 | سید حسن علی بخاری |
| 3 | 3 | جناب ارشد ناصر | 7 | 7 | جناب ارشد ناصر |

| رسک مینجمنٹ کمیٹی | | | کریڈٹ رسک مینجمنٹ کمیٹی | | |
|-------------------|--------------|-----------------------------|-------------------------|--------------|-------------------------|
| شرکت کردہ اجلاس | منعقدہ اجلاس | ڈائریکٹر کا نام | شرکت کردہ اجلاس | منعقدہ اجلاس | ڈائریکٹر کا نام |
| 3 | 3 | جناب عدنان آفریدی، چیئر مین | 3 | 3 | سید مظہر عباس، چیئر مین |
| 3 | 3 | جناب کیمیل آر۔ حبیب | 2 | 3 | جناب سفر علی لاکھانی |
| 3 | 3 | محترمہ فرحانہ ماڈجی خان | 3 | 3 | جناب کیمیل آر۔ حبیب |
| 2 | 3 | جناب انور حاجی کریم | 3 | 3 | سید حسن علی بخاری |
| 3 | 3 | جناب سفر علی لاکھانی | 3 | 3 | جناب مرتضیٰ ایچ۔ حبیب |

| آئی ٹی 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، چیئر مین | 2 | 2 | سید حسن علی بخاری، چیئر مین |
| 3 | 3 | جناب کیمیل آر۔ حبیب | 2 | 2 | جناب ارشد ناصر |
| 3 | 3 | جناب ارشد ناصر | 2 | 2 | جناب کیمیل آر۔ حبیب |
| 3 | 3 | سید مظہر عباس | | | |
| 3 | 3 | جناب منصور علی خان | | | |

ڈائریکٹر ذکا ٹریننگ پروگرام

ڈائریکٹرز نے گزشتہ سالوں میں یا تو مطلوبہ ٹریننگ حاصل کر لی ہے یا وہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019، میں درج مطلوبہ اہلیت کے تحت اس سے مستثنیٰ 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۔ حبیب | 4 | 4 |
| جناب انور حاجی کریم | 4 | 4 |
| محترمہ فرحانہ ماؤجی خان | 4 | 4 |
| سید مظہر عباس | 4 | 4 |
| جناب گمیل آر۔ حبیب | 4 | 4 |
| جناب سفر علی لاکھانی | 4 | 4 |
| سید حسن علی بخاری | 4 | 4 |
| جناب مرتضیٰ ایچ۔ حبیب | 4 | 4 |
| جناب ارشد ناصر | 4 | 4 |
| جناب عدنان آفریدی | 4 | 4 |
| جناب منصور علی خان، چیف ایگزیکٹو | 4 | 4 |

کمیٹی کے اجلاس

سٹڈی کمیٹی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت یہ ضروری ہے کہ بورڈ کی تمام کمیٹیوں یعنی آڈٹ کمیٹی، ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی، آئی ٹی کمیٹی اور آئی ایف آریس-9 کمیٹی کی تشکیل کا اظہار کیا جائے۔

سال کے دوران آڈٹ کمیٹی کے 17 اجلاس اور ہیومن ریسورس اینڈ ری میونریشن کمیٹی، کریڈٹ رسک مینجمنٹ کمیٹی، رسک مینجمنٹ کمیٹی اور آئی ٹی کمیٹی کے 3 اجلاس جبکہ آئی ایف آریس-9 کمیٹی کے 2 اجلاس منعقد ہوئے اور ان میں ممبران کی حاضری درج ذیل رہی:



الحیب ایسیٹ مینجمنٹ لمیٹڈ (اے ایچ اے ایم ایل) میں سرمایہ کاری (سابقہ حبیب ایسیٹ مینجمنٹ لمیٹڈ)

ہم آپ کو بھروسہ دیتے ہیں کہ سال کے دوران آپ کے بینک نے الحیب ایسیٹ مینجمنٹ لمیٹڈ (اے ایچ اے ایم ایل) کے ہمارے پاس پہلے سے موجود 30 فیصد کے علاوہ باقی ماندہ 70 فیصد شیئرز بھی حاصل کر لئے ہیں۔ اس حصول کے نتیجے میں اے ایچ اے ایم ایل بینک کا مکمل ملکیتی ذیلی ادارہ بن چکا ہے۔ مزید برآں بینک نے اے ایچ اے ایم ایل میں 450 ملین روپے کی اضافی ایکویٹی بھی شامل کی ہے۔

ٹاپ 25 کمپنیز ایوارڈ برائے سال 2019

اللہ تعالیٰ کے فضل و کرم سے ہم بھروسہ آگاہ کرتے ہیں کہ بینک کو سال 2019ء کے لئے پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کی جانب سے ”ٹاپ 25 کمپنیز ایوارڈ“ کے لئے منتخب کیا گیا۔ ایوارڈ کیلئے اہلیت کا معیار سرمائے کا بہتر استعمال، منافع جات، آزاد دستیاب شیئرز، شفافیت، کارپوریٹ گورننس اور سرمایہ کار سے تعلق اور لسٹنگ کمپنیز اور سیکورٹیز ضوابط 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:

- مرد 09
 - خاتون 01
-
- 10

بورڈ کی تشکیل درج ذیل ہے:

| | |
|--|-------------------------------|
| سید حسن علی بخاری جناب ارشد ناصر جناب سفر علی لاکھانی | انڈیپنڈنٹ ڈائریکٹرز |
| جناب عباس ڈی۔ حبیب جناب انور حاجی کریم سید مظہر عباس جناب مرضی ایچ۔ حبیب جناب عدنان آفریدی | نان۔ ایگزیکٹو ڈائریکٹرز |
| جناب گمیل آر۔ حبیب | ایگزیکٹو ڈائریکٹر |
| محترمہ فرحانہ ماوجی خان | خاتون ڈائریکٹر۔ نان۔ ایگزیکٹو |

جناب منصور علی خان بینک کے چیف ایگزیکٹو ہیں۔ بحیثیت بینک کے سی ای او وہ بینک کے ڈائریکٹرز تصور کئے جاتے ہیں۔



ڈائریکٹرز کی رپورٹ

الحمد للہ بینک الحیب کے ڈائریکٹرز کیلئے 30 ویں سالانہ رپورٹ بشمول ۳۱ دسمبر ۲۰۲۰ء کو ختم ہونے والے سال کیلئے بینک کے آڈٹ شدہ مالیاتی حسابات پیش کرنا باعث مسرت ہے۔

آپریٹنگ نتائج اور ان کی تخصیص کے لئے بورڈ کی سفارشات درج ذیل ہیں:

(000 روپے میں)

28,581,064

(10,769,528)

17,811,536

27,907,758

104,484

(128,275)

27,883,967

45,695,503

(1,781,154)

(3,889,988)

(5,671,142)

40,024,361

16.03 روپے

سالانہ منافع قبل از ٹیکس

ٹیکسیشن

سالانہ منافع بعد از ٹیکس

گزشتہ غیر مختص شدہ منافع

فکسڈ اثاثہ جات کی ری ویلیویشن کے اضافے میں سے منتقلی۔ بعد از ٹیکس

دیگر جامع آمدنی۔ بعد از ٹیکس

تخصیص کیلئے دستیاب منافع

تخصیص:

اسٹیچوٹری ریزرو میں منتقلی

نقد منافع منقسمہ۔ ۲۰۱۹ء

غیر مختص شدہ منافع

بنیادی/معتدل فی شیئر آمدنی۔ بعد از ٹیکس

۳۱ دسمبر ۲۰۲۰ء کو ختم ہونے والے سال کے لئے ڈائریکٹرز نے 45% نقد منافع منقسمہ یعنی 4.50 روپے فی شیئر تجویز کیا ہے۔

کارکردگی کا جائزہ

الحمد للہ آپ کے بینک کی کارکردگی سال کے دوران اطمینان بخش رہی۔ ڈپازٹس ایک سال قبل کے 903.7 بلین روپے کے مقابلے میں بڑھ کر 1,099.7 بلین روپے ہو گئے جبکہ ایڈوانسز 488.7 بلین روپے سے بڑھ کر 510.3 بلین روپے ہو گئے۔ سال کے دوران بینک کا غیر ملکی تجارتی کاروباری حجم 1,704.6 بلین روپے رہا۔ سالانہ منافع قبل از ٹیکس 28.6 بلین روپے رہا جبکہ گزشتہ سال یہ منافع 19.0 بلین روپے تھا۔ جبکہ سالانہ منافع بعد از ٹیکس گزشتہ سال کے 11.2 بلین روپے کے مقابلے میں 17.8 بلین روپے رہا۔

سال کے دوران بینک نے 95 نئی برانچیں قائم کیں اور 5 ذیلی برانچوں کو مکمل برانچوں میں تبدیل کیا۔ بینک کا موجودہ نیٹ ورک 854 دفاتر پر مشتمل ہے جس میں 818 برانچیں ہیں۔ (بشمول 106 اسلامک بینکنگ برانچیں اور 3 اوروریزر برانچیں، بحرین، ملائیشیا اور سیشلز) 32 ذیلی برانچیں اور 4 نمائندہ دفاتر، دبئی، استنبول، بیجنگ اور نیروبی شامل ہیں۔ بینک کی جانب سے پاکستان اور بیرون ملک نیٹ ورک میں توسیع کا سلسلہ جاری رہے گا۔



بورڈ کی مجموعی کارکردگی پر چیئرمین کی جانب سے جائزہ رپورٹ

الحمد للہ، میں بمسرت 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 ماسوائے بطور خاص ان اختیارات کے جو چیئرمین ہولڈرز بینک کے اجلاس عام میں استعمال کرتے ہیں۔ ڈائریکٹرز نے روزمرہ کے امور مینجمنٹ کے سپرد کئے ہیں تاہم یہ سپردگی بورڈ کی آگاہی کے تحت اُن کے کنٹرول اور ہدایت سے مشروط ہے۔ ڈائریکٹرز کیلئے ضروری ہے کہ وہ اپنی صلاحیتوں کے عین مطابق اپنی ذمہ داریاں اور فیصلے، آزادانہ طور پر بینک کے مفادات کو پیش نظر رکھتے ہوئے سرانجام دیں۔ بورڈ نے اپنی کارکردگی کی جانچ کے لئے ایک باقاعدہ طریقہ کار منظور کیا ہے۔ بینک نے بورڈ کی جانچ کے لئے اندرون خانہ طریقہ کار اور اعدادی ٹیکنیک مع اسکور شدہ سوال نامے کا انتخاب کیا ہے۔

بورڈ کی اس کارکردگی کی جانچ کا مجموعی مقصد درج ذیل شعبوں پر توجہ مرکوز کرتے ہوئے بینک کی دیر پا توسیع و ترقی کو یقینی بنانا ہے۔

- اے۔ بورڈ کی تشکیل اور اس کے امور
- بی۔ کارپوریٹ اسٹریٹیجی اور بزنس پلان
- سی۔ بینک کی کارکردگی کی نگرانی
- ڈی۔ انٹرنل آڈٹ اور انٹرنل کنٹرول
- ای۔ رسک مینجمنٹ اور کمپلائنس
- ایف۔ ضروری معلومات کی تشہیر
- جی۔ بہتری کے لئے تجاویز

اس حوالے سے بورڈ کی کارکردگی کی جانچ بورڈ کے منظور کردہ طریقہ کار کے مطابق 2020 میں کی گئی جس کے تحت یہ نتیجہ اخذ کیا گیا کہ بورڈ کی مجموعی کارکردگی بشمول بینک کے مقاصد کے حصول کیلئے بورڈ کا موثر کردار بالعموم باعث اطمینان ہے۔

عباس ڈی۔ حبیب

چیئرمین

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 Chatta
- 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
- Bhiria 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
- Dehira
- Depalpur
- Dera Ghazi Khan
- Dera Ismail Khan
- Dera Murad Jamali
- Derianwala
- Dhantal
- Dhudhial
- Digri
- Dina
- Dinga
- Domala
- Dunyapur
- Dureji
- Ellahabad
- Faisalabad
- Faqirwali
- Fateh Jang
- Fatehpur
- Fazil Pur
- Feroza
- Ferozewatoan
- Fort Abbas
- Gaggio Mandi
- Gambat
- Garha Mor
- Gawadar
- Ghakhar
- Gharo
- Ghotki
- Gilgit
- Gojra
- Golarchi
- Gujar Khan
- Gujranwala
- Gujrat
- Gulyana
- Hafizabad
- Hala
- Hangu
- Harapa
- Hariapur
- Haroonabad
- Hasan Abdal
- Hasilpur
- Hattar
- Havellian
- Hazro
- Head Bakaini
- Head Rajkan
- Hingorja
- Hub
- Hyderabad
- Islamabad
- Jacobabad
- Jalalpur Jattan
- Jalalpur Pirwala
- Jampur
- Jaranwala
- Jehlum
- Jhang
- Joharabad
- Kabirwala
- Kacha Pakka
- Kahrur Pacca
- Kahuta
- Kalakot
- Kalat
- Kallar Syedan
- Kallur Kot
- Kamalia
- Kamar Mushani
- Kamoke
- Kamra
- Kandhkot
- Kandiaro
- Kankowai
- Karachi
- Karianwala
- Karkhana Bazar Vehari
- Kashmore
- Kassawal
- 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
- Mailsi
- Malakwal
- Mandi Bahauddin
- Mandra
- Mangowal
- Mansehra
- Mardan
- Maroot
- Mastung
- Mathanichangan Swabi
- Matiari
- Matli
- Mehar
- 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
- Nasseerabad
- Nasserpur
- 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
- Raiwand
- Raja Ram
- Rajanpur
- Rajoya Sadat
- Rakhni
- Rangpur Adda
- Rawalakot (A.K.)
- Rawalpindi
- Renala Khurd
- Rohailan Wali
- Rohri
- Sadda
- Sadiqabad
- 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
- Takhtbhai
- Talagang
- Talbani
- Tanda
- Tandlianwala
- 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
- Zhob

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

Registered Office

126-C, Old Bahawalpur Road, Multan.
 Phones: (92-61) 4580314-16, & 111-786-110
 Fax: (92-61) 4582471

SWIFT CODE : BAHLPKKA website : www.bankalhabib.com



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 _____ | 2. Signature _____ |
| Name _____ | Name _____ |
| Address _____ | Address _____ |
| CNIC/Passport No. _____ | 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.



مختار نامہ (پراسی فارم)

میں / ہم _____ ساکن _____ بحیثیت ممبر (رکن) بینک الحیب لمیٹڈ اور حامل
عام حصص، بمطابق شیئرز رجسٹر فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____
کو اپنے / ہمارے ایما پر بروز جمعرات ۲۵ مارچ ۲۰۲۱ء کو بینک الحیب لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے بینک کے تیسویں سالانہ اجلاس عام میں
حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراسی) مقرر کرتا / کرتی ہوں / کرتے ہیں۔

آج بروز _____ بتاریخ _____ ۲۰۲۱ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط ان کے کمپیوٹرائزڈ قومی شناختی کارڈ
یا پاسپورٹ کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____

نام _____ نام _____

پتہ _____ پتہ _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراسی) شرکت کرنے، بولنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔
مختار (پراسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراسی فارم) جمع کرانا ہوئے۔

مختار نامہ (پراسی فارم) پر ممبر (رکن) یا ان کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراسی فارم) پر کمپنی کی مہر ہونا
بھی ضروری ہے۔

مختار نامہ (پراسی فارم) بعد نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم
۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔

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