

**HABIBMETRO**

HALF YEARLY REPORT

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هَذَا فَضْلُكَ

# OUR VISION

To be the most respected financial institution  
based on trust, service and commitment



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# OUR VALUES

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## **RESPECT**

We respect our heritage, our team's dedication, and our customers' faith in us.

## **INTEGRITY**

We set high professional and ethical standards for ourselves and each other.

## **TEAMWORK**

We play to our strengths and build teams that deliver at the local and global levels.

## **RESPONSIBILITY**

We take responsibility for ourselves, our actions, and always give our best.

## **COMMITMENT**

We are committed to responding to the needs of our customers.

## **TRUST**

We safeguard the trust that our customers place in us, and foster the same with passion.



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### CHAIRMAN

Mohamedali R. Habib

#### PRESIDENT & CHIEF EXECUTIVE OFFICER

Mohsin A. Nathani

#### DIRECTORS

Anjum Z. Iqbal

Firasat Ali

Hamza Habib

Mohomed Bashir

Muhammad H. Habib

Rashid Ahmed Jafer

Tahira Raza

### BOARD COMMITTEES

#### AUDIT

Anjum Z. Iqbal

Hamza Habib

Rashid Ahmed Jafer

#### CREDIT

Anjum Z. Iqbal

Mohamedali R. Habib

Mohsin A. Nathani

Muhammad H. Habib

#### HUMAN RESOURCE & REMUNERATION

Firasat Ali

Mohamedali R. Habib

Tahira Raza

#### SHARIAH BOARD

Tan Sri Dr. Mohd. Daud Bakar - Chairman

Mufti Abdul Sattar Laghari - Member

Mufti Khawaja Noor ul Hassan - Resident Member

#### COMPANY SECRETARY

Ather Ali Khan

#### REGISTERED OFFICE

Ground Floor, HabibMetro Head Office

I I Chundrigar Road,

Karachi – 74200, Pakistan

#### INFORMATION TECHNOLOGY

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

#### RISK & COMPLIANCE

Anjum Z. Iqbal

Firasat Ali

Mohsin A. Nathani

Tahira Raza

#### SHARE REGISTRAR

CDC Share Registrar Services Limited

CDC House, 99-B, Block-B, S.M.C.H.S.,

Main Shahr-e-Faisal, Karachi - 74400

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## DIRECTORS' REVIEW

On behalf of the Board of Directors of Habib Metropolitan Bank, I am pleased to present the condensed interim un-audited financial statements for the half year ended 30 June 2022.

Rising Commodity prices along with supply chain disruptions due to ongoing Russia and Ukraine conflict, have kept Pakistan's economy under stress during the HY 2022. This has resulted in increased Current Account deficit and upsurge in Inflation, causing the State Bank of Pakistan (SBP) to adopt tightened monetary policy measures as also adopted by various global economies.

Current Account deficit widened to USD 17.2 billion for FY22 mainly on account of increased energy imports compared to USD 2.6 billion in the corresponding period last year. The import bill grew significantly during the fiscal year, mainly due to high cost of energy related imports, and was recorded at USD 84.2 billion for FY22, up 34 percent YoY. Exports increased by 24.8 percent to USD 39.4 billion in FY22. Further, remittances stood at USD 31.2 billion for FY22 with a 6% increase when compared to last year.

The recent taxation and fiscal measures including reversal of energy subsidies coupled with increased global commodity prices caused inflation to hike significantly to 21.3 percent in the month of June (FY22 - 12.2 percent) and further to a 14-year high of 24.9 percent in July.

The SBP raised interest rates by a cumulative 525 bps since December 31, 2021, including the 125 bps increase in its most recent meeting held on 7 July 2022, taking the policy rate to 15.0 percent.

The Pak Rupee depreciated by 16.1 percent since 31 December 2021, from Rs. 176.5 to Rs. 204.85 against US Dollar in June 2022.

By the Grace of Allah, HabibMetro has posted profit before tax for the first six months amounted to Rs. 12,033 million, an increase of 24.2 percent compared to Rs 9,685 million in the same period last year. This translates into after tax earnings per share of Rs. 6.25 per share.

The Bank's net mark-up income increased to Rs. 16,109 million, a growth of 11.8 percent whereas non-markup income increased by 46.0 percent to Rs. 7,098 million as compared to Rs. 4,863 million during the same period last year.

Investments stood at Rs. 695,693 million with a growth of 4.1 percent compared to 31 December 2021 whereas Net Advances grew by 13 percent to Rs. 450,129 million during the period under review. Meanwhile, deposits increased to Rs. 875,218 million as against Rs. 772,286 million in 31 December 2021. The Bank continues to focus on low cost deposit mobilization - as a result of which, current deposits increased by 12.6 percent during the period under review to Rs. 301,894 million.

The Bank's Net Equity stands at Rs. 70,178 million with a capital adequacy level of 14.2 percent.

The Bank maintained AA+ rating for Long Term, and A1+ rating for Short Term. These ratings by the Pakistan Credit Rating Agency Limited (PACRA) denote a high credit quality, with a low expectation of credit risk, and a strong capacity for timely payment of financial commitments.

During the period under review, the Bank opened 34 new branches in 25 cities in the country. With this increase, HABIBMETRO now operates a network of 493 branches in 191 cities across Pakistan, including 52 Islamic banking branches, and 221 Islamic banking windows. The Bank provides a comprehensive spectrum of banking services and products. These include specialized trade finance products and digital banking solutions such as secured mobile, web & SMS Banking services, globally accepted Visa Cards and a nationwide network of ATMs.

Being a conscientious corporate citizen, your Bank acknowledges its corporate social responsibilities and continues to make regular contributions to a host of non-profit / social organizations with primary focus on healthcare and education.

The Bank continues to promote its digital banking channels (mobile app, web banking, debit cards) to encapsulate the various digital banking opportunities available in the country.

In conclusion, I would like to place on record our sincere gratitude to the Ministry of Finance, the State Bank of Pakistan, and the Securities and Exchange Commission of Pakistan for their continued support and guidance to the Bank. I would also like to thank our valued customers for the trust and patronage that they continue to extend to us. Lastly, I would like to acknowledge the unwavering dedication of the staff of HABIBMETRO Bank, who continue to work tirelessly to provide our customers with uninterrupted financial services. Their efforts enable the Bank to grow from strength to strength.

On behalf of the Board

**MOHSIN A. NATHANI**

President & Chief Executive Officer

Karachi: 18 August 2022

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ نے بینک کی کریڈٹ ریٹنگ طویل مدت کے لئے AA+ (ڈبل اے پلس) اور قلیل مدت کے لئے A1+ (اے ون پلس) برقرار رکھی ہے۔ یہ ریٹنگز کریڈٹ کے اعلیٰ معیار، کریڈٹ رسک کے بہت کم امکان اور مالیاتی وعدوں کی بروقت ادائیگی کی مستحکم صلاحیت ظاہر کرتی ہے۔

زیر جائزہ مدت کے دوران بینک نے 25 شہروں میں 34 نئی شاخوں کا اضافہ کیا۔ اس اضافے کے ساتھ حبیب میٹرواب پاکستان بھر میں 191 شہروں میں 493 شاخوں بشمول 52 اسلامک بینکنگ کی شاخوں اور 221 اسلامک بینکنگ ونڈوز کے ساتھ بہترین، وسیع تر اور مکمل بینکاری خدمات اور پروڈکٹس فراہم کر رہا ہے۔ ان میں خصوصی تجارتی مالیاتی پروڈکٹس، ڈیجیٹل پروڈکٹس اور خدمات بشمول محفوظ SMS، ویب اینڈ موبائل بینکنگ سروسز، دیتا بھر میں قابل قبول ویزا کارڈ اور ملکی سطح پر اپنے کسٹمرز کے لئے ATM نیٹ ورک شامل ہیں۔

بحیثیت ایک ذمہ دار اور فعال کارپوریٹ شہری آپ کا بینک اپنی کارپوریٹ سماجی ذمہ داریوں کو بخوبی سمجھتا اور سماجی اداروں بالخصوص صحت عامہ اور تعلیم کے شعبوں میں معاونت کرتا ہے۔

بینک نے ملک میں دستیاب مختلف ڈیجیٹل بینکنگ کے مواقع سے ہم آہنگ ہونے کے لئے اپنے ڈیجیٹل بینکنگ چینلز (موبائل ایپ، ویب بینکنگ، ڈیپٹ کارڈز) کو فروغ دینے کا سلسلہ جاری رکھا ہوا ہے۔

آخر میں اس موقع پر وزارت مالیات، اسٹیٹ بینک آف پاکستان اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے بینک کیلئے تعاون اور ہدایات کیلئے شکرگزار ہیں۔ ہم اپنے محترم اور قابل قدر کسٹمرز کا بھی ان کے اعتماد اور سرپرستی پر مشکور ہیں جو ان کے بینک پر مستقل بھروسے کا مظہر ہے۔ آخر میں حبیب میٹرو بینک کے اسٹاف کی انتھک کوششوں اور جدوجہد کا اعتراف کرتے ہوئے انہیں خراج تحسین پیش کرتے ہیں جو بینک کے صارفین کو بلا رکاوٹ مالیاتی خدمات فراہم کر رہے ہیں۔ ان ہی کوششوں کی بدولت بینک مضبوط سے مضبوط تر ہوتا جا رہا ہے۔

منجانب بورڈ

**محسن اے۔ ناتھانی**  
صدر و چیف ایگزیکٹو آفیسر

کراچی: 18 اگست 2022

## ڈائریکٹرز ریویو

میں نہایت مسرت کے ساتھ حبیب میٹرو پولیٹن بینک کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2022 کو ختم ہونے والی ششماہی کیلئے غیر آڈٹ شدہ عبوری مالیاتی گوشوارے پیش کر رہا ہوں۔

روس اور یوکرین کے درمیان تنازع کے باعث اشیائے صرف کے بڑھتے ہوئے نرخوں اور سپلائی کے سلسلے میں رکاوٹوں نے مالی سال 2022 کی ششماہی کے دوران پاکستان کی معیشت کو دباؤ میں رکھا۔ اس کے نتیجے میں کرنٹ اکاؤنٹ خسارہ بڑھ گیا اور فراطرز میں بھی اضافہ ہو گیا جس کے سبب اسٹیٹ بینک آف پاکستان نے سخت مائیکرو پالیسی اقدامات لاگو کئے جیسا کہ مختلف عالمی معیشتوں کی جانب سے بھی رائج کئے گئے ہیں۔

کرنٹ اکاؤنٹ خسارہ بنیادی طور پر بڑھتی ہوئی انرجی کی درآمدات کے باعث بڑھ گیا اور مجموعی طور پر مالی سال 2022 کیلئے 17.2 بلین امریکی ڈالر تک پہنچ گیا جو اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران 2.6 بلین امریکی ڈالر تھا۔ رواں مالی سال کے دوران درآمدی بل نمایاں حد تک بڑھ گیا جس کی بنیادی وجہ توانائی سے متعلق درآمدات کی بڑھتی ہوئی لاگت تھی۔ اور یہ مالی سال 2022 میں سال بہ سال 34 فیصد بڑھ کر 84.2 بلین امریکی ڈالر ریکارڈ کئے گئے۔ مالی سال 2022 میں برآمدات 24.8 فیصد تک بڑھ کر 39.4 بلین امریکی ڈالر رہیں۔ مزید برآں مالی سال 2022 کیلئے زرتربلایات گزشتہ سال کے مقابلے میں 31.2 بلین امریکی ڈالر رہی۔

حالیہ ٹیکسیشن اور مالیاتی اقدامات بشمول توانائی سے سبسڈی واپس اور عالمی سطح پر اشیائے صرف کے نرخوں میں اضافے کے نتیجے میں جون کے مہینے میں ہنگامی کی شرح 21.3 فیصد (مالی سال 2022-12.2 فیصد) تک بڑھ گئی اور جولائی میں یہ 14 سال کی بلند ترین سطح 24.9 فیصد تک پہنچ گئی۔

اسٹیٹ بینک آف پاکستان نے حالیہ ہونے والے 7 جولائی 2022 کے اجلاس میں 125 بی بی ایس اضافے کے ساتھ 31 دسمبر 2021 سے شرح سود میں 525 بی بی ایس کا اضافہ کیا جس سے پالیسی ریٹ 15.0 فیصد ہو گیا۔

31 دسمبر 2021 سے روپے کی قدر میں 16.1 فیصد کمی آئی اور جون 2022 تک امریکی ڈالر 176.5 روپے سے بڑھ کر 204.85 روپے پر جا پہنچا۔

اللہ تعالیٰ کے فضل و کرم سے حبیب میٹرو نے پہلی ششماہی میں اپنا منافع قبل از ٹیکس 12,033 ملین روپے ظاہر کیا جو کہ گزشتہ سال کی اسی مدت میں 9,685 ملین روپے کے مقابلے میں 24.2 فیصد زیادہ ہے۔ اس کے نتیجے میں بعد از ٹیکس کی شیئر آمدنی 6.25 روپے ہو گئی۔

بینک کی خالص مارک اپ آمدنی 11.8 فیصد بڑھ کر 16,109 ملین روپے رہی جبکہ نان مارک اپ آمدنی 46.0 فیصد تک بڑھ کر 7,098 ملین روپے ہو گئی جو کہ گزشتہ سال کی اسی مدت کے دوران 4,863 ملین روپے تھی۔

سرماہ کاری کا حجم 31 دسمبر 2021 کے مقابلے میں 4.1 فیصد اضافے کے ساتھ 695,693 ملین روپے رہا۔ جبکہ نیٹ ایڈوانسز 13 فیصد بڑھ کر زیر جائزہ مدت میں 450,129 ملین روپے ہو گئے۔ اس دوران ڈپازٹس 875,218 ملین روپے تک بڑھ گئے جو 31 دسمبر 2021 کو 772,286 ملین روپے تھے۔ بینک نے اپنی توجہ کم لاگت کے ڈپازٹ بڑھانے پر مرکوز رکھی۔ اور اس کے نتیجے میں زیر جائزہ مدت کے دوران کرنٹ ڈپازٹ 12.6 فیصد تک بڑھ کر 301,894 ملین روپے ہو گئے۔

بینک کی نیٹ ایکویٹی 14.2 فیصد کیپٹل ایڈیکوئسی کے ساتھ 70,178 ملین روپے رہی۔

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## INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF HABIB METROPOLITAN BANK LIMITED

### Report on review of Unconsolidated Condensed Interim Financial Statements

#### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of Habib Metropolitan Bank Limited ("the Bank") as at 30 June 2022 and the related unconsolidated condensed interim statement of profit or loss account, the unconsolidated condensed interim statement of comprehensive income, the unconsolidated condensed interim statement of changes in equity, the unconsolidated condensed interim statement of cash flows and notes to the unconsolidated condensed interim financial statements for the six-months period then ended (here-in-after-referred to as "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### Scope of Review

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

#### Conclusion

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

#### Other Matter

The figures for the quarter ended 30 June 2022 in the unconsolidated condensed interim profit and loss account and the unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	62,472,626	83,385,865
Balances with other banks	7	7,182,859	2,995,850
Lendings to financial institutions	8	44,343,478	3,941,284
Investments	9	695,692,672	667,995,813
Advances	10	450,129,078	398,381,922
Fixed assets	11	20,448,851	12,014,494
Intangible assets	12	107,606	120,689
Deferred tax assets	13	4,172,149	3,216,521
Other assets	14	70,223,818	52,364,002
		<u>1,354,773,137</u>	<u>1,224,416,440</u>
<b>LIABILITIES</b>			
Bills payable	15	25,446,909	17,944,644
Borrowings	16	310,953,541	316,166,512
Deposits and other accounts	17	875,218,468	772,286,057
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities		-	-
Other liabilities	18	72,976,632	55,044,575
		<u>1,284,595,550</u>	<u>1,161,441,788</u>
<b>NET ASSETS</b>			
		<u>70,177,587</u>	<u>62,974,652</u>

### REPRESENTED BY

Share capital		10,478,315	10,478,315
Reserves		23,991,736	22,679,604
Surplus / (deficit) on revaluation of assets - net of tax	19	3,489,372	(381,836)
Unappropriated profit		32,218,164	30,198,569
		<u>70,177,587</u>	<u>62,974,652</u>

### CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS Chief Financial Officer	MOHSIN A. NATHANI President & Chief Executive Officer	MOHOMED BASHIR Director	RASHID AHMED JAFER Director	MOHAMEDALI R. HABIB Chairman
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## UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2022

	Note	30 June 2022		30 June 2021	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Mark-up / return / interest earned	22	29,768,555	53,149,520	17,761,208	35,104,359
Mark-up / return / interest expensed	23	(21,395,033)	(37,040,228)	(10,730,650)	(20,701,196)
Net mark-up / interest income		8,373,522	16,109,292	7,030,558	14,403,163
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	24	2,095,025	3,980,508	1,678,740	3,317,773
Dividend income		67,868	132,426	23,930	59,299
Foreign exchange income		1,516,349	2,848,389	784,000	1,263,646
Income / (loss) from derivatives		—	—	—	—
Gain / (loss) on securities	25	36,477	86,182	43,603	45,134
Other income	26	36,284	50,659	170,208	177,006
Total non mark-up / interest income		3,752,003	7,098,164	2,700,481	4,862,858
Total Income		12,125,525	23,207,456	9,731,039	19,266,021
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	27	5,146,157	9,811,406	3,919,397	7,580,537
Workers' welfare fund		147,000	261,000	105,000	212,000
Other charges	28	19,410	39,652	6,075	14,556
Total non-mark-up / interest expenses		(5,312,567)	(10,112,058)	(4,030,472)	(7,807,093)
Profit before provisions		6,812,958	13,095,398	5,700,567	11,458,928
Provisions and write offs - net	29	(674,694)	(1,061,938)	(775,074)	(1,773,935)
Extra ordinary / unusual items		—	—	—	—
<b>PROFIT BEFORE TAXATION</b>		6,138,264	12,033,460	4,925,493	9,684,993
Taxation	30	(3,172,763)	(5,483,820)	(1,923,305)	(3,456,911)
<b>PROFIT AFTER TAXATION</b>		2,965,501	6,549,640	3,002,188	6,228,082
Rupees					
Basic and diluted earnings per share	31	2.83	6.25	2.87	5.94

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**MOHOMED BASHIR**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND HALF YEAR ENDED 30 JUNE 2022

	Note	30 June 2022		30 June 2021	
		Quarter ended	Half year ended	Quarter ended	Half year ended
Rupees in '000					
Profit after taxation		2,965,501	6,549,640	3,002,188	6,228,082
Other comprehensive income / (loss)					
Items that may be reclassified to profit and loss in subsequent periods:					
Effect of translation of net investment in an offshore branch - net of tax		1,876	2,204	173	57
Movement in surplus / (deficit) on revaluation of investments - net of tax	19	(1,164,153)	(1,668,258)	690,302	(940,524)
Items that will not be reclassified to profit and loss in subsequent periods:					
Remeasurement gain / (loss) on defined benefit obligations - net of tax		(38,408)	(76,639)	(1,970)	(41,176)
Surplus on revaluation of fixed assets - net of tax	19 & 11.3	5,338,110	5,338,110	-	-
Movement in surplus on non-banking assets	19.1	201,372	201,372	-	(13,661)
Total comprehensive income		7,304,298	10,346,429	3,690,693	5,232,778

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

MOHOMED BASHIR  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman

# **UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**

**FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Reserves						Surplus / (deficit) on revaluation			
	Share capital	Share premium	Special reserve	Revenue reserve	Statutory reserve	Exchange translation reserve	Investments	Fixed/Non-banking assets	Un-appropriated profit	Total
	Rupees in '000									
Balance as at 1 January 2021	10,478,315	2,550,985	240,361	1,500,000	15,694,782	113	2,942,837	221,970	24,018,848	57,648,211
Profit after taxation	-	-	-	-	-	-	-	-	6,228,082	6,228,082
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	57	(940,524)	(13,661)	(41,176)	(995,304)
Total comprehensive income for the period	-	-	-	-	-	57	(940,524)	(13,661)	6,186,906	5,232,778
Transfer to statutory reserve	-	-	-	-	1,245,616	-	-	-	(1,245,616)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(120,897)	120,897	-
Transactions with owners, recorded directly in equity										
Cash dividend (Rs. 2.50 per share) for the year ended 31 December 2020	-	-	-	-	-	-	-	-	(2,619,579)	(2,619,579)
Balance as at 30 June 2021	10,478,315	2,550,985	240,361	1,500,000	16,940,398	170	2,002,313	87,412	26,461,456	60,261,410
Profit after taxation	-	-	-	-	-	-	-	-	7,230,491	7,230,491
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	1,591	(3,756,238)	1,314,275	18,786	(2,421,586)
Total comprehensive income for the period	-	-	-	-	-	1,591	(3,756,238)	1,314,275	7,249,277	4,808,905
Transfer to statutory reserve	-	-	-	-	1,446,099	-	-	-	(1,446,099)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(29,598)	29,598	-
Transactions with owners, recorded directly in equity										
Interim dividend (Rs. 2.00 per share) for the year ended 31 December 2021	-	-	-	-	-	-	-	-	(2,095,663)	(2,095,663)
Balance as at 31 December 2021	10,478,315	2,550,985	240,361	1,500,000	18,386,497	1,761	(1,753,925)	1,372,089	30,198,569	62,974,652
Profit after taxation	-	-	-	-	-	-	-	-	6,549,640	6,549,640
Other comprehensive income / (loss) - net of tax	-	-	-	-	-	2,204	(1,668,258)	5,539,482	(76,639)	3,796,789
Total comprehensive income for the period	-	-	-	-	-	2,204	(1,668,258)	5,539,482	6,473,001	10,346,429
Transfer to statutory reserve	-	-	-	-	1,309,928	-	-	-	(1,309,928)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(16)	16	-
Transactions with owners, recorded directly in equity										
Cash dividend (Rs. 3.00 per share) for the year ended 31 December 2021	-	-	-	-	-	-	-	-	(3,143,494)	(3,143,494)
Balance as at 30 June 2022	10,478,315	2,550,985	240,361	1,500,000	19,696,425	3,965	(3,422,183)	6,911,555	32,218,164	70,177,587

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

**FUZAIL ABBAS**  
Chief Financial Officer

**MOHSIN A. NATHANI**  
President &  
Chief Executive Officer

**MOHOMED BASHIR**  
Director

**RASHID AHMED JAFER**  
Director

**MOHAMEDALI R. HABIB**  
Chairman

## UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED 30 JUNE 2022

	Note	30 June 2022	30 June 2021
		(Un-Audited)	
		Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		12,033,460	9,684,993
Less: Dividend income		(132,426)	(59,299)
		<u>11,901,034</u>	<u>9,625,694</u>
<b>Adjustments</b>			
Depreciation on fixed assets		666,393	547,257
Depreciation on right-of-use assets		616,677	460,333
Depreciation on non-banking assets		201	18,004
Amortization		40,422	33,941
Mark-up / return / interest expensed on lease liability against right-of-use assets		426,005	301,489
Provisions and write offs excluding recovery of written off bad debts		1,117,660	1,775,435
Unrealized gain on securities - held-for-trading		-	(4,604)
Gain on sale of fixed assets - net		(30,907)	(7,543)
Gain on sale of non-banking assets - net		-	(163,220)
Provision against workers' welfare fund		261,000	212,000
Provision against compensated absences		31,825	17,350
Provision against defined benefit plan		193,964	88,430
		<u>3,323,240</u>	<u>3,278,872</u>
		<u>15,224,274</u>	<u>12,904,566</u>
<b>(Increase) in operating assets</b>			
Lendings to financial institutions		(40,402,194)	(3,000,000)
Advances		(52,747,156)	(39,974,377)
Other assets (excluding dividend and non-banking asset)		(11,859,594)	(862,835)
		<u>(105,008,944)</u>	<u>(43,837,212)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		7,502,265	6,373,556
Borrowings from financial institutions		(7,335,478)	60,189,218
Deposits and other accounts		102,932,411	83,117,872
Other liabilities (excluding current taxation)		9,471,543	(4,116,043)
		<u>112,570,741</u>	<u>145,564,603</u>
		<u>22,786,071</u>	<u>114,631,957</u>
Payment against compensated absences		(22,825)	(6,828)
Contribution to the defined benefit plan		(50,000)	-
Income tax paid		(4,986,363)	(3,469,273)
<b>Net cash flows from operating activities</b>		<u>17,726,883</u>	<u>111,155,856</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in held-for-trading securities		-	(30,944,373)
Net investments in available-for-sale securities		46,383,851	(41,933,477)
Net investments in held-to-maturity securities		(77,326,913)	658,015
Dividend received		92,644	58,955
Investments in fixed assets		(1,769,661)	(829,223)
Proceeds from sale of non-banking assets		-	597,723
Investments in intangibles assets		(27,339)	(71,064)
Proceeds from sale of fixed assets		67,607	7,924
Effect of translation of net investment in Karachi EPZ branch		3,347	57
<b>Net cash flows from investing activities</b>		<u>(32,576,464)</u>	<u>(72,455,463)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(3,168,216)	(2,602,356)
Payment of lease against right-of-use assets		(830,940)	(651,017)
<b>Net cash flows from financing activities</b>		<u>(3,999,156)</u>	<u>(3,253,373)</u>
<b>(Decrease) / increase in cash and cash equivalents</b>		<u>(18,848,737)</u>	<u>35,447,020</u>
Cash and cash equivalents at the beginning of the period		<u>86,351,966</u>	<u>52,367,519</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><u>67,503,229</u></u>	<u><u>87,814,539</u></u>

The annexed notes 1 to 38 form an integral part of these unconsolidated condensed interim financial statements.

<b>FUZAIL ABBAS</b>	<b>MOHSIN A. NATHANI</b>	<b>MOHOMED BASHIR</b>	<b>RASHID AHMED JAFER</b>	<b>MOHAMMEDALI R. HABIB</b>
Chief Financial Officer	President & Chief Executive Officer	Director	Director	Chairman

## **NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 30 JUNE 2022**

### **1. STATUS AND NATURE OF BUSINESS**

Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on 3 August 1992, as a public limited company, under the Companies Ordinance, 1984 (now Companies Act, 2017) and is engaged in commercial banking and related services. The Bank's shares are listed on the Pakistan Stock Exchange. The Bank operates 493 (31 December 2021: 459) branches, including 52 (2021: 49) Islamic banking branches, an offshore branch (Karachi Export Processing Zone branch) (31 December 2021: 1) and 25 (31 December 2021: 30) sub branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich - Switzerland (the Holding Company with 51% shares in the Bank) which is incorporated in Switzerland.

The registered office of the Bank is situated at HabibMetro Head Office, II Chundrigar Road, Karachi.

### **2. BASIS OF PRESENTATION**

**2.1** These unconsolidated condensed interim financial statements represent separate financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are being separately issued.

#### **2.2 Statement of Compliance**

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

- International Accounting Standard (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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 (SBP) and the Securities and Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning on or after 1 January 2014 in respect of accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard will result in certain new disclosures in the financial statements of the Bank. Furthermore, SBP through BPRD Circular Letter No. 4 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 2 of 2018, as amended from time to time.

The disclosures and presentations made in these unconsolidated condensed interim financial statements are based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the audited unconsolidated financial statements of the Bank for the year ended 31 December 2021.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and method of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited unconsolidated financial statements of the Bank for the year ended 31 December 2021 except for the change explained in note 3.1 to these unconsolidated condensed interim financial statements.

#### 3.1 Change in accounting policy of land and building from cost to revaluation model

With effect from 30 June 2022, the Bank has voluntarily changed its accounting policy for land and buildings (freehold and leasehold) from the cost model to the revaluation model, as permitted under IAS 16 'Property, Plant and Equipment' (IAS16). On adoption, these are carried at a revalued amount less accumulated depreciation and accumulated impairment losses (if any), which previously were carried at cost less accumulated depreciation and accumulated impairment losses (if any). The impact of the change in accounting policy has been disclosed in note 11.3.

The management believes that the new accounting policy will result in the financial statements providing more relevant information and a more realistic reflection of the values of these assets.

The change has been dealt in accordance with the requirements of IAS 16, and accordingly, the Bank has applied the accounting policy prospectively.

Fixed assets other than land and buildings are carried in accordance with the accounting policy consistent to those applied in the preparation of unconsolidated financial statements for the year ended 31 December 2021.

In view of the above, the revised accounting policy of the Bank for Properties and Equipment is as follows:

Fixed assets are stated at cost, except for land and buildings which are carried at revalued amounts, less any applicable accumulated depreciation and accumulated impairment losses (if any). Land and capital work-in progress are not depreciated. Other items included in fixed assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions is charged from the day on which the assets are available for use and up to the day in which the assets are disposed off. The useful

lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying amount does not differ materially from their fair value. If an asset's carrying value increases as a result of revaluation, such increase or surplus arising on revaluation is credited to the surplus on revaluation of land and building account. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, if the increase reverses a deficit on the same asset previously recognized in the profit and loss account, such an increase is also recognized in the profit and loss account to the extent of the previous deficit and thereafter in the surplus on the revaluation of land and building account.

In the case of revalued assets, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the net asset and the net amount restated at the revalued amount of the asset.

Surplus on revaluation of land and building (net of any associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Surplus on revaluation (net of any deferred tax) realized on disposal of land and building is transferred directly to unappropriated profit.

### 3.2 Amendments to existing accounting and reporting standards that have become effective in the current period

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after 01 January 2022. These are considered either not to be relevant or not to have any significant impact on these condensed interim unconsolidated financial statements.

### 3.3 New standards and amendments to existing accounting and reporting standards that are not yet effective

As per the SBP's BPRD Circular Letter no. 03 dated 05 July 2022, the applicability of IFRS 9, Financial Instruments has been deferred to accounting periods beginning on or after 01 January 2023. Certain requirements of this standard will be applicable from 01 January 2024. The impact of the application of IFRS 9 on the Bank's financial statements is being assessed.

There are various amendments to existing accounting and reporting standards that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as that applied in the preparation of the audited unconsolidated financial statements for the year ended 31 December 2021.

## 5. RISK MANAGEMENT

The risk management policies adopted by the bank are consistent with those disclosed in the audited unconsolidated financial statements for the year ended 31 December 2021.

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees in '000	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		10,367,723	6,711,218
Foreign currencies		1,105,240	580,139
		<u>11,472,963</u>	<u>7,291,357</u>
<b>With State Bank of Pakistan in</b>			
Local currency current accounts		35,663,001	54,589,341
Foreign currencies			
- current accounts		3,144,081	1,347,685
- cash reserve account		5,653,271	5,475,902
- deposit account - special cash reserve	6.1	443,698	10,110,791
		<u>44,904,051</u>	<u>71,523,719</u>
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		6,051,379	4,446,115
<b>Prize Bonds</b>		44,233	124,674
		<u>62,472,626</u>	<u>83,385,865</u>
<b>6.1</b>	The SBP has relaxed maintenance of FCY Special Cash Reserve required to be maintained by the Bank under DMMD Circular No. 8 of 2020 dated 17 April 2020 till 02 October 2022.		
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		145,371	212,662
In deposit accounts		58,443	967
		<u>203,814</u>	<u>213,629</u>
<b>Outside Pakistan</b>			
In current accounts		6,979,045	2,782,221
		<u>7,182,859</u>	<u>2,995,850</u>
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	307,270	441,284
Repurchase agreement lendings (Reverse Repo)	8.2	44,036,208	-
Modaraba Placement		-	3,500,000
		<u>44,343,478</u>	<u>3,941,284</u>
<b>8.1</b>	This represents foreign currency lending at profit / return rate of 3.70% (31 December 2021: 1.10%) per annum with maturity upto 23 September 2022 (31 December 2021: 12 January 2022).		
<b>8.2</b>	These carry profit / return ranging from 12.75% to 14% per annum with maturity upto 04 July 2022.		



## 9. INVESTMENTS

### 9.1 Investments by types

	30 June 2022 (Un-Audited)				31 December 2021 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
<b>Available-for-sale securities</b>								
Federal government securities	580,323,856	–	(5,878,020)	574,445,836	629,433,212	–	(2,848,310)	626,584,902
Shares	2,607,256	(483,604)	(18,320)	2,105,332	1,453,396	(380,494)	224,696	1,297,598
Non-government debt securities	12,284,590	(111,634)	(252,127)	11,920,829	11,388,952	(115,554)	(323,605)	10,949,793
Mutual funds	30,140	(11,935)	(316)	17,889	30,140	(10,426)	3,963	23,677
Real estate investment trust	1,331,785	–	144,953	1,476,738	672,739	–	67,969	740,708
	596,577,627	(607,173)	(6,003,830)	589,966,624	642,978,439	(506,474)	(2,875,287)	639,596,678
<b>Held-to-maturity securities</b>								
Federal government securities	100,346,048	–	–	100,346,048	22,469,135	–	–	22,469,135
Non-government debt securities (certificates of investment)	4,550,000	–	–	4,550,000	5,100,000	–	–	5,100,000
	104,896,048	–	–	104,896,048	27,569,135	–	–	27,569,135
<b>Subsidiaries - Ordinary Shares and Modaraba Certificates</b>	830,000	–	–	830,000	830,000	–	–	830,000
<b>Total Investments</b>	<u>702,303,675</u>	<u>(607,173)</u>	<u>(6,003,830)</u>	<u>695,692,672</u>	<u>671,377,574</u>	<u>(506,474)</u>	<u>(2,875,287)</u>	<u>667,995,813</u>

**30 June 2022**                      **31 December 2021**  
 (Un-Audited)                      (Audited)  
 ————— Rupees in '000 —————

#### 9.1.1 Investments given as collateral against repo borrowing

The market value of investments given as collateral against repo borrowings is as follows:

##### Federal government securities

Market treasury bills	104,470,173	99,178,412
Pakistan investment bonds	51,220,614	83,891,118
	<u>155,690,787</u>	<u>183,069,530</u>

### 9.2 Provision for diminution in value of investments

Opening balance	506,474	507,587
Charge for the period / year	121,580	3,884
Reversal for the period / year	(3,920)	(4,997)
Net charge / (reversal) for the period / year	117,660	(1,113)
Reversal on disposal for the period / year	(16,961)	–
Closing balance	<u>607,173</u>	<u>506,474</u>

### 9.3 Particulars of provision against debt securities

Category of classification	30 June 2022 (Un-Audited)		31 December 2021 (Audited)	
	Non-performing investments	Provision	Non-performing investments	Provision
	Rupees in '000			
Domestic				
Loss	111,634	111,634	115,554	115,554

9.4 The market value of federal government securities classified as held-to-maturity is Rs. 97,913,058 thousand (31 December 2021: Rs. 20,751,532 thousand).

## 10. ADVANCES

	Performing		Non-Performing		Total	
	30 June 2022 (Un-Audited)	31 December 2021 (Audited)	30 June 2022 (Un-Audited)	31 December 2021 (Audited)	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000					
Loans, cash credits, running finances, etc.	293,695,464	269,326,315	10,607,001	11,128,658	304,302,465	280,454,973
Islamic financing and related assets	102,538,130	78,645,639	664,712	722,390	103,202,842	79,368,029
Bills discounted and purchased	59,731,090	54,518,912	4,712,323	5,036,656	64,443,413	59,555,568
Advances - gross	455,964,684	402,490,866	15,984,036	16,887,704	471,948,720	419,378,570
Provision against advances						
- Specific	-	-	(14,934,061)	(15,900,830)	(14,934,061)	(15,900,830)
- General	(6,885,581)	(5,095,818)	-	-	(6,885,581)	(5,095,818)
	(6,885,581)	(5,095,818)	(14,934,061)	(15,900,830)	(21,819,642)	(20,996,648)
Advances - net of provision	449,079,103	397,395,048	1,049,975	986,874	450,129,078	398,381,922

### 10.1 Particulars of advances - gross

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
In local currency	450,862,764	369,167,849
In foreign currencies	21,085,956	50,210,721
	471,948,720	419,378,570

10.2 Advances include Rs. 15,984,036 thousand (31 December 2021: Rs. 16,887,704 thousand) which have been placed under non-performing status as detailed below:

Category of classification	30 June 2022 (Un-Audited)		31 December 2021 (Audited)	
	Non-performing loans	Provision	Non-performing loans	Provision
	Rupees in '000			
Domestic				
Substandard	2,988	–	28,740	1,098
Doubtful	1,441,998	512,282	1,462,928	529,294
Loss	14,539,050	14,421,779	15,396,036	15,370,438
	<u>15,984,036</u>	<u>14,934,061</u>	<u>16,887,704</u>	<u>15,900,830</u>

### 10.3 Particulars of provision against advances

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,900,830	5,095,818	20,996,648	16,417,607	2,898,168	19,315,775
Charge for the period / year	108,999	1,789,763	1,898,762	2,358,300	2,197,650	4,555,950
Reversals for the period / year	(898,762)	–	(898,762)	(2,348,278)	–	(2,348,278)
Net charge / (reversal) for the period / year	(789,763)	1,789,763	1,000,000	10,022	2,197,650	2,207,672
Amount written off	(177,006)	–	(177,006)	(526,799)	–	(526,799)
Closing balance	<u>14,934,061</u>	<u>6,885,581</u>	<u>21,819,642</u>	<u>15,900,830</u>	<u>5,095,818</u>	<u>20,996,648</u>

10.3.1 The Bank maintains general provision, as a matter of prudence, on account of the management's assessment of credit risk and general banking risk particularly in the current stressed economic condition amounting to Rs. 6,815,749 thousand (31 December 2021: Rs. 5,070,565 thousand) . General provision also includes provision of Rs. 69,830 thousand (31 December 2021: Rs. 25,248 thousand) made against consumer portfolio and Rs. 2 thousand (31 December 2021: Rs. 5 thousand) made against small enterprises (SEs) portfolio as required by the Prudential Regulations issued by the SBP.

### 10.3.2 Particulars of provision against advances

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	14,384,455	6,885,581	21,270,036	15,406,254	5,095,818	20,502,072
In foreign currencies	549,606	–	549,606	494,576	–	494,576
	<u>14,934,061</u>	<u>6,885,581</u>	<u>21,819,642</u>	<u>15,900,830</u>	<u>5,095,818</u>	<u>20,996,648</u>

### 10.3.3 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

In accordance with BSD Circular No. 1 of 21 October 2011 issued by the SBP, the Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing loans and advances. Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 301,137 thousand (31 December 2021: Rs. 208,257 thousand) and profit after tax would have been lower by Rs. 153,580 thousand (31 December 2021: Rs. 127,036 thousand). This amount of Rs.153,580 thousand (31 December 2021: Rs. 127,036 thousand) is not available for distribution of cash and stock dividend to the shareholders and bonus to employees.

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees in '000	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	540,653	180,791
Property and equipment		19,908,198	11,833,703
		<u>20,448,851</u>	<u>12,014,494</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		430,693	90,388
Advances to suppliers		109,960	90,403
		<u>540,653</u>	<u>180,791</u>
		Half year ended	
		30 June 2022 (Un-Audited)	30 June 2021
		Rupees in '000	
<b>11.2 Additions to fixed assets</b>			
The following additions have been made during the period:			
Capital work-in-progress additions / (transfer to property and equipment) - net		359,862	(346,646)
<b>Property and equipment</b>			
Freehold land		498,278	—
Leasehold land		88,667	—
Furniture and fixture		129,991	133,592
Electrical, office and computer equipment		567,826	393,670
Vehicles		63,758	41,566
Lease hold improvement		58,022	607,041
Right-of-use assets		1,188,501	1,113,722
		<u>2,595,043</u>	<u>2,289,591</u>
		<u>2,954,905</u>	<u>1,942,945</u>

11.3 As mentioned in note 3.1 to these condensed interim financial statements the Bank's land and buildings were revalued by an independent professional valuer, M/s. Iqbal A. Nanjee & Co. (Private) Limited as at 30 June 2022. The valuation was performed by the valuer on the basis of assessment of present market values. The revaluation has resulted in a gross surplus of Rs. 6,795,964 thousand over the book value. Deferred tax liability of Rs. 1,457,854 thousand has also been recorded on the above balance.

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
11.3.1 Surplus on revaluation of fixed assets are as follows:		
Freehold land	1,070,460	–
Leasehold land	2,335,148	–
Buildings on freehold land	404,431	–
Buildings on leasehold land	2,985,925	–
	<u>6,795,964</u>	<u>–</u>

11.3.2 Had there been no revaluation the carrying amounts of revalued assets would have been as follows:

Freehold land	1,975,330	–
Leasehold land	1,265,242	–
Buildings on freehold land	43,085	–
Buildings on leasehold land	408,762	–

## 11.4 Disposal of fixed assets

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

Furniture and fixture	605	170
Electrical, office and computer equipment	82	164
Vehicles	36,013	47
	<u>36,700</u>	<u>381</u>

## 12. INTANGIBLE ASSETS

Computer software	107,606	120,689
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### Half year ended

30 June 2022 (Un-Audited)	30 June 2021
Rupees in '000	

12.1 The following additions have been made to intangible assets during the period:

Directly purchased	27,339	71,064
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	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees in '000	
<b>13. DEFERRED TAX ASSETS</b>			
Deductible temporary differences on			
Provision for diminution in value of investments		261,084	197,524
Provision for non-performing loans and off - balance sheet obligations		3,181,082	2,561,945
Accelerated tax depreciation		254,641	193,885
Deferred liability on defined benefit plan		29,599	20,096
Deficit on revaluation of investments		2,581,647	1,121,362
		<u>6,308,053</u>	<u>4,094,812</u>
Taxable temporary differences on			
Surplus on revaluation of non-banking assets		(675,854)	(877,238)
Surplus on revaluation of fixed assets		(1,457,854)	-
Exchange translation reserve		(2,196)	(1,053)
		<u>(2,135,904)</u>	<u>(878,291)</u>
Net deferred tax asset		<u>4,172,149</u>	<u>3,216,521</u>
<b>14. OTHER ASSETS</b>			
Income / mark-up / profit accrued in local currency - net of provision		17,669,084	11,292,467
Income / mark-up / profit accrued in foreign currencies - net of provision		55,046	92,100
Advances, deposits and other prepayments		442,162	274,871
Non-banking assets acquired in satisfaction of claims	14.1	2,297,396	2,297,568
Mark-to-market gain on forward foreign exchange contracts		11,574,356	6,217,789
Acceptances		35,185,737	29,225,097
Receivable from the SBP against encashment of government securities		74,905	20,657
Stationery and stamps on hand		151,763	110,208
Dividend receivable		48,278	8,496
Others		850,792	950,422
		<u>68,349,519</u>	<u>50,489,675</u>
Provision against other assets	14.2	(375,000)	(375,000)
Other assets (net of provision)		<u>67,974,519</u>	<u>50,114,675</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	19	2,249,299	2,249,327
		<u>70,223,818</u>	<u>52,364,002</u>

14.1 This includes property amounting to Rs. 246,855 thousand held by the Bank which is under litigation.

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
14.2 Movement in provision held against other assets		
Opening balance	375,000	459,000
Charge for the period / year	—	165,000
Reversal for the period / year	—	(249,000)
	—	(84,000)
Closing balance	375,000	375,000

## 15. BILLS PAYABLE

In Pakistan	25,362,996	17,856,030
Outside Pakistan	83,913	88,614
	25,446,909	17,944,644

## 16. BORROWINGS

### Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme	89,145,267	68,897,225
Long term financing facility - renewable energy scheme	2,103,923	1,592,554
Long term financing facility - locally manufactured plant and machinery scheme	20,425,565	18,184,877
Refinance for payment of wages and salaries	7,450,166	12,662,380
Temporary economic refinance facility	30,220,799	28,219,857
Long term financing facility - for storage of agricultural produce scheme	605,303	639,685
Refinance facility for modernization of SME	119,370	21,228
Refinance facility for combating COVID-19	59,609	67,754
	150,130,002	130,285,560
Repurchase agreement borrowings (Repo)	154,426,773	182,851,203
Due against bills re-discounting	4,244,510	—
	308,801,285	313,136,763

### Unsecured

Call borrowing	—	3,000,000
Overdrawn nostro accounts	2,152,256	29,749
	2,152,256	3,029,749
	310,953,541	316,166,512

## 17. DEPOSITS AND OTHER ACCOUNTS

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	258,301,493	41,129,714	299,431,207	228,774,493	36,061,897	264,836,390
Savings deposits	180,707,772	20,520,602	201,228,374	171,147,729	22,694,898	193,842,627
Term deposits	260,812,847	50,097,560	310,910,407	208,829,163	50,892,644	259,721,807
Others	32,432,475	14,781	32,447,256	19,579,290	13,692	19,592,982
	<u>732,254,587</u>	<u>111,762,657</u>	<u>844,017,244</u>	<u>628,330,675</u>	<u>109,663,131</u>	<u>737,993,806</u>
<b>Financial institutions</b>						
Current deposits	1,683,647	779,458	2,463,105	1,364,423	1,922,927	3,287,350
Savings deposits	16,788,779	–	16,788,779	26,819,408	–	26,819,408
Term deposits	11,940,900	6,284	11,947,184	4,179,000	5,415	4,184,415
Others	2,156	–	2,156	1,078	–	1,078
	<u>30,415,482</u>	<u>785,742</u>	<u>31,201,224</u>	<u>32,363,909</u>	<u>1,928,342</u>	<u>34,292,251</u>
	<u>762,670,069</u>	<u>112,548,399</u>	<u>875,218,468</u>	<u>660,694,584</u>	<u>111,591,473</u>	<u>772,286,057</u>

Note

30 June 2022 (Un-Audited)	31 December 2021 (Audited)
Rupees in '000	

## 18. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	10,808,954	6,715,789
Mark-up / return / interest payable in foreign currencies	401,800	429,878
Unearned commission and income on bills discounted	773,456	532,943
Accrued expenses	1,356,048	1,258,346
Income taxation (provision less payments)	3,540,909	2,299,988
Acceptances	35,185,737	29,225,097
Unclaimed dividend	89,110	113,832
Branch adjustment account	1,070	558
Mark-to-market loss on forward foreign exchange contracts	7,200,683	2,939,889
Provision for compensated absences	273,715	264,715
Deferred liability on defined benefit plan	280,379	50,273
Provision against off-balance sheet obligations	18.1 32,583	32,583
Workers' welfare fund	18.2 2,283,500	2,022,500
Charity fund	14	4
Excise duty payable	3,213	2,629
Locker deposits	952,894	923,249
Advance against diminishing musharakah	52,948	82,808
Advance rental for ijarah	1,315	1,362
Security deposits against leases / ijarah	257,324	275,959
Sundry creditors	1,741,916	1,324,801
Lease liability against right-of-use assets	6,945,573	6,162,007
Withholding tax / duties	629,070	365,500
Others	164,421	19,865
	<u>72,976,632</u>	<u>55,044,575</u>



	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
<b>18.1 Provision against off-balance sheet obligations</b>		
Opening balance	32,583	113,716
Reversal for the period / year	—	(81,133)
Closing balance	<u>32,583</u>	<u>32,583</u>

The above represents provision against certain letters of credit and guarantee.

- 18.2** Under the Workers' Welfare Ordinance 1971, the Bank is liable to pay workers' welfare fund (WWF) @ 2% of accounting profit before tax or taxable income, whichever is higher. The Bank has made full provision for WWF based on profit for the respective years.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of WWF were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions, the judgement may not currently be treated as conclusive. Accordingly the Bank maintains its provision in respect of WWF.

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees in '000	
<b>19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of			
- Fixed assets	11.3	6,795,964	—
- Non-banking assets	14	2,249,299	2,249,327
- Available-for-sale securities	9.1	(6,003,830)	(2,875,287)
		<u>3,041,433</u>	<u>(625,960)</u>
Less: Deferred tax on surplus / (deficit) on revaluation of			
- Fixed assets		1,457,854	—
- Non-banking assets	19.1	675,854	877,238
- Available-for-sale securities		(2,581,647)	(1,121,362)
		<u>447,939</u>	<u>244,124</u>
		<u>3,489,372</u>	<u>(381,836)</u>

- 19.1** This includes reversal on account of the change in holding period as per tax laws.

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees in '000	
20. CONTINGENCIES AND COMMITMENTS			
Guarantees	20.1	119,901,783	112,912,689
Commitments	20.2	570,194,953	603,735,602
Other contingent liabilities	20.3	2,341,964	3,078,218
		692,438,700	719,726,509
20.1 Guarantees			
Financial guarantees		26,042,980	44,818,267
Performance guarantees		54,659,331	41,897,915
Other guarantees		39,199,472	26,196,507
		119,901,783	112,912,689
20.2 Commitments			
Documentary credits and short-term trade-related transactions:			
Letters of credit		228,535,709	198,716,273
Commitments in respect of:			
Forward exchange contracts	20.2.1	339,333,858	402,981,660
Forward lendings	20.2.2	2,019,841	1,902,213
Acquisition of operating fixed assets		305,545	135,456
		341,659,244	405,019,329
		570,194,953	603,735,602
20.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		181,204,263	216,511,732
Sale		158,129,595	186,469,928
		339,333,858	402,981,660

### 20.2.2 Commitments in respect of forward lendings

The Bank has made commitments to extend credit in the normal course of its business, but none of these commitments are irrevocable and do not attract any penalty if the facility is unilaterally withdrawn, except for:

	Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		———— Rupees in '000 ————	————
Commitments in respect of syndicate financing		<u>2,019,841</u>	<u>1,902,213</u>

### 20.3 Other contingent liabilities

Claims against bank not acknowledged as debt	20.3.1	2,235,908	2,972,162
Foreign exchange repatriation case	20.3.2	<u>106,056</u>	<u>106,056</u>
		<u>2,341,964</u>	<u>3,078,218</u>

**20.3.1** These mainly represent counter claims by borrowers for damages. Based on legal advice and internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these unconsolidated financial statements.

#### 20.3.2 Foreign exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporters, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has adjudicated penalty of Rs. 106,056 thousand, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgement. The Honorable High Court has granted relief to the Bank by way of interim orders. Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

## 21. DERIVATIVE FINANCIAL 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 values 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 mark-to-market gains and losses due on these contracts are recorded on 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.

These positions are reviewed on a regular basis by the Bank's Asset and Liability Committee (ALCO).

	Half year ended	
	30 June 2022	30 June 2021
	(Un-Audited)	
	Rupees in '000	
<b>22. MARK-UP / RETURN / INTEREST EARNED</b>		
Loans and advances	16,724,100	9,804,434
Investments	35,694,153	24,706,206
Lending with financial institutions	730,091	592,536
Balances with other banks	1,176	1,183
	<u>53,149,520</u>	<u>35,104,359</u>
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	22,255,111	13,148,453
Borrowings	11,530,016	5,342,339
Foreign currency swap cost	2,829,096	1,908,915
Lease liability against right-of-use assets	426,005	301,489
	<u>37,040,228</u>	<u>20,701,196</u>
<b>24. FEE &amp; COMMISSION INCOME</b>		
Branch banking customer fees	470,352	263,266
Credit related fees	26,852	20,366
Card related fees	361,145	265,556
Commission on trade	2,582,292	2,276,865
Commission on guarantees	352,514	339,859
Commission on remittances including home remittances	16,683	20,232
Commission on bancassurance	84,280	85,291
Commission on cash management	43,924	40,139
Others	42,466	6,199
	<u>3,980,508</u>	<u>3,317,773</u>
<b>25. GAIN / (LOSS) ON SECURITIES</b>		
Realised		
Federal government securities	21,810	9,050
Mutual funds	11,768	27,633
Shares	52,604	3,847
Unrealised - held-for-trading		
Federal government securities	-	4,604
	<u>86,182</u>	<u>45,134</u>
<b>26. OTHER INCOME</b>		
Rent on properties	17,712	5,577
Gain on sale of fixed assets - net	30,907	7,543
Gain on sale of non-banking assets	-	163,220
Gain on sale of ijarah assets - net	1,806	219
Staff notice period and other recoveries	234	447
	<u>50,659</u>	<u>177,006</u>

	Half year ended	
	30 June 2022	30 June 2021
	(Un-Audited)	
	Rupees in '000	
<b>27. OPERATING EXPENSES</b>		
Total compensation expense	4,379,938	3,549,958
<b>Property expense</b>		
Rent and taxes	33,357	112,584
Insurance	2,342	2,032
Utilities cost	334,652	209,166
Security (including guards)	316,596	227,242
Repair and maintenance (including janitorial charges)	250,969	190,401
Depreciation on owned fixed assets	268,208	212,213
Depreciation on right-of-use assets	616,677	460,333
	1,822,801	1,413,971
<b>Information technology expenses</b>		
Software maintenance	165,626	106,086
Hardware maintenance	125,877	80,718
Depreciation	124,140	104,183
Amortisation	40,422	33,941
Network charges	163,593	121,263
	619,658	446,191
<b>Other operating expenses</b>		
Directors' fees and allowances	6,549	6,903
Fees and allowances to Shariah Board	10,425	5,626
Legal and professional charges	103,771	62,039
Outsourced services costs	152,457	144,964
Travelling and conveyance	189,484	120,702
NIFT clearing charges	38,068	35,226
Depreciation	274,045	230,861
Depreciation - non-banking assets	201	18,004
Training and development	16,876	18,176
Postage and courier charges	66,009	56,183
Communication	65,792	63,276
Subscription	198,911	101,041
Repair and maintenance	64,865	48,502
Brokerage and commission	90,945	100,719
Stationery and printing	174,054	119,714
Marketing, advertisement and publicity	168,142	56,662
Management fee	330,862	242,127
Insurance	465,605	361,151
Donations	107,700	100,200
Auditors' Remuneration	6,089	4,800
Security	109,053	88,591
Others	349,106	184,950
	2,989,009	2,170,417
	9,811,406	7,580,537

	Note	Half year ended	
		30 June 2022	30 June 2021
		(Un-Audited)	
		Rupees in '000	
<b>28. OTHER CHARGES</b>			
Penalties imposed by the SBP		39,652	14,556
<b>29. PROVISIONS AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	9.2	117,660	(1,230)
Provision against loans and advances - net	10.3	1,000,000	2,081,798
Provision against other assets / off-balance sheet obligations		—	(305,133)
Recovery of written off bad debts		(55,722)	(1,500)
		1,061,938	1,773,935
<b>30. TAXATION</b>			
Current		6,227,284	3,962,948
Prior year		—	—
Deferred		(743,464)	(506,037)
		5,483,820	3,456,911
<b>30.1</b>	Income tax assessments of the Bank have been finalised up to the tax year 2021 (corresponding to the accounting year ended 31 December 2020). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal), Appellate Tribunal Inland Revenue (ATIR) and Sindh High Court. However, adequate provisions are being held by the Bank.		
<b>31. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation		6,549,640	6,228,082
		Number in '000	
Weighted average number of ordinary shares		1,047,831	1,047,831
		Rupees	
Basic and diluted earnings per share		6.25	5.94

## 32. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investments in subsidiaries and those classified as held-to-maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

The fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since they are either short-term in nature or, in the case of customer advances, deposits and certain long term borrowings are frequently repriced.

### 32.1 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 liabilities, 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:

#### On balance sheet financial instruments

	30 June 2022 (Un-Audited)				
	Carrying / notional value	Fair value			
		Level 1	Level 2	Level 3	Total
	Rupees in '000				
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	574,445,836	-	574,445,836	-	574,445,836
Sukuk certificates and bonds	7,193,122	-	7,193,122	-	7,193,122
Ordinary shares of listed companies	2,052,674	2,052,674	-	-	2,052,674
Mutual funds - open end	12,875	-	12,875	-	12,875
- close end	5,014	5,014	-	-	5,014
Real estate investment trust	1,476,738	1,476,738	-	-	1,476,738
Listed term finance certificates	1,002,707	-	1,002,707	-	1,002,707
Unlisted term finance certificates	3,725,000	-	3,725,000	-	3,725,000
Financial assets - disclosed but not measured at fair value					
- Investments					
- Held-to-maturity securities					
Federal government securities	100,346,048	-	97,913,058	-	97,913,058
Certificates of investments	4,550,000	-	-	-	-
- Subsidiaries					
Ordinary shares of listed companies	180,000	126,000	-	-	126,000
Ordinary shares of unlisted companies	650,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	52,658	-	-	-	-
	695,692,672	3,660,426	684,292,598	-	687,953,024
Off-balance sheet financial instruments measured at fair value					
- Forward purchase of foreign exchange contracts	181,204,263	-	192,116,243	-	192,116,243
- Forward sale of foreign exchange contracts	158,129,595	-	151,591,288	-	151,591,288

## On balance sheet financial instruments

	Carrying / notional value	31 December 2021 (Audited)			
		Fair value			Total
		Level 1	Level 2	Level 3	
		Rupees in '000			
Financial assets measured at fair value					
- Investments					
- Available-for-sale securities					
Federal government securities	626,584,902	–	626,584,902	–	626,584,902
Sukuk certificates and bonds	7,427,221	–	7,427,221	–	7,427,221
Ordinary shares of listed companies	1,244,940	1,244,940	–	–	1,244,940
Mutual funds - open end	17,154	–	17,154	–	17,154
- close end	6,523	6,523	–	–	6,523
Real estate investment trust	740,708	740,708	–	–	740,708
Listed term finance certificates	1,097,572	–	1,097,572	–	1,097,572
Unlisted term finance certificates	2,425,000	–	2,425,000	–	2,425,000

## Financial assets - disclosed but not measured at fair value

- Investments					
- Held-to-maturity securities					
Federal government securities	22,469,135	-	20,751,532	-	20,751,532
Certificates of investments	5,100,000	-	-	-	-
- Subsidiaries					
Ordinary shares of listed company	180,000	181,800	-	-	181,800
Ordinary shares of unlisted companies	650,000	-	-	-	-
- Available-for-sale securities					
Ordinary shares of unlisted companies	52,658	-	-	-	-
	<u>667,995,813</u>	<u>2,173,971</u>	<u>658,303,381</u>	<u>-</u>	<u>660,477,352</u>

## Off-balance sheet financial instruments measured at fair value

- Forward purchase of foreign exchange contracts	<u>216,511,732</u>	<u>-</u>	<u>221,433,072</u>	<u>-</u>	<u>221,433,072</u>
- Forward sale of foreign exchange contracts	<u>186,469,928</u>	<u>-</u>	<u>184,826,488</u>	<u>-</u>	<u>184,826,488</u>



### 32.2 Fair value of non-financial assets

		30 June 2022 (Un-Audited)				
		Carrying value	Fair value			Total
			Level 1	Level 2	Level 3	
		Rupees in '000				
Non-financial assets measured at fair value						
-	Fixed assets	10,488,384	-	-	10,488,384	10,488,384
-	Non-banking assets acquired in satisfaction of claim	4,546,695	-	-	4,546,895	4,546,895
		<u>15,035,079</u>	<u>-</u>	<u>-</u>	<u>15,035,279</u>	<u>15,035,279</u>
		31 December 2021 (Audited)				
		Carrying value	Fair value			Total
			Level 1	Level 2	Level 3	
		Rupees in '000				
Non-financial assets measured at fair value						
-	Fixed assets	-	-	-	-	-
-	Non-banking assets acquired in satisfaction of claim	4,546,895	-	-	4,546,895	4,546,895
		<u>4,546,895</u>	<u>-</u>	<u>-</u>	<u>4,546,895</u>	<u>4,546,895</u>

### 32.3 Valuation techniques used in determination of fair valuation of financial instruments within level 2

Federal government debt securities	The fair value of government securities are valued using PKRV rates.
Debt securities other than federal government securities	The fair value is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Reuters website.
Forward contracts	The fair values are derived using forward exchange rates applicable to their respective remaining maturities.
Mutual funds	The fair value is determined based on the net asset values published at the close of each business day.

### Valuation techniques used in determination of fair values of non-financial assets within level 3

Fixed assets and non-banking assets acquired in satisfaction of claim	<p>Fixed assets and non-banking assets are valued by professionally qualified valuers. The valuation is based on their assessment of the market value of the assets. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.</p> <p>The fair value is subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.</p>
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### 33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	30 June 2022 (Un-Audited)			
	Trade & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000			
Profit and loss				
Net mark-up / return / profit	25,858,467	(9,765,627)	16,452	16,109,292
Inter segment revenue - net	(25,375,204)	16,426,479	8,948,725	-
Non mark-up / interest income	3,126,622	376,357	3,595,185	7,098,164
Total Income	3,609,885	7,037,209	12,560,362	23,207,456
Segment direct expenses	(167,482)	-	-	(167,482)
Inter segment expense allocation	-	(2,658,824)	(7,285,752)	(9,944,576)
Total expenses	(167,482)	(2,658,824)	(7,285,752)	(10,112,058)
Provisions	(117,660)	-	(944,278)	(1,061,938)
Profit before tax	3,324,743	4,378,385	4,330,332	12,033,460
Balance sheet				
Cash and bank balances	6,979,045	24,614,831	38,061,609	69,655,485
Investments - net	695,692,672	-	-	695,692,672
Net inter segment lending	-	332,967,236	232,763,546	565,730,782
Lendings to financial institutions	44,343,478	-	-	44,343,478
Advances - performing	-	12,087,369	443,877,315	455,964,684
Advances - non-performing	-	16,087	15,967,949	15,984,036
Provision against advances	-	(85,917)	(21,733,725)	(21,819,642)
Others	24,638,320	8,192,274	62,121,830	94,952,424
Total assets	771,653,515	377,791,880	771,058,524	1,920,503,919
Borrowings	160,823,539	-	150,130,002	310,953,541
Deposits and other accounts	-	344,844,714	530,373,754	875,218,468
Net inter segment borrowing	565,730,782	-	-	565,730,782
Others	7,842,367	13,571,281	77,009,893	98,423,541
Total liabilities	734,396,688	358,415,995	757,513,649	1,850,326,332
Net assets	37,256,827	19,375,885	13,544,875	70,177,587
Equity				70,177,587
Contingencies & commitments	339,333,858	3,631,691	349,473,151	692,438,700

Trade & Sales	Retail Banking	Commercial Banking	Total
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Net mark-up / return / profit	20,798,591	(5,791,058)	(604,370)	14,403,163
Inter segment revenue - net	(16,567,436)	9,897,247	6,670,189	-
Non mark-up / interest income	1,371,613	247,064	3,244,181	4,862,858
Total income	5,602,768	4,353,253	9,310,000	19,266,021
Segment direct expenses	(133,923)	-	-	(133,923)
Inter segment expense allocation	-	(2,108,625)	(5,564,545)	(7,673,170)
Total expenses	(133,923)	(2,108,625)	(5,564,545)	(7,807,093)
Provisions	1,230	3,059	(1,778,224)	(1,773,935)
Profit before tax	5,470,075	2,247,687	1,967,231	9,684,993

Cash and bank balances	2,649,703	34,684,524	49,047,488	86,381,715
Investments - net	667,995,813	-	-	667,995,813
Net inter segment lending	-	305,348,808	160,736,928	466,085,736
Lendings to financial institutions	3,941,284	-	-	3,941,284
Advances - performing	-	7,405,032	395,085,834	402,490,866
Advances - non-performing	-	46,465	16,841,239	16,887,704
Provision against advances	-	(67,479)	(20,929,169)	(20,996,648)
Others	14,155,052	3,400,723	50,159,931	67,715,706
Total assets	<u>688,741,852</u>	<u>350,818,073</u>	<u>650,942,251</u>	<u>1,690,502,176</u>
Borrowings	185,880,952	-	130,285,560	316,166,512
Deposits and other accounts	-	321,412,476	450,873,581	772,286,057
Net inter segment borrowing	466,085,736	-	-	466,085,736
Others	3,170,266	10,164,454	59,654,499	72,989,219
Total liabilities	<u>655,136,954</u>	<u>331,576,930</u>	<u>640,813,640</u>	<u>1,627,527,524</u>
Net assets	<u>33,604,898</u>	<u>19,241,143</u>	<u>10,128,611</u>	<u>62,974,652</u>
Equity				<u>62,974,652</u>
Contingencies and commitments	402,981,660	10,555,599	306,189,250	719,726,509

### 34. RELATED PARTIES TRANSACTIONS

The Bank has related party relationships with its holding company, subsidiaries, associates, companies with common directorship, key management personnel, directors and employees' retirement benefit plans.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions in respect of charge for employees' retirement benefits are made in accordance with actuarial valuation and terms of contribution plan. Salaries and allowances of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Details of transactions with related parties are as follows:

	30 June 2022 (Un-Audited)						
	Holding company	Subsidiaries companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Balances with other banks</b>							
In current accounts	162,078	-	209,403	-	-	-	371,481
<b>Investments</b>							
Opening balance	-	3,930,000	-	-	-	-	3,930,000
Investment made during the period	-	9,350,000	-	-	-	-	9,350,000
Investment redeemed / disposed off during the period	-	(7,900,000)	-	-	-	-	(7,900,000)
Closing balance	-	5,380,000	-	-	-	-	5,380,000
<b>Advances</b>							
Opening balance	-	-	5,272,235	195,796	-	-	5,468,031
Addition during the period	-	-	40,699,784	77,071	-	-	40,776,855
Repaid during the period	-	-	(41,097,825)	(61,513)	-	-	(41,159,338)
Closing balance	-	-	4,874,194	211,354	-	-	5,085,548
<b>Other Assets</b>							
Mark-up / return / interest accrued	-	71,447	17,416	-	-	-	88,863
Prepayments / advance deposits / other receivable	468	175	57,196	-	-	-	57,839
	468	71,622	74,612	-	-	-	146,702
<b>Deposits and other accounts</b>							
Opening balance	174,007	786,214	25,194,705	313,576	813,302	1,770,568	29,052,372
Received during the period	5,037,195	76,518,068	1,237,949,799	1,207,777	2,192,082	3,631,777	1,326,536,698
Withdrawn during the period	(5,013,934)	(76,544,704)	(1,242,242,846)	(1,164,610)	(2,256,278)	(4,480,726)	(1,331,703,098)
Closing balance	197,268	759,578	20,901,658	356,743	749,106	921,619	23,885,972
<b>Other Liabilities</b>							
Mark-up / return / interest payable	-	9,454	82,351	2,702	5,780	18,008	118,295
Management fee payable for technical and consultancy services*	202,183	-	-	-	-	-	202,183
Other payables	-	-	2,513	-	670	280,379	283,562
	202,183	9,454	84,864	2,702	6,450	298,387	604,040
<b>Contingencies &amp; commitments</b>							
Transaction-related contingent liabilities	-	-	8,158,156	-	-	-	8,158,156
Trade-related contingent liabilities	-	-	2,432,026	-	-	-	2,432,026
	-	-	10,590,182	-	-	-	10,590,182

\* Management fee is as per the agreement with the holding company.

31 December 2021 (Audited)

	Holding company	Subsidiaries companies	Associates	Key management personnel	Directors	Retirement benefit plans	Total
	Rupees in '000						
<b>Balances with other banks</b>							
In current accounts	184,060	–	217,741	–	–	–	401,801
<b>Investments</b>							
Opening balance	–	2,505,000	–	–	–	–	2,505,000
Investment made during the year	–	11,625,000	–	–	–	–	11,625,000
Investment redeemed / disposed off during the year	–	(10,200,000)	–	–	–	–	(10,200,000)
Closing balance	–	3,930,000	–	–	–	–	3,930,000
<b>Advances</b>							
Opening balance	–	–	4,592,651	195,938	–	–	4,788,589
Addition during the year	–	–	50,576,167	72,882	–	–	50,649,049
Repaid during the year	–	–	(49,896,583)	(73,024)	–	–	(49,969,607)
Closing balance	–	–	5,272,235	195,796	–	–	5,468,031
<b>Other Assets</b>							
Mark-up / return / interest accrued	–	34,156	12,176	–	–	–	46,332
Prepayments / advance deposits / other receivable	468	175	53,123	–	–	–	53,766
	468	34,331	65,299	–	–	–	100,098
<b>Deposits and other accounts</b>							
Opening balance	213,306	761,695	8,616,374	282,595	661,230	1,583,951	12,119,151
Received during the year	16,783,470	137,039,859	2,471,984,583	2,073,559	4,685,345	6,965,148	2,639,531,964
Withdrawn during the year	(16,822,769)	(137,015,340)	(2,455,406,252)	(2,042,578)	(4,533,273)	(6,778,531)	(2,622,598,743)
Closing balance	174,007	786,214	25,194,705	313,576	813,302	1,770,568	29,052,372
<b>Other Liabilities</b>							
Mark-up / return / interest payable	–	3,530	140,634	1,977	3,248	9,993	159,382
Management fee payable for technical and consultancy services*	76,826	–	–	–	–	–	76,826
Other payables	–	–	470	–	670	50,273	51,413
	76,826	3,530	141,104	1,977	3,918	60,266	287,621
<b>Contingencies and commitments</b>							
Transaction-related contingent liabilities	–	–	7,353,818	–	–	–	7,353,818
Trade-related contingent liabilities	–	–	3,929,204	–	–	–	3,929,204
	–	–	11,283,022	–	–	–	11,283,022

\* Management fee is as per the agreement with the holding company.

## Transactions during the period

	For the period ended 30 June 2022 (Un-Audited)						Total
	Holding company	Subsidiaries companies	Associates	Key management personnel	Directors	Retirement benefit plans	
	Rupees in '000						
<b>Income</b>							
Mark-up / return / interest earned	–	215,805	202,925	6,744	–	–	425,474
Fee and commission income	1,092	962	136,197	–	83	–	138,334
Rent income	2,808	2,724	4,257	–	–	–	9,789
<b>Expense</b>							
Mark-up / return / interest expensed	–	25,090	556,058	9,872	11,912	37,079	640,011
Commission / brokerage / bank charges paid	213	–	321	–	–	–	534
Salaries and allowances	–	–	–	404,786	–	–	404,786
Directors' fees and allowances	–	–	–	–	6,549	–	6,549
Charge to defined benefit plan	–	–	–	–	–	193,964	193,964
Contribution to defined contribution plan	–	–	–	–	–	140,344	140,344
Insurance premium expenses	–	–	9,345	–	–	–	9,345
Management fee expense for technical and consultancy services *	330,862	–	–	–	–	–	330,862
Donation	–	–	10,960	–	–	–	10,960

\* Management fee is as per the agreement with the holding company.

**Transactions during the period**

	For the period ended 30 June 2021 (Un-Audited)					
	Holding company	Subsidiaries companies	Associates	Key management personnel	Directors	Retirement benefit plans
	Rupees in '000					
<b>Income</b>						
Mark-up / return / interest earned	–	74,779	22,643	5,263	–	–
Fee and commission income	1,205	385	121,510	–	52	–
Rent income	2,808	2,674	–	–	–	–
<b>Expenses</b>						
Mark-up / return / interest expensed	–	20,476	401,937	8,086	16,567	72,429
Commission / brokerage / bank charges paid	746	150	498	–	–	–
Salaries and allowances	–	–	–	330,791	–	–
Directors' fees and allowances	–	–	–	–	6,903	–
Charge to defined benefit plan	–	–	–	–	–	88,430
Contribution to defined contribution plan	–	–	–	–	–	122,990
Insurance premium expenses	–	–	6,473	–	–	–
Management fee expense for technical and consultancy services *	242,127	–	–	–	–	–
Donation	–	–	10,960	–	–	–

\* Management fee is as per the agreement with the holding company .

### 35. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,478,315	10,478,315
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	66,082,830	61,269,601
Eligible additional tier 1 (ADT 1) capital	–	–
Total eligible tier 1 capital	66,082,830	61,269,601
Eligible tier 2 capital	7,567,419	4,961,773
Total eligible capital (tier 1 + tier 2)	73,650,249	66,231,374
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	451,802,195	396,800,985
Market risk	1,144,875	7,211,352
Operational risk	65,559,513	65,559,513
Total	518,506,583	469,571,850
CET1 capital adequacy ratio	12.74%	13.05%
Tier 1 capital adequacy ratio	12.74%	13.05%
Total capital adequacy ratio	14.20%	14.10%
<b>Minimum capital requirements prescribed by the SBP</b>		
CET 1 capital adequacy ratio	6.00%	6.00%
Tier 1 capital adequacy ratio	7.50%	7.50%
Total capital adequacy ratio	11.50%	11.50%
The Bank uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.		
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	66,082,830	61,269,601
Total exposures	1,743,053,540	1,574,755,326
Leverage ratio	3.79%	3.89%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	524,498,754	526,946,577
Total net cash outflow	285,536,892	238,721,264
Liquidity coverage ratio	184%	221%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	781,373,749	673,882,160
Total required stable funding	470,789,501	357,301,438
Net stable funding ratio	166%	189%



### 36. ISLAMIC BANKING BUSINESS

The bank is operating 52 (31 December 2021: 49) Islamic banking branches and 221 (31 December 2021: 218) Islamic banking windows at the end of the period.

STATEMENT OF FINANCIAL POSITION		Note	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
		Rupees in '000		
ASSETS				
Cash and balances with treasury banks			9,053,566	8,065,686
Balances with other banks			–	–
Due from financial institutions	36.1		–	3,500,000
Investments	36.2		36,088,465	30,384,762
Islamic financing and related assets - net	36.3		102,545,943	78,657,185
Fixed assets	36.4		589,094	635,471
Intangible assets			–	–
Due from head office			2,454,957	5,125,784
Other assets			5,005,432	3,017,036
Total Assets			155,737,457	129,385,924
LIABILITIES				
Bills payable			1,522,528	1,445,125
Due to financial institutions			34,821,421	32,048,365
Deposits and other accounts	36.5		104,977,949	83,953,361
Due to head office			–	–
Subordinated debt			–	–
Other liabilities	36.4		3,683,846	2,731,703
			145,005,744	120,178,554
NET ASSETS			10,731,713	9,207,370
REPRESENTED BY				
Islamic banking fund			9,005,121	7,504,413
Reserves			–	–
Deficit on revaluation of assets			(529,275)	(725,275)
Unappropriated profit	36.9		2,255,867	2,428,232
			10,731,713	9,207,370
CONTINGENCIES AND COMMITMENTS		36.6		

The profit and loss account of the Bank's Islamic banking branches for the period ended 30 June 2022 is as follows:

	Note	Half year ended	
		30 June 2022	30 June 2021
		(Un-Audited)	
		Rupees in '000	
<b>PROFIT AND LOSS ACCOUNT</b>			
Profit / return earned	36.7	5,305,065	3,118,996
Profit / return expensed	36.8	(2,792,852)	(1,938,462)
<b>Net Profit / return</b>		<b>2,512,213</b>	<b>1,180,534</b>
<b>Other income</b>			
Fee and commission income		256,001	159,324
Dividend income		–	279
Foreign exchange income		57,389	46,566
Gain / (loss) on securities		(11)	12,050
Other income		1,864	357
<b>Total other income</b>		<b>315,243</b>	<b>218,576</b>
<b>Total Income</b>		<b>2,827,456</b>	<b>1,399,110</b>
<b>Other expenses</b>			
Operating expenses		625,048	416,847
Workers' welfare fund		–	–
Other charges		485	609
<b>Total other expenses</b>		<b>625,533</b>	<b>417,456</b>
Profit before provisions		2,201,923	981,654
Provisions and write offs - net		53,944	35,066
<b>Profit before taxation</b>		<b>2,255,867</b>	<b>1,016,720</b>

### 36.1 Due from Financial Institutions

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Unsecured						
Mudaraba placements	-	-	-	3,500,000	-	3,500,000

### 36.2 Investments by segments:

	30 June 2022 (Unaudited)				31 December 2021 (Audited)			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal Government Securities:								
Ijarah Sukuk	21,223,158	-	(266,625)	20,956,533	19,523,163	-	(396,332)	19,126,831
Islamic naya Pakistan certificate mudaraba investment pool	3,388,810	-	-	3,388,810	730,711	-	-	730,711
	24,611,968	-	(266,625)	24,345,343	20,253,874	-	(396,332)	19,857,542
Non-Government Debt Securities								
Listed	6,975,772	-	(264,712)	6,711,060	7,076,163	-	(336,554)	6,739,609
Unlisted	5,030,000	-	2,062	5,032,062	3,780,000	-	7,611	3,787,611
	12,005,772	-	(262,650)	11,743,122	10,856,163	-	(328,943)	10,527,220
Total investments	36,617,740	-	(529,275)	36,088,465	31,110,037	-	(725,275)	30,384,762

### 36.3 Islamic financing and related assets - net

	30 June 2022 (Un-Audited)				31 December 2021 (Audited)			
	Financing	Advances	Inventory	Total	Financing	Advances	Inventory	Total
	Rupees in '000							
Ijarah	664,534	275,308	-	939,842	583,298	128,997	-	712,295
Ijarah - islamic long term financing facility	46,967	-	-	46,967	74,207	-	-	74,207
Murabaha	6,804,658	1,087,590	-	7,892,248	6,105,881	563,205	-	6,669,086
Working capital musharaka	30,320,687	-	-	30,320,687	21,050,328	-	-	21,050,328
Diminishing musharaka	13,968,387	2,754,895	-	16,723,282	11,736,112	377,959	-	12,114,071
Salam	40,000	-	-	40,000	128,000	-	-	128,000
Istisna	8,754,452	2,599,232	75,406	11,429,090	2,677,387	3,040,426	-	5,717,813
Al-bai	588,439	-	1,000	589,439	536,632	-	16,961	553,593
Diminishing musharaka:								
Islamic long term financing facility	2,485,377	969,680	-	3,455,057	863,436	1,528,029	-	2,391,465
Islamic refinance scheme for payment of wages and salaries	592,036	93,534	-	685,570	1,046,640	93,534	-	1,140,174
Islamic financing facility for storage of agricultural produce	-	598,035	-	598,035	-	598,035	-	598,035
Islamic temporary economic refinance facility	7,626,297	5,832,637	-	13,458,934	422,229	13,064,204	-	13,486,433
Islamic financing facility for renewable energy	216,979	279,301	-	496,280	-	250,848	-	250,848
Islamic Export Refinance								
Murabaha	350,121	32,000	-	382,121	760,819	-	-	760,819
Working capital musharaka	12,818,806	-	-	12,818,806	10,257,000	-	-	10,257,000
Salam	60,000	-	-	60,000	60,000	61,920	-	121,920
Istisna	886,200	1,440,805	-	2,327,005	2,259,110	1,075,000	-	3,334,110
Al-bai	43,588	-	895,891	939,479	7,832	-	-	7,832
Gross islamic financing and related assets	86,267,528	15,963,017	972,297	103,202,842	58,568,911	20,782,157	16,961	79,368,029
Provision against non-performing islamic financings								
Specific	(646,823)	-	-	(646,823)	(704,654)	-	-	(704,654)
General	(10,076)	-	-	(10,076)	(6,190)	-	-	(6,190)
	(656,899)	-	-	(656,899)	(710,844)	-	-	(710,844)
Islamic financing and related assets - net of provision	85,610,629	15,963,017	972,297	102,545,943	57,858,067	20,782,157	16,961	78,657,185

### 36.4 Fixed assets and other liabilities

At 30 June 2022, fixed asset include right-of-use assets of Rs. 488,122 thousand (31 December 2021: Rs. 545,830 thousand) and other liabilities include related lease liability of Rs. 580,567 thousand (31 December 2021: Rs. 615,776 thousand).

### 36.5 Deposits

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)		
	Customers	Financial Institutions	Total	Customers	Financial Institutions	Total
	Rupees in '000					
Current deposits	33,811,458	114,387	33,925,845	27,676,595	67,307	27,743,902
Savings deposits	35,713,189	9,868,772	45,581,961	31,155,998	5,875,671	37,031,669
Term deposits	19,433,150	3,967,000	23,400,150	17,285,722	217,000	17,502,722
Others	2,069,993	-	2,069,993	1,675,068	-	1,675,068
	<u>91,027,790</u>	<u>13,950,159</u>	<u>104,977,949</u>	<u>77,793,383</u>	<u>6,159,978</u>	<u>83,953,361</u>

### 36.6 Contingencies and commitments

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
Guarantees	9,594,002	8,252,346
Commitments	<u>22,672,846</u>	<u>22,215,654</u>
	<u>32,266,848</u>	<u>30,468,000</u>

### 36.7 Profit / return earned of financing, investments and placement

	30 June 2022 (Un-Audited)	30 June 2021 (Audited)
	Rupees in '000	
Financing	3,716,946	1,971,836
Investments	1,500,432	1,029,517
Placements	<u>87,687</u>	<u>117,643</u>
	<u>5,305,065</u>	<u>3,118,996</u>

### 36.8 Profit on deposits and other dues expensed

	30 June 2022 (Un-Audited)	30 June 2021 (Audited)
	Rupees in '000	
Deposits and other accounts	2,406,438	1,741,953
Due to financial institutions	354,297	169,173
Discount expense on lease liability against right-of-use assets	<u>32,117</u>	<u>27,336</u>
	<u>2,792,852</u>	<u>1,938,462</u>

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
	Rupees in '000	
<b>36.9 Unappropriated profit</b>		
Opening balance	2,428,232	1,367,552
Add: islamic banking profit for the period	2,255,867	2,428,232
Less: transferred to head office	(2,428,232)	(1,367,552)
Closing balance	<u>2,255,867</u>	<u>2,428,232</u>

### 37. GENERAL

The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

37.1 Corresponding figures have been re-classified, re-arranged or additionally incorporated in these unconsolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation.

### 38. NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE / DATE OF AUTHORISATION FOR ISSUE

38.1 The Board of Directors in its meeting held on 18 August 2022 has approved an interim cash dividend of Rs. 2 per share (2021: interim cash dividend of Rs. 2 per share).

38.2 These unconsolidated condensed interim financial statements were authorised for issue on 18 August 2022 by the Board of Directors of the Bank.

FUZAIL ABBAS  
Chief Financial Officer

MOHSIN A. NATHANI  
President &  
Chief Executive Officer

MOHOMED BASHIR  
Director

RASHID AHMED JAFER  
Director

MOHAMEDALI R. HABIB  
Chairman